

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

Financial Highlights for 2020:

- **Gross Gaming Revenue (GGR)** of US\$869.6 million
- Earnings Before Interest, Tax, Depreciation and Amortization (**EBITDA**) of US\$265.2 million
- **Net profit** of US\$102.3 million
- Mass Market Tables GGR of US\$174.3 million
- Mass Market Electronic Gaming Machines (**EGM**) GGR of US\$82.4 million
- VIP Market GGR of US\$613.0 million
- Basic earnings per share of US cents 2.36

Since the re-opening of the casino businesses on 8 July 2020, NagaCorp Ltd. (the “**Company**”) together with its subsidiaries (collectively referred to as the “**Group**”), have recorded an initial recovery rate (compared to the pre-closure period of 1Q2020) of about 95% for the Mass Market Segment and about 69% for the VIP Market Segment. The satisfactory recovery of the gaming business volumes and revenues was largely contributed by a reasonably sized expatriate community and to some extent, visitors from East Asia (mainly from China, South Korea and Taiwan) patronising NagaWorld in search of entertainment. With its attractive and quality facilities and located strategically in the city-centre, NagaWorld has since its inception been the focal point of leisure and entertainment activities in Phnom Penh. Hence, despite the prolonged regional travel restrictions and reduction in most international flights, the Group’s Mass Market segment has been quite steady.

As a result of the re-opening and business volume recovery, 2H2020 EBITDA and net profit increased sequentially by about 99% and about 297% respectively, compared to 1H2020. The Group generated GGR, EBITDA and net profit of US\$869.6 million, US\$265.2 million and US\$102.3 million, respectively, for the financial year ended 31 December 2020 (the “**Year**”).

Since its inception, the Group believes that investing and emphasizing on the mass market is the foundation of a steady source of revenue which generates higher margin as reflected and proven on the published yearly results.

In 4Q2020, the Mass Market Tables’ average daily buy-ins increased by about 23% sequentially to US\$3.91 million compared to 3Q2020. Furthermore, Mass Market Tables’ average daily table buy-ins recorded in 4Q2020 has exceeded the corresponding average daily volume recorded in 1Q2020 (prior to the temporary closure of casino operations). The overall steady recovery of Mass Market Tables was mainly supported by stable growth in the premium mass segment, which contributed about 37% of Mass Market Tables GGR recorded in 2H2020 (compared with 1Q2020 Mass Market Tables GGR is 30%).

As at 31 December 2020, the Company had cash and deposits of US\$452.0 million, and maintained a relatively low net debt to EBITDA ratio of 0.7x. The cash and deposits balance has increased further to US\$507.0 million as at 4 March 2021. The Company has sufficient cash reserves set aside to repay the existing US\$300 million 9.375% senior notes due in May 2021 (the “**2021 Senior Notes**”). Assuming full repayment of the existing 2021 Senior Notes, the Company will not have any debt refinancing obligation until July 2024.

The board of directors of the Company (the “**Board**”) noted that the COVID-19 global pandemic has affected corporates’ dividend program globally, causing dividend cut or suspension. In contrast, the Group continues to benefit from its good balance sheet strength and steady operating cash flow. Looking ahead, the Company believes that the rollout of vaccination, and eventually the anticipated gradual border reopening throughout Asia may most likely further improve the economy and tourism sector of Cambodia, which is expected to contribute positively to the Group’s business. As such, the Company has decided to recommend a special “hardship relief dividend” to all of its shareholders (the “**Shareholders**”).

As a reward to the Shareholders who believe in the long-term growth of the Group despite today's difficult times and in order to alleviate any sufferings, if any, of these loyal Shareholders who have stayed on faithfully with us during the COVID-19 crisis, the Board has recommended an unprecedented 100% dividend payout of net profits generated for the second half of 2020 as final dividend for the year ended 31 December 2020. Accordingly, a final dividend for the Shareholders of US cents 1.88 per share of the Company (the “**Share**”) (or equivalent to HK cents 14.57 per Share) (the “**Final Dividend**”) has been proposed. The proposed Final Dividend, and the interim dividend for the six months ended 30 June 2020, in the aggregate amount of US cents 2.17 per Share (or equivalent to HK cents 16.82 per Share) represent a dividend payout ratio of 92% based on the net profit generated for the Year. For each six month period in the future years, the Company shall review, assess and where appropriate, revise its dividend policy in accordance with the Company's revenues, global economic, COVID-19 conditions and other factors.

This marks the Group's track record of uninterrupted relatively high annual dividend pay-out, with a total dividend distribution exceeding US\$1.5 billion since its IPO in 2006.

NagaWorld Kind Hearts ESG Initiatives honoured with 4 Stevie® Awards for 2nd year running

NagaWorld Kind Hearts has won 4 Stevie® Awards trophies at the prestigious 17th Annual International Business Awards® – one Silver Stevie® Award and two Bronze Stevie® Awards in the Corporate Social Responsibility Program of the Year in Asia, Australia and New Zealand category and one Bronze Stevie® Award in the newly-formed Most Valuable Corporate Response to COVID-19 category. This marks the second successive year that the NagaWorld Kind Hearts CSR team and volunteers have received multiple accolades in the competition for their extensive range of initiatives contributing towards underprivileged communities and the nation building of Cambodia.

The International Business Awards® give worldwide recognition to the achievements and positive contributions of organisations and working professionals over the past year. The 17th edition saw organisers receive more than 3,800 nominations from organisations in almost every industry across 63 nations. Winning Stevie® Awards is a recognition of many of our efforts, hard work and commitment to develop a set of ESG initiatives for a company which has been operating for many years in Cambodia. Having our hard work, our nation building initiatives, our reinvestment back into local communities and being recognized internationally spur us on for our business and pave the way for us to develop a set of measurable metrics for more accountability to our stakeholders in a developing nation on the ESG front.

The Silver Stevie® Award was given for ‘Fostering Development With NagaWorld Kind Hearts’, which refers to the comprehensive range of CSR activities conducted during 2019 and which form the foundation stone for a set of developing ESG initiatives. The three Bronze Stevie® Awards were given for ‘Nation Building for Cambodia’s Youth and National Sports Development’, ‘NagaWorld Kind Hearts – Helping Create A Sustainable, Greener Cambodia’ and ‘NagaWorld Battles COVID-19 with Pro-Active Preventive Measures’. Focusing on 4 key pillars – Education Enhancement, Community Engagement, Sports Development and Environmental Care – help the efforts of NagaWorld Kind Hearts programmes attaining transformative changes in the lives of over 390,000 underprivileged youths and community members to date.

Subject to the approval of the Shareholders at the annual general meeting of the Company to be held on Thursday, 27 May 2021 (the “**2021 AGM**”), the Company will pay the Final Dividend on or about Monday, 5 July 2021.

The Board is pleased to announce the consolidated financial results of the Group for the Year. The financial information for the Year contained in this announcement was prepared based on the audited consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2020

	<i>Notes</i>	2020 US\$'000	2019 <i>US\$'000</i>
Revenue	<i>2</i>	878,681	1,755,466
Cost of sales		(451,676)	(909,162)
Gross profit		427,005	846,304
Other income		4,694	10,806
Administrative expenses		(61,063)	(61,256)
Other operating expenses		(205,275)	(224,002)
Profit from operations		165,361	571,852
Finance costs	<i>3</i>	(33,226)	(20,210)
Profit before taxation	<i>4</i>	132,135	551,642
Income tax	<i>5</i>	(29,832)	(30,364)
Profit attributable to owners of the Company		102,303	521,278
Earnings per share (US cents)			
Basic	<i>7</i>	2.36	12.01
Diluted	<i>7</i>	2.36	12.01

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Profit for the year	102,303	521,278
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss		
– exchange differences from translation of foreign operations	<u>(894)</u>	<u>555</u>
Total comprehensive income attributable to the owners of the Company for the year	<u>101,409</u>	<u>521,833</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Non-current assets			
Property, plant and equipment	9	1,673,717	1,594,848
Right-of-use assets		90,194	85,758
Intangible assets	10	67,914	70,631
Prepayments for acquisition, construction and fitting-out of property, plant and equipment		134,511	129,523
Promissory notes	11	9,196	9,992
		1,975,532	1,890,752
Current assets			
Consumables		1,984	2,767
Trade and other receivables	12	119,810	126,772
Restricted bank balance, fixed deposits and other liquid funds		14,263	53,353
Cash and cash equivalents		437,741	273,377
		573,798	456,269
Current liabilities			
Trade and other payables	13	148,431	159,407
Senior notes	15	298,547	—
Contract liabilities		8,581	9,963
Lease liabilities		7,809	2,761
Current tax liability		3,413	2,968
		466,781	175,099
Net current assets		107,017	281,170
Total assets less current liabilities		2,082,549	2,171,922
Non-current liabilities			
Other payables	13	4,907	4,502
Senior notes	15	337,102	294,813
Contract liabilities		28,000	35,396
Lease liabilities		56,074	48,840
		426,083	383,551
NET ASSETS		1,656,466	1,788,371
CAPITAL AND RESERVES			
Share capital	14	54,263	54,263
Reserves		1,602,203	1,734,108
TOTAL EQUITY		1,656,466	1,788,371

Notes:

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

The consolidated financial statements for the Year have been prepared in accordance with all applicable International Financial Reporting Standards, International Accounting Standards and Interpretations (hereinafter collectively referred to as “**IFRS**”) issued by the International Accounting Standards Board (IASB). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments which were measured at fair values.

Except as describe below, the 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 consolidated financial statements for the year ended 31 December 2019.

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

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

The adoption of the above new or revised IFRSs had no material effect on the Group’s accounting policies.

The Group has not applied any new or revised IFRSs that are issued but 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.

	2020 US\$’000	2019 <i>US\$’000</i>
Casino operations - gaming tables	787,268	1,561,422
Casino operations - electronic gaming machines (“ EGM ”)	82,360	158,054
Hotel room income, sales of food and beverage and others	9,053	35,990
	878,681	1,755,466

3. Finance costs

	2020 US\$'000	2019 US\$'000
Interest expenses and transaction costs relating to senior notes (<i>Note 15</i>)	47,171	31,820
Interest on lease liabilities	6,165	5,384
Other interest expenses	405	–
	53,741	37,204
Less: Interest expenses capitalised into capital work in progress	(20,515)	(16,994)
	33,226	20,210

4. Profit before taxation

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

	2020 US\$'000	2019 US\$'000
Interest income	(928)	(4,282)
Auditor's remuneration:		
– current year	784	746
– under/(over) provision in prior year	114	(31)
Amortisation of casino licence premium [#]	2,717	3,478
Depreciation and amortisation [#]		
– Own assets	91,509	91,136
– Right-of-use assets	5,642	5,233
Exchange loss/(gain) [#]	132	(1,058)
Impairment loss on trade receivables	2,314	2,400
Write-off of property, plant and equipment	2	23
Gain on disposal of property, plant and equipment	(3)	(50)
Short term lease expenses	2,838	3,085
Staff costs (including directors' remuneration) [#]		
– Salaries, wages and other benefits	105,228	125,168
– Contributions to defined contribution retirement scheme	47	45

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

5. Income tax

Income tax on the profit or loss represents:

(1) the monthly gaming obligation payment of US\$658,323 (2019: US\$585,176) and (2) monthly non-gaming obligation payment of US\$214,338 (2019: US\$214,338) for the Year (except April to June 2020) payable to the Ministry of Economy and Finance (the “MOEF”) by NagaWorld Limited Gaming Branch and NagaWorld Limited Hotel and Entertainment Branch, the Group’s branches registered in Cambodia. The Group was not subject to Hong Kong, Malaysian, Cayman Islands or Russian income taxes for the Year (2019: Nil).

	2020 US\$'000	2019 US\$'000
Current tax expenses		
– Current year	<u>29,832</u>	<u>30,364</u>

During the Year, the Group recognised an additional obligation payment to the MOEF of US\$21,978,000 (2019: US\$20,770,000) which is included in the amounts above.

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

	2020 US\$'000	2019 US\$'000
Interim dividend declared during the year:		
2020: US cents 0.29 per Share	12,376	–
2019: US cents 3.39 per Share	–	147,063
Final dividend proposed after the end of reporting year:		
2020: US cents 1.88 per Share	81,677	–
2019: US cents 5.09 per Share	<u>–</u>	<u>220,938</u>
	<u>94,053</u>	<u>368,001</u>

The dividends declared and paid during the Year comprise the 2019 final dividend of US\$220,938,000 which was paid in June 2020 and the 2020 interim dividend of US\$12,376,000 which was paid in September 2020.

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\$102,303,000 (2019: US\$521,278,000) and the weighted average number of shares of 4,341,008,041 (2019: 4,341,008,041) in issue during the Year.

There were no dilutive potential shares during the Year (2019: 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").
- Hotel and entertainment operations: this segment comprises the operations of leisure, hotel and entertainment activities.

(a) Segment results, assets and liabilities

The SEM monitors the results, assets and liabilities attributable to each reportable segment as follows:

Segment assets include all tangible, intangible and current assets. Segment liabilities include trade creditors, other creditors, unredeemed casino chips and other liabilities.

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

	Casino operations US\$'000	Hotel and entertainment operations US\$'000	Total US\$'000
<i>Segment revenue:</i>			
Year ended 31 December 2019			
Timing of revenue recognition			
– At point of time	1,632,133	17,009	1,649,142
– Transferred over time	87,343	18,981	106,324
Revenue from external customers	1,719,476	35,990	1,755,466
Inter-segment revenue	(1,338)	9,977	8,639
Reportable segment revenue	<u>1,718,138</u>	<u>45,967</u>	<u>1,764,105</u>
Year ended 31 December 2020			
Timing of revenue recognition			
– At point of time	817,730	4,391	822,121
– Transferred over time	51,898	4,662	56,560
Revenue from external customers	869,628	9,053	878,681
Inter-segment revenue	(963)	5,740	4,777
Reportable segment revenue	<u>868,665</u>	<u>14,793</u>	<u>883,458</u>

	Casino operations US\$'000	Hotel and entertainment operations US\$'000	Total US\$'000
<i>Segment profit/(loss):</i>			
Year ended 31 December			
2019	707,786	2,630	710,416
2020	316,663	(12,848)	303,815
<i>Segment assets:</i>			
As at 31 December			
2019	1,692,665	881,210	2,573,875
2020	1,874,396	795,668	2,670,064
<i>Segment liabilities:</i>			
As at 31 December			
2019	(190,733)	(388,874)	(579,607)
2020	(166,702)	(448,895)	(615,597)
<i>Net assets:</i>			
As at 31 December			
2019	1,501,932	492,336	1,994,268
2020	1,707,694	346,773	2,054,467
<i>Other segment information:</i>			
Capital expenditure:			
Year ended 31 December			
2019	136,538	284,224	420,762
2020	133,124	40,690	173,814
Impairment loss on trade receivables:			
Year ended 31 December			
2019	—	2,400	2,400
2020	—	2,314	2,314

Reconciliation of reportable segment revenue, profit, assets and liabilities to revenue, profit or loss, assets and liabilities per the consolidated financial statements is as follows:

	2020 US\$'000	2019 US\$'000
Revenue		
Reportable segment revenue	883,458	1,764,105
Elimination of inter-segment revenue	(4,777)	(8,639)
Consolidated revenue	878,681	1,755,466
Profit		
Reportable segment profit	303,815	710,416
Other revenue	366	3,470
Depreciation and amortisation	(99,868)	(99,847)
Unallocated head office and corporate expenses	(38,952)	(42,187)
Finance costs	(33,226)	(20,210)
Consolidated profit before taxation	132,135	551,642
Assets		
Reportable segment assets	2,670,064	2,573,875
Elimination of inter-segment assets	(378,571)	(322,578)
	2,291,493	2,251,297
Unallocated cash and bank balances, restricted bank balance and other liquid funds	254,021	93,245
Unallocated corporate assets	3,816	2,479
Consolidated total assets	2,549,330	2,347,021
Liabilities		
Reportable segment liabilities	(615,597)	(579,607)
Elimination of inter-segment payables	378,571	322,578
	(237,026)	(257,029)
Senior notes	(635,649)	(294,813)
Unallocated corporate liabilities	(20,189)	(6,808)
Consolidated total liabilities	(892,684)	(558,650)

(b) Geographical information

The Group's operations and activities are mainly located in Cambodia. As at 31 December 2020, the Group had non-current assets other than financial instruments and deferred tax assets located in Cambodia and Russia of US\$1,713,038,000 (31 December 2019: US\$1,642,461,000) and US\$253,298,000 (31 December 2019: US\$238,299,000), respectively.

(c) Information about major customers

During the current and prior years, there was no individual customer contributing 10% or more of the Group's revenue.

The aggregate revenue from external customers brought in through junkets contributing 10% or more of the Group's total revenue are as follows:

	2020 US\$'000	2019 US\$'000
Casino operations		
Junket A	419,412	824,658
Junket B	88,208	191,717

9. Property, plant and equipment

During the Year, the Group acquired property, plant and equipment totalling US\$173,920,000 (2019: US\$410,411,000).

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, less accumulated amortisation of US\$55,088,000 (31 December 2019: US\$52,371,000).

11. Promissory notes

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

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

The promissory notes (the "**Promissory Notes**") in total amount of RUB469,100,000 (approximately US\$9,196,000) (31 December 2019: US\$9,992,000) bear an interest of 6.6% per annum and the maturity date of which is 2,909 days from the date of issue, i.e. 30 January 2023.

12. Trade and other receivables

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Trade receivables	79,363	87,541
Less: Allowance for impairment loss	<u>(6,489)</u>	<u>(4,175)</u>
	72,874	83,366
Deposits, prepayments and other receivables	<u>46,936</u>	<u>43,406</u>
	<u>119,810</u>	<u>126,772</u>

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

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Within 1 month	26,572	40,975
1 to 3 months	24,572	37,264
3 to 6 months	13,304	745
6 to 12 months	7,064	270
More than 1 year	<u>1,362</u>	<u>4,112</u>
	<u>72,874</u>	<u>83,366</u>

The following table reconciles the impairment loss of trade receivables for the year:

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
At beginning of year	4,175	7,569
Impairment loss recognised	2,314	2,400
Bad debts written off	<u>–</u>	<u>(5,794)</u>
At end of year	<u>6,489</u>	<u>4,175</u>

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

13. Trade and other payables

	2020 US\$'000	2019 US\$'000
Trade payables (<i>Note</i>)	20,035	7,548
Unredeemed casino chips	4,968	7,768
Deposits	47,373	73,756
Construction creditors	9,421	12,856
Interest payable	16,651	3,125
Accruals and other creditors	54,890	58,856
	153,338	163,909
Less: current portion	(148,431)	(159,407)
Non-current portion	4,907	4,502

Note:

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

	2020 US\$'000	2019 US\$'000
Due within 1 month or on demand	4,699	7,548
Due after 1 month but within 3 months	15,336	—
Due after 3 months but within 6 months	—	—
Due after 6 months but within 1 year	—	—
Due after 1 year	—	—
Total	20,035	7,548

14. Share Capital

(i) Authorised:

	2020 US\$'000	2019 US\$'000
8,000,000,000 ordinary shares of US\$0.0125 each	100,000	100,000

(ii) Issued and fully paid:

	2020		2019	
	Number of Shares	US\$'000	Number of Shares	US\$'000
<i>Issued and fully paid:</i>				
Ordinary shares of US\$0.0125 each:				
As at 1 January and 31 December	<u>4,341,008,041</u>	<u>54,263</u>	<u>4,341,008,041</u>	<u>54,263</u>

The Shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per Share at general meetings of the Company. All Shares rank equally with regard to the Company's residual assets.

15. Senior notes

On 14 May 2018, the Company issued the 2021 Senior Notes of an aggregate principal amount of US\$300 million with maturity on 21 May 2021. The 2021 Senior Notes bear interest at a rate of 9.375% per annum, payable semi-annually in arrears on 21 May and 21 November of each year, commencing on 21 November 2018.

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

In connection with the issue of the 2024 Senior Notes, ChenLipKeong Capital Limited, a related company wholly-owned by Tan Sri Dr Chen Lip Keong ("**Dr Chen**"), an executive director and the Chief Executive Officer of the Company, has subscribed for the 2024 Senior Notes with the principal amount of US\$45,000,000 at 98.167%. The interest expenses payable to the related company for the Year amounted to US\$1,740,000.

The 2021 Senior Notes and the 2024 Senior Notes (collectively the "**Senior Notes**") are listed on the Singapore Exchange Securities Trading Limited and cannot be converted into Shares.

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

16. Contingent Liabilities

Based on the service agreement dated 10 February 2020 entered into between the Company and Dr Chen, the Company acknowledge and agree that Dr Chen is entitled to a performance incentive of US\$5,207,000 for the financial year ended 31 December 2020 (the "**2020 Performance Incentive Entitlement**").

Pursuant to a resolution passed by the Board on 8 March 2021, the Board has appealed to the generosity and good judgement of Dr Chen to defer such entitlement. The Company and Dr Chen agreed to defer the 2020 Performance Incentive Entitlement until the achievement of certain key performance indicators (the "**KPIs**") in 2021. The Company and Dr Chen agreed that subject to the achievement of the KPIs, the 2020 Performance Incentive Entitlement shall be extended to 2021.

For record purposes, Dr Chen has foregone total performance incentive entitlement of US\$18.6 million from the financial years 2010 to 2014.

Except for the above and other than the additional obligation payment as described in Note 5, there were no other contingent liabilities as at 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

The International Monetary Fund (“IMF”) is projecting Cambodia’s real gross domestic product (“GDP”) growth to recover to 6.8% in 2021, with a moderate inflation rate of 2.8% (*Source: IMF-World Economic Outlook Database October 2020*). Similarly, Moody’s Investors Service, Inc. (“Moody’s”) is projecting Cambodia’s GDP to rebound by about 6% in 2021, due to strong fiscal buffers that will counter the disruptions in trade, and growth arising from the COVID-19 pandemic. In addition, Cambodia’s latest credit profile reflected the country’s solid growth prospects and highly affordable debt burden (*Source: Moody’s Investors Service, Inc., 22 May 2020*).

Despite the temporary closure of our casino operations for over three months and a reduced level of tourist visits to Cambodia in 2020, the Group delivered relatively good financial results in the Year, generating EBITDA and net profit of US\$265.2 million and US\$102.3 million, respectively. This was because the Group was able to operate without much interruption in 1Q2020, and since the re-opening of casino businesses on 8 July 2020 until 31 December 2020, the Group recorded a sustained level of business volume recovery. The positive result was attributed to the following:

1. Promotional Activities of the 25th Anniversary Celebrations

To celebrate its 25th anniversary in 2020, the Group launched a series of ongoing property-wide marketing and promotional activities (including gaming and non-gaming offerings), which increased the daily property footfall, hotel occupancy and gaming business volumes.

In conjunction with the 25th anniversary celebration, the Group rolled-out a wide range of incentives and promotion packages targeting different tiers of the Mass Market (including premium players) and VIP Market segment. The incentives and promotion packages include complimentary hotel stay and food and beverage (“F&B”) offerings with committed buy-ins in the gaming segments of Mass Market tables and EGM. Multi-level incentives for both Mass and VIP Markets were being offered to customers, with higher committed purchases of chips leading to higher value of incentives offered to customers. The competitive incentives offered have increased gaming business volumes.

Seasonal company sponsored events, such as the Christmas and New Year decorative lights illuminating the Hun Sen Park (in front of NagaWorld) etc. and competitive hotel room rates increased hotel occupancy and attracted reasonably good crowd and headcount to the property during the Year. The Group observed satisfactory results after these marketing and promotional initiatives were implemented.

2. Good Cash Generation and Financial Stability, Continued Gaming Policy of Conservatism

As of 31 December 2020, the Group had cash and deposits amounting to US\$452.0 million. The Company completed the successful issuance of US\$350 million 2024 Senior Notes in July 2020, demonstrating the Company’s ability to raise capital in the global debt market, which helped increase investors’ confidence in the Company during the pandemic. The Company has sufficient cash reserves set aside to repay the existing 2021 Senior Notes.

The accumulated cash and deposits demonstrate the Group's continued ability to retain reasonably good cash position despite the COVID-19 pandemic. Furthermore, the Group's stable financial strength is reflected in the lower debt financing cost of 7.95% (2024 Senior Notes) incurred to refinance the existing 9.375% 2021 Senior Notes maturing in May 2021. The yield to maturity of the 2024 Senior Notes has compressed to about 6.5% as at 31 December 2020.

The Group has continued to adopt a prudent finance policy of low gearing ratio. As at 31 December 2020, the Group maintained a relatively low net debt to EBITDA ratio of 0.7x. This conservative approach to financial management of the Group is expected to generate confidence within the gaming and investing community towards stability and growth of the Group's businesses.

During the Year, as disclosed in the relevant disclosure of interest filings, the controlling shareholder of the Company (the "**Controlling Shareholder**") purchased about US\$76 million worth of Shares from the secondary market. Pursuant to the 2024 Senior Notes issuance, the Controlling Shareholder has subscribed US\$45 million in principal amount of the 2024 Senior Notes. These reflect confidence in the Group's ability to withstand this unprecedented challenging time, and the long-term business prospects ahead.

3. Cambodia Ranked Top World Best to Contain COVID-19

According to the report of Le Bureau de Prospective Economique of Senegal on the COVID-19 Severity Index, Cambodia ranks No. 1 in Asia and No. 3 in the world (out of 166 countries) with the best effective measures to contain the spread of COVID-19 and to handle pandemic's fallout (*Source: Jian Hua Daily, 20 November 2020*). In addition, in The Lancet research report dated 14 September 2020, Cambodia was ranked No. 4 (top among 91 countries on the list) in terms of outstanding effort on combating against the spread of COVID-19 epidemic.

The number of COVID-19 cases in Cambodia is relatively well contained and those efforts have won positive response. In a letter dated 11 May 2020, the Director General of the World Health Organization ("**WHO**") commended the efforts of the Royal Government of Cambodia ("**RGC**") for successful prevention of the spread of COVID-19 pandemic. Cambodian Ministry of Health ("**MOH**") has been working closely with the WHO, US Centre for Disease Control and Prevention, Institut Pasteur du Cambodge and China Ministry of Health to support public health in response to the COVID-19 global pandemic. As of 7 March 2021, the total number of confirmed COVID-19 cases was 1,011, of which 447 cases (44%) were imported, 517 cases were cured (51% recovery rate) and zero death (*Source: the MOH*). Globally, Cambodia was ranked 185 in terms of confirmed COVID-19 cases compared to the U.S., India, Brazil, etc. which are ranked among top in the list (*Source: Worldometer's COVID-19*).

The Cambodian Prime Minister announced that the Chinese government would be donating 1 million doses of COVID-19 vaccine to the RGC. The first 600,000 doses of vaccines from China have arrived Cambodia in February 2021, such that around 500,000 Cambodians could be vaccinated by April 2021 (*Source: China Daily, 25 January 2021*). In addition, Cambodia is expecting 20 million doses of COVID-19 vaccine, whereby 7 million doses of vaccine will arrive via the United Nations backed COVAX facility, and 3 million doses purchase by a grant provided by the Australian government. Cambodia will continue to seek more doses, in order to vaccinate up to 80% of the total population (*Source: Jian Hua Daily, 15, 28 January 2021 and 2 February 2021*).

4. Cambodia Economic Outlook during COVID-19 Pandemic

Cambodia total exports increased by 15.9% in 2020, as a result of the rise in exported gold, electronics, bikes, milled rice and rubber (*Source: National Bank of Cambodia*). On the domestic front, the Cambodian government allowed the reopening of school and a range of businesses, such as gyms, fitness centres, cinemas, etc. at the end of 2020, with the condition that additional precautionary measures must be implemented. Domestic economic activity is expected to return to normalcy gradually. With further re-opening, the rate of sales recovery in Cambodia is better than other countries in Southeast Asia, it may improve faster provided COVID-19 pandemic remains under control without further lockdown (*Source: Cambodia Economic Update, World Bank Group, November 2020*).

The IMF and Moody's are projecting Cambodia's real GDP to recover and grow at 6.8% and about 6%, respectively, in 2021 (*Source: IMF-World Economic Outlook Database October 2020; Moody's 22 May 2020*). With the number of COVID-19 cases in Cambodia relatively well contained and government granting social security and financial assistance to small and medium enterprises, the Asian Development Bank (ADB) also expects Cambodia's economy to rebound and grow at 5.9% in 2021 (*Source: Jian Hua Daily, 24 September 2020*).

5. Improving Regulatory Environment

Cambodia's Law on the Management of Integrated Resorts and Commercial Gambling ("LMCG") has officially been signed into law. The LMCG calls for better sector management and measures to protect against money laundering and terrorism financing, and acknowledges that the casino sector has contributed positively towards tourism development and job creation. Furthermore, the National Assembly of Cambodia approved the draft law on anti-money laundering and combating the financing of terrorism in 2020. The promulgation of these legislations shall strengthen the regulatory environment for the gaming sector, upgrade the country's compliance towards Financial Action Task Force (FATF) standards, and improve the confidence of promoting investment and tourism in the country.

6. International Arrivals and Direct Flights into Cambodia during Pandemic Period

Cambodia recorded total international arrivals of 1,286,074 visitors in the first 11 months of 2020. Of the top 10 markets, China was the highest (25.1%), followed by Thailand (15.6%), Vietnam (14.1%), U.S. (4.3%), South Korea (4.3%), U.K. (3.5%), France (3.3%), Japan (3.2%), Lao PDR (2.7%) and Germany (2.1%). These top 10 markets accounted for 78.3% of total arrivals. International business-related travel to Cambodia was 262,281 visitors in the first 11 months of 2020, with 67.8% of this travel originating from China (*Source: Cambodian Ministry of Tourism (the “MOT”)*).

Weekly international direct flights to Cambodia had resumed gradually to 43 as of 1 March 2021, which included 25 direct flights from Greater China cities such as Shanghai, Beijing, Guangzhou, Shenzhen, Chengdu, Kunming, etc. (*Source: Cambodia Airports, airlines websites*). Direct flights between Phnom Penh and Singapore resumed on 1 September 2020. The increased number of direct flights into Cambodia is a result of increasing business visitation. Monthly international business-related arrivals as of November 2020 was 10,959 visitors, representing an increase of 295% from the lowest point of 2,776 visitors recorded in April 2020 (*Source: the MOT*).

The MOT is also moving to restore the tourism sector by preparing a “travel bubble plan”, to prepare tightly secured international tourist packages from regions or countries that have lower COVID-19 infection rates. It will enable Cambodia to build confidence in the recovery of the tourism sector and economic growth. ASEAN-plus-three (China, Japan and South Korea) will be the primarily targeted countries and the process will be conducted in stages (*Source: Cambodian Tourism Minister statement, 4 August 2020*).

7. NagaWorld Precautionary and Preventive Measures Against COVID-19

Preventive measures and measures for the protection of the safety and health of employees have been implemented since January 2020, well before the spread of the COVID-19 virus in the country. In compliance with the guidance from the MOH and the WHO, the Group implemented various preventive measures.

Mask wearing within the property is mandatory. All employees and visitors entering the NagaWorld Complex are required to have their body temperatures checked. The Company installed thermal cameras and disinfection sprays at the entrances of the property. Sanitisers are available at every corner of the casinos and every gaming table for dealers and customers. Scheduled disinfection and sanitisation are carried out in all public areas within the property. Social distancing is also practised to ensure reasonable distancing for employees and visitors. Tables in restaurants are placed at a reasonable distance; such arrangement includes staff dining areas. Buffets are replaced with a la carte orders.

The Company received Certificate of Clearance from the MOH on 5 July 2020 confirming its compliance with applicable MOH requirements in the prevention of the spread of COVID-19. The preventive measures adopted help patrons visiting the casino feel safe while enjoying the premises of the Group.

8. Mass Market Business

The Mass Market segment, which has been a key focus of the Group's strategy has continued to benefit from the visible increase in wealth and a reasonably sized expatriate community, and to some extent, visitors coming from East Asia (mainly China, South Korea and Taiwan). After the reopening of casino operations in July 2020, Mass Market Segment has been leading the Group's gaming business volume recovery, registering an overall recovery rate of about 95%. In 4Q2020, Mass Market Tables' average daily buy-ins increased by 23% sequentially to US\$3.91 million compared to 3Q2020. Furthermore, Mass Market Tables' average daily table buy-ins recorded in 4Q2020 has exceeded the corresponding average daily volume recorded in 1Q2020 (prior to the temporary closure of casino operations). The overall steady recovery of Mass Market Table is mainly supported by stable growth in premium mass segment, which contributed about 37% of Mass Market Tables GGR recorded in 2H2020 (compared with 1Q2020 Mass Market Table GGR of 30%), and had been the key Mass Market revenue growth driver.

Since there are no restrictions on the provision of gaming space, the Group is constantly reviewing and evaluating the non-gaming floor space according to the market demand of floor space for various gaming segments. In 2H2020, more conversion of non-gaming areas to gaming precinct was implemented in response to the growing demand of the gaming business; for example, Garden Buffet Restaurant in Naga 1 has been refurbished into an Electronic Table Gaming ("ETG") zone (with 56 ETG units in operation), and gaming operations have commenced. The Group continues to observe a steadily increasing footfall on the Mass Market floor.

9. VIP Business

Despite most cross-border travel policies in the Asian region remaining restrictive, the Group's VIP business volume recorded satisfactory recovery as average daily VIP Rollings recorded from 8 July 2020 to 31 December 2020 have reached 69% of the average daily volume recorded during the pre-closure period of 1Q2020. The sustained positive result (after the reopening of casino businesses) in the VIP business is largely driven by the reasonably sized and diverse number of expatriates currently living and conducting business in Cambodia and to some extent, some visitors from East Asia. Moreover, with the preventive measures against COVID-19 (as endorsed by the MOH) undertaken, VIP players feel more comfortable visiting NagaWorld. The Group observed both the repeat VIP customers and new clientele within both the junket hall as well as the direct VIP player gaming hall.

10. Non-Gaming Business

The completion of the Naga 1 upgrade project has contributed positively towards the quality, standard and comfort of Naga 1 hotel rooms, helping to drive revenue of the Group.

The attractive and competitive non-gaming offerings continue to compliment and support the stable gaming business volume. Despite most cross-border travel policies within Asia remaining restrictive, Naga 2 hotel room occupancy was approximately 49% in 4Q2020. As property average daily footfall has increased (since reopening of casino businesses), approximately 70% of the F&B outlets within NagaWorld have resumed business operation.

11. Effective Cost Control and Nil Employee Retrenchment During Virus Outbreak

With improvements in operating efficiencies and rigorous financial discipline, the Group has been able to keep its operating costs reasonably low. In addition, the Company has implemented a series of operating cost saving measures in response to the temporary closure of casino operations during the Year.

As at 31 December 2020, the Group employed a total work force of 8,371 (31 December 2019: 8,625), stationed in Cambodia, China, Hong Kong, Macau, Malaysia, Singapore, Thailand, the U.K., the U.S. and Russia. Being a responsible corporate citizen, the Company believes employees are valuable assets of the business. As such, the Group has not retrenched any employee for the Year, despite various challenges and impacts including the temporary casino closure during 2Q2020 and the global turmoil caused by the global COVID-19 pandemic.

12. Environmental, Social and Governance (ESG) in Pandemic Times

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 inception till end of 2020, more than 390,000 Cambodians have benefited through the CSR programmes.

In order to support the RGC's effort to prevent the spread of COVID-19, NagaWorld Kind Hearts has donated epidemic prevention supplies, including Nucleic Acid Extraction System, 6,400 viral DNA extraction kits, 3,000 units of virus sample collection kits, and personal protection materials including 40,000 face masks, 4,000 bottles of hand sanitiser gel and 720 litres of sanitising alcohol. NagaWorld Kind Hearts has also donated around 100 tonnes of rice to distribute to impoverished communities who had been disproportionately impacted by the pandemic.

At the shareholder level, the Group's founder and Controlling Shareholder personally contributed US\$5 million for the procurement of COVID-19 vaccines for the Cambodian people. This was in response to an appeal by the RGC to development partners and donors. In a letter, the Prime Minister acknowledged that *"The contribution of Tan Sri Dato' Dr Chen Lip Keong is invaluable and will always be remembered in the history of the people of Cambodia"* (Source: Khmer Times, 14 December 2020).

NagaWorld Kind Hearts' comprehensive suite of CSR initiatives were given the prestigious Stevie® Awards, the Global CSR Summit & Awards, the PRNews' Platinum PR and CSR & Non-profit Awards in 2020 for driving transformative changes in communities across Cambodia. The Company marks yet another milestone for its CSR initiatives after being recognised in the Stevie® Awards for the second consecutive year and this award was an endorsement of the Group's continuous effort on improving the social, environmental and economic aspects of Cambodia as well as its people's life.

Keeping its employee and guests safe during the pandemic is the Group's top priority. The Group initiated a wide range of precautionary and preventive measures since the end of January 2020. In addition to the mandatory social distancing and mask-wearing, the Group has established a series of protocols and preventive measures, which include installing thermal scanners at entrances, and enhancing communication channels, such as the launch of an employee dedicated mobile app. To protect its guests, the Group has implemented several strict health and safety protocols, including regular sanitisations of vehicles and surfaces in public areas, installing thermal cameras and disinfectant spray units at entrances, and scheduled fumigations in public areas. The Group is also in the process of implementing Hygiene ISO22000 Standards.

The Group strives to provide a safe and comfortable environment for our employees and guests. In December 2020, an environmental assessment was carried out internally to identify gaps between the Group's environmental performance against the ISO 14001:2015 environmental management system requirements. The assessment will be used to manage the Group's environmental responsibilities systematically that contribute to the environmental pillar of sustainability.

At the corporate level, the Company has been voted and recognized as an Honored Company by the renowned financial publication Institutional Investor for outstanding leadership and investor relations, including "Best CEO", "Best CFO", "Best IR Team", "Best IR Program" and "Best ESG" in the Gaming & Lodging sector. This recognition is part of Institutional Investor's 2020 All-Asia Executive Team annual rankings that are regarded globally as the financial industry's benchmark for excellence. In addition, the Company was awarded Asia's Best CEO (Investor Relations), Asia's Best CFO (Investor Relations), Best Investor Relations Professional and Best Investor Relations Company (Hong Kong) at the 10th Asian Excellence Awards 2020, organized by Corporate Governance Asia. These awards recognize the achievements and excellence in corporate governance leadership and global investor relations efforts throughout the region. Furthermore, The Asset has also honoured the 2024 Senior Notes as the Best Bond (Cambodia) at The Asset Triple A Sustainable Capital Markets Country Awards 2020, with the strong return of the Company to international bond market despite challenging market environment, with comparatively longer tenor and achieving lower cost.

The Company is committed to creating long term value for all stakeholders and continuously strive to be a good corporate citizen by carrying out its business in a socially responsible manner.

BUSINESS REVIEW

Table 1: Performance Highlights

For the Year and comparative prior year:

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Mass Market: Public Floor Tables		
– Buy-ins	973,514	1,644,557
– Win rate	17.9%	19.4%
– Revenue	174,281	318,315
Mass Market: EGM		
– Bills-in	1,433,344	2,759,989
– Win rate	8.6%	8.8%
– Revenue	82,360	158,054
VIP Market		
– Rollings	22,589,003	46,611,639
– Win rate	2.7%	2.7%
– Revenue	612,987	1,243,107
Gross Gaming Revenue	869,628	1,719,476

Mass Market (Public Floor Tables and EGM)

During the Year, Mass Market business volume and GGR declined mainly due to the temporary closure of casino operations in 2Q2020 and lower international leisure tourist arrivals as affected by COVID-19 global pandemic. Nevertheless, this was partially mitigated by the reasonably sized expatriate community and to some extent, visitors from East Asia (mainly from China, South Korea and Taiwan) patronising NagaWorld in search of entertainment. Despite softer tourists' arrivals due to the COVID-19 outbreak globally, the footfall on the Mass Market floor was still relatively stable, in particular, the premium mass/high limit gaming area. The Company has observed visible growth and increase in gross gaming revenue contribution from premium mass segment in 4Q2020.

The NagaWorld Rewards loyalty program continued to enable the Group to understand its players' profiles, creating targeted marketing promotions and roll-out player development initiatives to increase the frequency of visitation and gaming spend.

VIP Market

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

During the Year, VIP business volume and GGR declined mainly due to the restrictive cross-border travel policies in the Asian region. However, the VIP business volume recorded satisfactory recovery as average daily VIP Rollings between 8 July 2020 and 31 December 2020 reached 69% of the average daily volume recorded during the pre-closure period of 1Q2020, mainly generated from a reasonably sized number of expatriates currently residing and conducting business in Cambodia. The VIP business volume was mainly contributed by junket operators who have fixed based operations in NagaWorld and brought in VIP players.

Non-Gaming-Hotel, F&B and Entertainment

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

Revenue and Gross Profit Analysis

Table 2(a)

	Revenue		Gross Profit		Gross Profit Margin
	US\$'m	%	US\$'m	%	%
2020					
Mass Market	256.6	29	253.0	59	99
VIP Market	613.0	70	166.5	39	27
Non-Gaming	9.1	1	7.5	2	82
Total	878.7	100	427.0	100	49

Table 2(b)

	Revenue		Gross Profit		Gross Profit Margin
2019	US\$'m	%	US\$'m	%	%
Mass Market	476.4	27	470.1	56	99
VIP Market	1,243.1	71	346.5	41	28
Non-Gaming	36.0	2	29.7	3	83
Total	1,755.5	100	846.3	100	48

The Group recorded a gross profit of US\$427.0 million for the Year. The overall gross profit margin was 49% (2019: 48%) as a result of stable mix among all business segments. Mass Market continued to maintain a high gross profit margin of 99%.

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

Administrative and other operating expenses before impairment losses, depreciation and amortisation decreased by 10.3% to US\$164.1 million during the Year. With improvements in operating efficiencies and rigorous financial discipline, the Group has been able to keep its operating costs reasonably low. In addition, the Company has implemented a series of cost saving measures in response to the temporary closure of casino operations in 2Q2020.

Finance Costs

During the Year, the Group incurred finance costs of US\$33.2 million (2019: US\$20.2 million) for the interest expenses and transaction costs relating to the Senior Notes issued (detailed in Note 15).

Net Profit

Net profit attributable to the Shareholders, or net profit, was US\$102.3 million for the Year. Net profit margin for the Year decreased to 11.6% (2019: 29.7%) as a result of the temporary closure of casino operations, partially mitigated by improved operational efficiency and cost savings measures implemented.

Basic earnings per share were US cents 2.36 (HK cents 18.29) and US cents 12.01 (HK cents 93.08) for the years of 2020 and 2019, 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.

Contingent Liabilities

Based on the service agreement dated 10 February 2020 entered into between the Company and Dr Chen, an executive director and the Chief Executive Officer of the Company, the Company acknowledge and agree that Dr Chen is entitled to the 2020 Performance Incentive Entitlement of US\$5,207,000.

Pursuant to a resolution passed by the Board on 8 March 2021, the Board has appealed to the generosity and good judgement of Dr Chen to defer such entitlement. The Company and Dr Chen agreed to defer the 2020 Performance Incentive Entitlement until the achievement of certain KPIs in 2021. The Company and Dr Chen agreed that subject to the achievement of the KPIs, the 2020 Performance Incentive Entitlement shall be extended to 2021.

For record purposes, Dr Chen has foregone total performance incentive entitlement of US\$18.6 million from the financial years 2010 to 2014.

Except for the above and other than the additional obligation payment as described in Note 5, there were no other contingent liabilities as at 31 December 2020.

Exchange Rate Risk

The Group's income is earned principally in 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 therefore has not entered into any currency hedging transactions.

Issue of New Shares

No Shares were issued by the Company during the Year.

Liquidity, Financial Resources and Gearing

All figures quoted in this section are as at 31 December 2020, unless stated otherwise.

The Group had total cash and bank balances, restricted bank balance, fixed deposits and other liquid funds of US\$452.0 million (31 December 2019: US\$326.7 million). The cash and bank balances, restricted bank balance, fixed deposits and other liquid funds were mainly denominated in US\$.

The Group had net current assets of US\$107.0 million (31 December 2019: US\$281.2 million). The Group had net assets of US\$1.7 billion (31 December 2019: US\$1.8 billion).

The Group had outstanding Senior Notes with carrying amount of US\$635.6 million (31 December 2019: US\$294.8 million).

The Group's gearing ratio calculated as total debts less cash and bank balances, restricted bank balance, fixed deposits and other liquid funds divided by equity was 11.1% (31 December 2019: Not applicable).

Capital and Reserves

As at 31 December 2020, the capital and reserves attributable to owners of the Company was US\$1.7 billion (31 December 2019: US\$1.8 billion).

Employees

As at 31 December 2020, the Group employed a total work force of 8,371 (31 December 2019: 8,625), stationed in Cambodia, China, Hong Kong, Macau, Malaysia, Singapore, Thailand, the U.K., the U.S. and Russia. The remuneration and staff costs for the Year were US\$105.3 million (2019: US\$125.2 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 Year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect of such would be material, these amounts are stated at their present value. The Company has adopted a share option scheme as incentive to its directors and other eligible participants. The Group also provides and arranges on-the-job training for the employees.

Trade Receivables and Credit Policy

The Group continues to monitor changes in trade receivables. Net trade receivables decreased from US\$83.4 million to US\$72.9 million during the Year.

During the Year, the Group prudently made provision for impairment loss of US\$2.3 million (2019: US\$2.4 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 Year, 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 Year.

Events after Reporting Year

Voluntary Temporary Suspension of Business

As disclosed in the announcement of the Company dated 1 March 2021, in response to the February 2021's community spread and detection of some COVID-19 cases in the premises of NagaWorld as reported by the MOH, the Company acted responsibly and swiftly to volunteer to temporarily suspend its business starting from 2 March 2021 for a more thorough review of its precautionary and preventive measures already undertaken while running in parallel a wholesome cleansing of the entire property to further protect all employees and visitors of NagaWorld. The Company will keep the Shareholders and potential investors informed of any material developments in connection with this matter as and when appropriate in accordance with the requirements under the Listing Rules.

Share Award Scheme

On 28 January 2021, the Board has adopted the share award scheme (the "**Share Award Scheme**"). The Board has proposed, among other things, to make the initial grants of a total of 10,226,667 award shares of the Company to the participants who are connected persons of the Company (the "**Initial Connected Grants**") under the Share Award Scheme. An extraordinary general meeting of the Company (the "**2021 EGM**") has been convened and held on Friday, 26 February 2021 for the independent Shareholders to consider and if thought fit, approve the Initial Connected Grants. As disclosed in the announcement of the Company dated 26 February 2021, all of the Initial Connected Grants pursuant to the Share Award Scheme have been approved by the independent Shareholders in accordance with the applicable Listing Rules at the 2021 EGM.

For the details of the Share Award Scheme, the Initial Connected Grants and the 2021 EGM, please refer to the announcements of the Company dated 28 January 2021 and 26 February 2021 and the circular of the Company dated 5 February 2021. An announcement will be made by the Company when the above awards have been granted to the relevant participants.

Save for the abovementioned events, there are no other major subsequent events occurred since the end of the Year and up to the date of this announcement.

PROJECT UPDATES AND PROSPECTS

Update on Naga 3

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

- a) **Soil Resistivity Test** – completed 11 points of soil resistivity test throughout Naga 3 development site. Test results passed on to M&E consultants for evaluation and optimization of earthing system design. Faraday Cage Lightning Protection System has been incorporated with the building design to safeguard structural safety and integrity from the risk of lightning strike.
- b) **Soil Investigation** – 33 soil investigation bored holes of varying depth of 47-81 meters have been fully completed. Rock samples have been sent for further testing to ascertain rock hardness. Additional soil investigation (3 bored holes to 70-80m deep) has been commissioned to ensure adequate design safety margin.
- c) **Piling and Basement** – site preparation work has started, and expect piling work to commence in 1Q2021. The construction period for piling and basement is expected to take 30 months, allowing 6-12 months head start for super-structure works. The basements of Tower 1, Tower 2 and Podium are designed for top-down construction, which is expected to shorten the overall construction period to less than 30 months and to minimize soil settlement risk of surrounding buildings.
- d) **Wind Tunnel Study** – the wind tunnel testing shall be carried out as and when the preliminary structural framing design, architecture and curtain wall are completed. Structural engineer has completed the 3D building structural framing analysis, whereby structural deflection under wind load is within the required design limit.
- e) **Naga 3 Built to Withstand Earthquake up to Richter 6** – although Cambodia is not sited within the ring of fire and is free from earthquakes, consultants designed Naga 3 to withstand earthquake measuring 6 on the Richter scale as a precautionary measure. In 2016, the central province of Quang Nam Vietnam was hit by two earthquakes measuring between 3.1 and 3.4 on the Richter scale, according to a statement by the Institute of Geophysics Vietnam.

The contractor of the Naga 3 Project (the “**Contractor**”) has engaged MCC International Incorporation Ltd. (“**MCCI**”), an engineering contracting company wholly owned by Metallurgical Corporation of China Ltd. (MCC) as a sub-contractor to carry out and complete specific construction works under the guaranteed maximum sum design and build agreement dated 12 April 2019 entered into between Naga 3 Company Limited and the Contractor (the “**Guaranteed Maximum Sum Design and Build Agreement**”). Subsequently, Econpile (M) SDN BHD (“**Econpile**”) has been engaged by MCCI as the nominated sub-contractor to carry out and complete the sub-contract works, which include site clearance, piling works, geotechnical instrumentation, diaphragm walls, basement, earthing bed system and associated works for the Naga 3 Project. Both the Contractor and MCCI shall closely monitor and supervise the delivery of the works performed by Econpile to ensure the quality and standard as set out under the Guaranteed Maximum Sum Design and Build Agreement.

Update on the Investment Project in Vladivostok

In respect of the Group’s gaming and resort development project in Vladivostok, Russia, site clearing commenced in 2016. An office has been established in the city centre of Vladivostok, Russia and certain key personnel have been appointed to monitor various aspects of the progress of the project which remains broadly on schedule. As at 31 December 2020, hotel tower topping off was completed and construction of casino podium was progressing up to level 2. Water and sewage system connected to the development site was largely completed. The Company anticipates that this development project in Vladivostok remains broadly on track to commence operation by 2022.

The Group believes that its strategy to diversify its business geographically will drive revenue growth in the long term.

Angkor Lake of Wonder (“ALOW”) IR Project in Siem Reap

The architect planner of the ALOW IR project are US-based Steelman Partners and Gensler. The implementation of ALOW is expected to be by phases. However, the initial phase shall look and feel complete with all the facilities and elements of technology, edutainment, ecology, culture and MICE facilitates. It is expected that the initial phase shall consist of:

1. Naga Water Theme Park;
2. Two hotels: 500 rooms 5-star branded hotel for the mass market and one more 5-star 200 rooms branded hotel with MICE facilities and complete with rich landscaping;
3. Non-motorised boating Canal system with landscaping, a journey of edutainment, cultural artefacts experiences;
4. Covered roofing walkway with Clarke Quay concept, food street, cultural and retail, edutainment experiences; and
5. Indoors interactive Hi-Tech Theme Park with elements of history, culture, technology and ecology.

The Company has engaged initial discussion with a Chinese state-owned enterprise (the “**Chinese SOE**”) which is also a theme park builder and a reputable and sizable contractor involved in the Shanghai Disneyland. The Company believes that the Chinese SOE has shown considerable serious interest of acting as a semi-turnkey contractor of completing ALOW and also with prospects of competitive financing ALOW. The initial indication is that since the Company has a strong balance sheet and has low net debt to EBITDA ratio, the Chinese SOE has expressed sufficiently serious interest to finance, build and complete with such terms as may be mutually agreed by the Company and the Chinese SOE.

The development of the world-class resort in Siem Reap shall contribute towards increasing visitation to the enlarged NagaWorld Complex.

Prospects

The number of COVID-19 cases is relatively well contained in Cambodia. With the rollout of vaccination globally, Cambodia will continue to seek more doses, in order to vaccinate up to 80% of the total population. The Chinese government has committed to donating 1 million doses of vaccine, with the first batch of 600,000 doses of vaccines arriving on 7 February 2021, such that around 500,000 Cambodians could be vaccinated by April 2021. The Cambodian government recently allowed the reopening of a range of businesses, such as gyms, fitness centres, etc. with the condition that additional health precautions must be implemented. Starting from 20 February 2021, the Ministry of Foreign Affairs announced that the resumption of E-Type Visa, which was suspended last year, with the aim to attract more short-term travellers to Cambodia (*Source: Cambodian Ministry of Foreign Affairs statement, 19 February 2021*). From observation, Cambodia’s domestic demand and economic activity have been gradually returning to normalcy.

Air traffic from North Asia and South East Asia to Phnom Penh is recovering, and expatriates and business travellers have begun to return to Cambodia since early May 2020 (*Source: CICC report dated 7 July 2020; Centre for Asia Pacific Aviation*). The influx of FDIs has driven a relatively good number of business travellers to Cambodia, who have continued to stay in the country because of their businesses established in Cambodia. The bilateral trade volume between China and Cambodia stood at US\$9.4 billion in 2019. The figure almost hit the US\$10 billion target the two countries have set out to reach by 2023 (*Source: Jian Hua Daily, 29 April 2020; Xin Hua, 16 May 2020*). The recent signing of the Cambodia-China Free Trade Agreement (“**CCFTA**”) and the likelihood that the CCFTA will enter into force in 2021 will help promote domestic investment and regional trade. In addition, the benefits of being a member of the RCEP, the largest free trade area in the world that was signed in November 2020, should begin to flow starting in 2021 (*Source: Cambodia Economic Update, World Bank, November 2020*). Subject to easing of regional travel restrictions, Cambodia economy is expected to recover gradually with IMF and Moody’s projecting Cambodia’s real GDP to grow at 6.8% and about 6%, respectively in 2021.

The development of Naga 3 is progressing, with the expected completion by 2025, which will increase the capacity of the Group by at least two times. It is currently expected that the combined NagaWorld complex of Naga 1, Naga 2 and Naga 3 will have about 5,000 hotel rooms, 1,300 gaming tables and 4,500 EGM and many other non-gaming attractions. About 93% of Naga 3 gross floor area will features non-gaming offerings, which is in line with the Group's long-term strategy of offering comprehensive lifestyle products and services. Having considered the uniqueness of a casino monopoly in the heart of a capital city and after having operated successfully for the past 25 years amidst a region with political stability, tourism and economic growth, the combined NagaWorld complex of NagaWorld 1 (Naga 1), NagaWorld 2 (Naga 2) and NagaWorld 3 (Naga 3) is expected to position the Group as one of the regional sizable integrated resorts and entertainment centre in the Asia Pacific region.

Angkor Wat is a famous UNESCO World Heritage site, which received about 5 million annual visitation and generated about US\$99 million entrance fee ticket sales in 2019. In October 2020, the MOT announced the Siem Reap Tourism Development Master Plan 2020-2035, which included establishing a new Siem Reap city near the under-construction new international airport. The development plan aims to create thousands of jobs and bring in seven million tourists annually by 2035 (*Source: Agence Kampuchea Presse, 28 October 2020*). The Company's proposed non-gaming IR development project in Siem Reap (ALOW) is expected to provide entertainment and hospitality facilities which are lacking in surrounding Angkor Wat. This project is expected to enhance the overall attractiveness of Angkor Wat and encourage repeat visitation. Upon completion, ALOW shall receive streaming memberships and gated incomes annually in addition to other revenue. Furthermore, the Group expects the flow of patrons between ALOW in Siem Reap and NagaWorld in Phnom Penh as a result of cross-selling will generate incremental cash flow and visitation for the two integrated resorts at the two different locations.

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

Therefore, the Group expects to continue its growth trajectory, and believes that the long-term prospects and outlook of the Group will remain stable.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

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 enquiry, the Company confirms that the Directors have complied with the required standard set out in the Model Code regarding securities transactions by Directors for the Year.

AUDIT COMMITTEE

The final results for the Year have been reviewed by the audit committee of the Board, 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 AND FINAL DIVIDEND

Having considered the Company’s financial results, the Board is pleased to recommend a 100% payout of the net profits generated for the second half of 2020 as final dividend and payment. Accordingly, the Board recommends the payment of the Final Dividend of US cents 1.88 per Share (or equivalent to HK cents 14.57 per Share) for the Year to the Shareholders whose names appear on the Company’s register of members at the close of business on Thursday, 3 June 2021. Subject to the approval of the Shareholders at the 2021 AGM, the Final Dividend is expected to be paid to the Shareholders by post on or about Monday, 5 July 2021.

The proposed Final Dividend together with the interim dividend for the six months ended 30 June 2020 of US cents 0.29 per Share (or equivalent to HK cents 2.25 per Share) paid on Wednesday, 23 September 2020, amounts to a total dividend declared for the Year of US cents 2.17 per Share (or equivalent to HK cents 16.82 per Share).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the following entitlements:-

1. 2021 AGM

The register of members of the Company will be closed from Monday, 24 May 2021 to Thursday, 27 May 2021, both dates inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the 2021 AGM, 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 Friday, 21 May 2021.

2. Proposed Final Dividend

The register of members of the Company will be closed on Thursday, 3 June 2021, on which no transfer of Shares will be registered. The ex-dividend date will be Tuesday, 1 June 2021. In order to qualify for the Final Dividend, 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 Wednesday, 2 June 2021.

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

During the Year, 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.

PUBLICATION OF FINANCIAL INFORMATION

This announcement is available for viewing on the Company's website at www.nagacorp.com and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. The annual report of the Company for the Year containing, among others, the annual 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, 8 March 2021

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

Executive Directors

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

Non-executive Director

Timothy Patrick McNally

Independent Non-executive Directors

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

For the purpose of this announcement, amounts denominated in US\$ have been converted to Hong Kong dollars (“**HK\$**”) and RUB at the respective exchange rates of US\$1.0 to HK\$7.75 (as at 31 December 2019: HK\$7.75) and US\$1.0 to RUB73.88 (as at 31 December 2019: RUB61.91).