



NAGACORP

金界控股有限公司

NAGACORP LTD.// 金界控股有限公司

(Incorporated in Cayman Islands with limited liability)

STOCK CODE: 3918

2020  
ANNUAL REPORT







25/09/2020

ឧបត្ថម្ភជូន DONATION TO  
មូលនិធិអណ្តូងទឹកស្អាត  
Water Wells Foundation

**US\$2,000,000.00**



Nagaworld 金界娛樂城





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# Corporate Information

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

## BOARD OF DIRECTORS

### Executive Directors

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

### Non-executive Director

Timothy Patrick McNally (*Chairman*)

### Independent Non-executive Directors

Lim Mun Kee  
Michael Lai Kai Jin  
Leong Choong Wah

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## AML OVERSIGHT COMMITTEE

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

## COMPANY SECRETARY

Lam Yi Lin

## AUTHORISED REPRESENTATIVES

Philip Lee Wai Tuck  
Lam Yi Lin

## INDEPENDENT AUDITOR

BDO Limited

## SOLICITORS

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

## PRINCIPAL BANKERS

CIMB Bank PLC (*Phnom Penh Branch*)  
United Overseas Bank Limited (*Hong Kong Branch*)

# Investor Relations

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

## Listing

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

## 2020 Annual Report

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

## Stock Code

3918

## Registered Office

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

## Principal Place of Business in Cambodia

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

## Principal Place of Business in Hong Kong

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

## Principal Share Registrar and Transfer Office

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

## Hong Kong Branch Share Registrar and Transfer Office

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

## Chief Executive Officer

Tan Sri Dr Chen Lip Keong

## Chief Financial Officer

Tan Sean Czoon

## Head of Investor Relations

Gerard Chai, *Managing Director*

## Investor Relations (North America)

Kevin Nyland, *Vice President*

## Investor Relations (Europe)

Lili Huang, *Vice President*

## Company Website

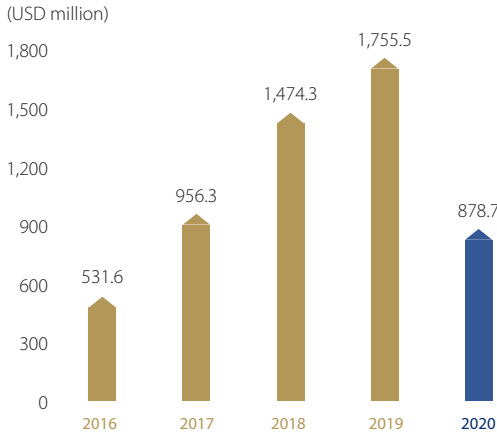
[www.nagacorp.com](http://www.nagacorp.com)

## Share Information

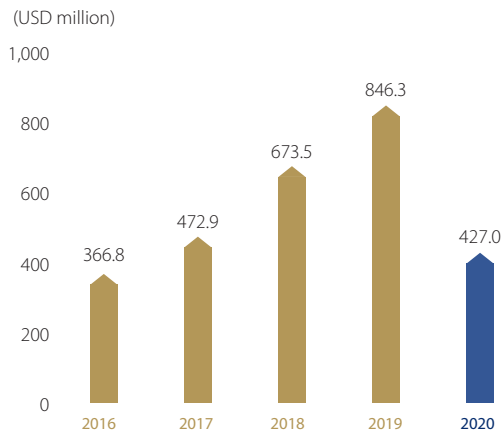
Board lot: 2,000 Shares  
Issued Shares as at 31 December 2020:  
4,341,008,041 Shares

# Financial Highlights

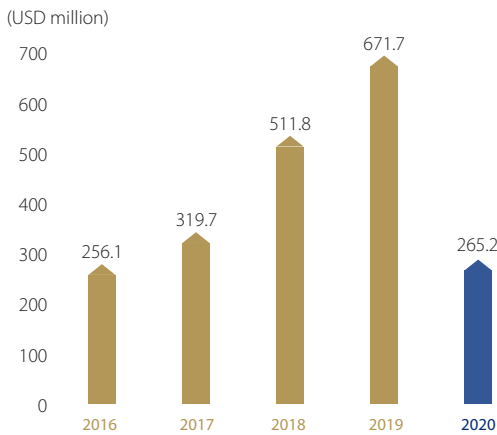
## Revenue



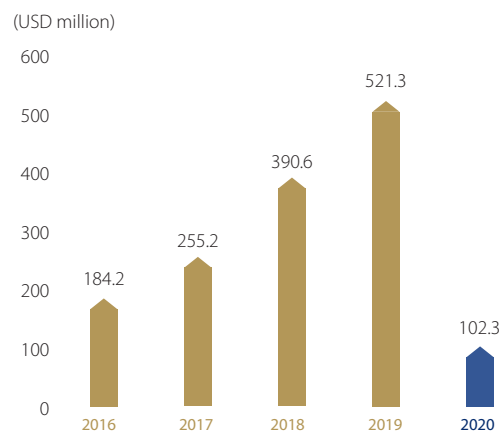
## Gross Profit



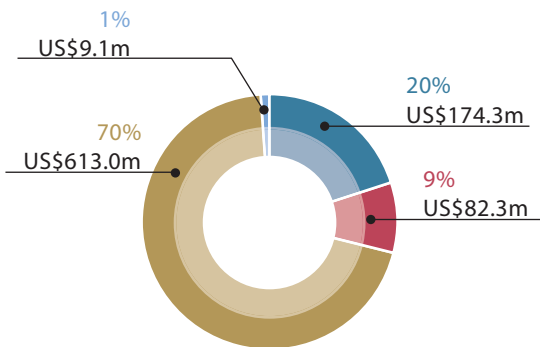
## EBITDA



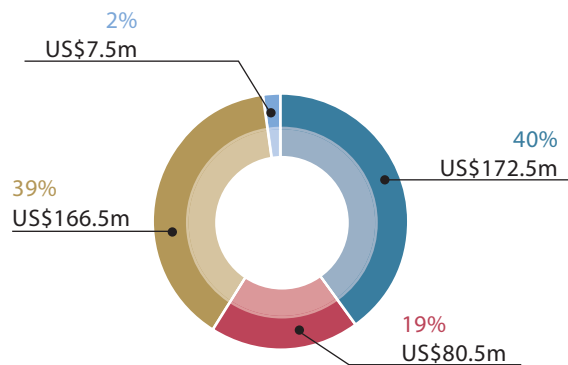
## Net Profit



## Revenue (US\$878.7 million)



## Gross Profit (US\$427.0 million)



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





# Chairman's Statement



**Timothy Patrick McNally**

*Chairman*

## Dear Shareholders,

We are pleased to report that NagaCorp continued to generate positive operational and financial results for shareholders of the Company (the "Shareholders") during 2020 with net profit of US\$102.3 million. Gross Gaming Revenue ("GGR") for the year ended 31 December 2020 (the "Year") was US\$869.6 million. We achieved this despite the temporary closure of our casino operations for over three months and a reduced level of tourist visits to Cambodia in 2020. With the COVID-19 pandemic causing significant disruptions to the global economy, we delivered stable financial results for the Year. This was because we were able to operate with minimal interruption to the business in first quarter, and from July to the end of the Year we recorded a sustained level of business volume recovery.

Today we continue to operate the largest integrated leisure and gaming entertainment destination in the Mekong Region.

## Steady Recovery

Subject to easing of regional travel restrictions, the Cambodia economy is expected to recover gradually with the International Monetary Fund ("IMF") 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 rising 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*). With the number of COVID-19 cases in Cambodia relatively well contained and the 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*).

Cambodia's 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 re-opening of schools 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 gradually return to normalcy. With further re-opening, the rate of sales recovery in Cambodia is better than other countries in Southeast Asia, and it may improve faster provided the COVID-19 pandemic remains under control without further lockdown (*Source: Cambodia Economic Update, World Bank Group, November 2020*).

Air traffic from North Asia and South East Asia to Phnom Penh is gradually recovering, and expatriates and business travellers, comprising most of the arrivals, have begun returning to Cambodia since early May 2020 (*Source: CICC report dated 7 July 2020; Centre for Asia Pacific Aviation*). The influx of foreign direct investment ("FDI") 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 mutual cooperation established between Cambodia and China in the fight against COVID-19 has deepened bilateral trust. Before the COVID-19 outbreak, committed investment into Cambodia increased by 45% to US\$9.4 billion in 2019, of which China accounted for 40% of the total committed investment (*Source: Council for the Development of Cambodia*). That figure almost reached 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.

As the circumstances surrounding COVID-19 continue to improve, we remain optimistic that tourism and the larger business environment within Cambodia will be likely to stabilize and continue to improve.

### **Sound Strategy, Positioned for Growth**

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 the COVID-19 global pandemic. Nevertheless, this was mitigated by the reasonably sized expatriate community and to some extent, frequent business 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 the 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.

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

## Chairman's Statement

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 had fixed based operations in NagaWorld and brought in VIP players.

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 the COVID-19 pandemic, which led to a lower occupancy rate and footfall during the Year.

The first phase of upgrading 250 hotel rooms in Naga 1 was completed within budget and reopened at the end of 2019, with no visible disruption to our business volume growth. These newly upgraded hotel rooms have been well-received by customers, as we observed an increase in the average hotel room rate and yield from these upgraded hotel rooms. Upgrading of the remaining 250 hotel rooms was completed 30 June 2020. We believe that this upgrading of Naga 1 rooms will contribute positively towards the quality, standard and comfort of the overall NagaWorld experience.

The Company operates the largest integrated resort in the Kingdom of Cambodia and in the Mekong Region. In order to capture the fast-growing tourism and economic

growth in Cambodia and capitalise further on our favourable competitive position and the supportive regulatory environment, the Company announced the proposed development and construction of a multi-entertainment, comprehensive and integrated resort complex called Naga 3. It is expected that Naga 3 will complement the existing facilities of Naga 1 and Naga 2, with a quality standard set to rival that of the integrated resorts located in Macau.

With the planned completion of Naga 3 by 2025, the additional property 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 electronic gaming machines ("EGMs") and many other non-gaming attractions, and is expected to be one of the largest integrated entertainment complexes in the world. The Company believes that the launch of Naga 3 is not only timely, but also the answer to meet future demand and a surer way to continue the Group's journey of earnings growth, especially after the recent successful ramping up of Naga 2.

Based on the current state of development, our gaming and resort development project in Vladivostok, Russia remains broadly on track to commence operations by 2022. Site clearing commenced in 2016 and we have now established an office at the city center of Vladivostok, and certain key personnel have been appointed to monitor various aspects of the progress of the project. We believe our strategy to diversify our business geographically and expand into new casino markets will drive revenue growth in the long term.

The Company's proposed non-gaming integrated resort ("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, promote tourism and encourage repeat visitation. The project is currently in the planning and architectural design stage. Final plans will be fully coordinated with the Cambodian government.

### **Dividend**

The board of directors of the Company (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. Accordingly, a final dividend for the Shareholders of US cents 1.88 per 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. 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.

### **Social Responsibility**

For many years, NagaCorp has been recognized for its leadership in corporate social responsibility. This year was no different. For example, charitable donations made by the Group to worthy causes in Cambodia during the Year totalled US\$3.24 million. Also, this year the Company's ESG focus, NagaWorld Kind Hearts, won four Stevie® Awards at the prestigious 17th International Business Awards®. This was the second

successive year that Naga's CSR team has received accolades for its extensive range of initiatives contributing towards the nation building of Cambodia. Since inception to the end of 2020, more than 390,000 Cambodians have benefited through the Company's CSR programs. We will continue our journey of being a good corporate citizen and striving for excellence to uphold our responsible position in the country.

### **Corporate Governance**

NagaCorp continues to engage an independent professional party, JB Advisory Services Limited, to review the internal controls of the Group with a focus on anti-money laundering ("AML") on a semi-annual basis. The independent professional party has issued its findings in a report, details of which are enclosed in this annual report. The Company has also engaged another professional party, Political and Economic Risk Consultancy, Ltd., to assess the investment risks in Cambodia and its findings are set out in this annual report.

### **Our Appreciation**

The Board would like to express their appreciation to our employees for their hard work and dedication, and to our Shareholders, customers and suppliers for their continued support.

Timothy Patrick McNally  
*Chairman*

Hong Kong, 8 March 2021

# Management Discussion and Analysis

## MARKET OVERVIEW

The IMF is projecting Cambodia's real 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 EGMs. 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 7.95% senior notes of an aggregate principal amount of US\$350 million with maturity on 6 July 2024 (the "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 US\$300 million 9.375% senior notes due in May 2021 (the "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.

## Management Discussion and Analysis

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, 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 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*).

# Management Discussion and Analysis

## 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 scanners 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.

# Management Discussion and Analysis

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 scanners 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.

# Management Discussion and Analysis

## BUSINESS REVIEW

**Table 1: Performance Highlights**

For the Year and comparative prior year:

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

**Mass Market (Public Floor Tables and EGMs)**

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.

# Management Discussion and Analysis

## Revenue and Gross Profit Analysis

**Table 2(a)**

2020	Revenue		Gross Profit		Gross Profit Margin
	US\$'m	%	US\$'m	%	%
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)**

2019	Revenue		Gross Profit		Gross Profit Margin
	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 2021 Senior Notes and the 2024 Senior Notes (collectively the "Senior Notes") issued (detailed in note 25 to the consolidated financial statements).

#### **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 Primorsky Entertainment Resorts City LLC. 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 Tan Sri Dr Chen Lip Keong ("Dr Chen"), an executive director and the Chief Executive Officer of the Company, the Company acknowledges and agrees that Dr Chen is entitled to a performance incentive of US\$5,207,000 for the Year (the "2020 Performance Incentive Entitlement").

# Management Discussion and Analysis

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 11 to the consolidated financial statements, 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 Russian Rubles (“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 Rules Governing the Listing of Securities on the Stock Exchange (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.

# Management Discussion and Analysis

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 annual report.

## 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 project is currently in the early planning and architectural design stage. Final plans will be fully coordinated with the Cambodian government.

#### **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.

## Management Discussion and Analysis

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 EGMs and many other non-gaming attractions. About 93% of Naga 3 gross floor area will feature non-gaming offerings, which is in line with the Group’s long-term strategy of offering comprehensive lifestyle products and services. 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.

It is the intention of the Group to be perceived as a more comprehensive and quality 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.

### 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.

## Directors' Profile

### Timothy Patrick McNally

#### Non-executive Director and Chairman

Timothy Patrick McNally, aged 73, joined the Company in February 2005 as chairman of the Board. He also serves as the chairman of the AML Oversight Committee of the Board. From April 1999 until October 2005, Mr. McNally was the executive director of Security and Corporate Legal Services for the Hong Kong Jockey Club and was a member of the Executive Board of Management responsible for corporate governance issues.

Mr. McNally is currently an international security consultant and is the chairman of B2G Global Strategies headquartered in California. Mr. McNally was a Special Agent of the Federal Bureau of Investigation ("FBI") for almost 25 years. His career focused on the investigation and prosecution of serious crimes including organized crime, drug trafficking, public corruption and fraud matters.

During his career with the FBI, Mr. McNally was assigned for two years as a legislative counsel by the FBI to handle issues arising with the US Congress. Mr. McNally held several senior positions within the FBI and was the head of the FBI's Los Angeles Office at the time of his departure. During the period 1993 through 1999, he was cited on numerous occasions for exceptional leadership and meritorious performance by the director of the FBI, Attorney General, and President of the United States.

Mr. McNally is a member of the Asian Society of Southern California, the National Executive Institute and the Society of Former Special Agents of the FBI. He is a graduate of the University of Wisconsin-Eau Claire, receiving a Bachelor's degree in Political Science in 1969. He received a Juris Doctorate (JD) degree from Marquette University Law School in 1973 and was admitted to the State Bar of Wisconsin.

### Tan Sri Dr Chen Lip Keong

#### Executive Director, Founder, Controlling Shareholder and Chief Executive Officer

Tan Sri Dr Chen Lip Keong, aged 73, was appointed as an executive director of the Company in April 2003. Dr Chen is the founder, controlling shareholder, chief executive officer, and a member of the Remuneration Committee, the Nomination Committee and the AML Oversight Committee of the Board. Dr Chen is also a director of several wholly-owned subsidiaries of the Company, and a director of LIPKCO Group Limited which is a substantial shareholder of the Company. Mr. Chen Yiy Fon, an executive director of the Company, is a son of Dr Chen.

Dr Chen has many years of entrepreneurial, business and managerial experiences and in Malaysia, is currently the controlling shareholder of each of Karambunai Corp Bhd ("KCB"), FACB Industries Incorporated Berhad ("FACBI") and Petaling Tin Berhad ("PTB"). Except for PTB and KCB which have been privatized and the listing of their shares on the Bursa Malaysia Securities Berhad ("Bursa") has been withdrawn with effect from 16 August 2018 and 21 November 2019 respectively, FACBI is currently listed on the Bursa.



## **Philip Lee Wai Tuck**

### **Executive Director and Executive Deputy Chairman**

Philip Lee Wai Tuck, aged 58, is a Certified Public Accountant in Malaysia and Australia. Mr. Lee has experience in various industries before joining the Group in 2009 and was appointed as an executive director of the Company in May 2010. He has previously worked in or held directorships in various companies listed on the Bursa. Mr. Lee took on senior management positions in financial and management functions with wide experience in accounting, finance, treasury and corporate finance. He was the chief financial officer of the Company and is presently an executive deputy chairman of the Board and a director of various wholly-owned subsidiaries of the Company.

Mr. Lee is a member of the Malaysian Institute of Certified Public Accountants, Malaysian Institute of Accountants and CPA Australia.

## **Chen Yiy Fon**

### **Executive Director**

Chen Yiy Fon, aged 39, was appointed as an executive director of the Company on 1 June 2015. He is also a member of the AML Oversight Committee of the Board. Mr. Chen graduated with a Bachelor of Arts Degree in Economics from the University of Southern California, Los Angeles in 2003. In 2003, he interned at Morgan Stanley, Los Angeles, California and in 2004 he interned at Credit Suisse First Boston, Singapore.

Mr. Chen was a non-executive director of the Company from May 2009 to February 2011 and is currently a director of several wholly-owned subsidiaries of the Company, and a director of LIPKCO Group Limited which is a substantial shareholder of the Company.

Mr. Chen is also the chief executive officer and executive director of KCB and PTB. He also serves as an executive director of FACBI. All these three companies are controlled by Dr Chen, the controlling shareholder in each of the companies. Except for PTB and KCB which have been privatized and the listing of their shares on the Bursa has been withdrawn with effect from 16 August 2018 and 21 November 2019 respectively, FACBI is currently listed on the Bursa.

Mr. Chen is a son of Dr Chen.

## Directors' Profile

### Lim Mun Kee

#### Independent Non-executive Director

Lim Mun Kee, aged 53, has been appointed as an independent non-executive director of the Company in September 2007. Mr. Lim is the chairman of the Audit Committee, and a member of the Remuneration Committee and the Nomination Committee of the Board.

Mr. Lim is a Chartered Accountant registered with the Malaysian Institute of Accountants and also a member of the Malaysian Institute of Certified Public Accountants since year 1997.

Mr. Lim started his career with KPMG Peat Marwick, Malaysia in 1989. He has more than 20 years of valuable experiences gained through his working career in various fields including auditing, financial, corporate and management level. Currently, Mr. Lim is also managing his own business in Malaysia.

Mr. Lim is also an independent non-executive director of FACBI and KCB. Mr. Lim was an independent non-executive director of PTB from 1 August 2007 to 18 September 2018 and re-joined as an independent non-executive director on 27 September 2019. Except for PTB and KCB which have been privatized and the listing of their shares on the Bursa has been withdrawn with effect from 16 August 2018 and 21 November 2019 respectively, FACBI is currently listed on the Bursa. All of FACBI, KCB and PTB are controlled by Dr Chen, the controlling shareholder in each of the companies.

### Michael Lai Kai Jin

#### Independent Non-executive Director

Michael Lai Kai Jin, aged 51, was a non-executive director of the Company from 31 May 2010 to 5 April 2011 and was re-designated as independent non-executive director of the Company on 6 April 2011. He is also the chairman of the Remuneration Committee and the Nomination Committee and a member of the Audit Committee and the AML Oversight Committee of the Board. Mr. Lai graduated from the National University of Singapore with a L.L.B (Hons) Degree in 1994 and was called to the Singapore Bar the following year. He was formerly a partner of Messrs. KhattarWong, one of the largest law firms in Singapore with offices in Singapore, Shanghai, Hanoi and Ho Chi Minh. Mr. Lai's practice focused on marine and admiralty law and has handled numerous legal disputes in the area of international trade and transport. Mr. Lai was formerly the chairman of the Advisory Body Legal Matters, FIATA and the legal counsel for the Singapore Logistics Association.

Mr. Lai was formerly the group general counsel for Ezra Holdings Limited, an integrated offshore support provider for the oil and gas industry which executes a full spectrum of life of field engineering, construction, marine and production services throughout the world.

## **Leong Choong Wah**

### **Independent Non-executive Director**

Leong Choong Wah, aged 52, was appointed as an independent non-executive director of the Company on 10 September 2018. He is also a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Board.

Mr. Leong has more than 30 years of working experience in a wide range of industries such as property development, plantation and manufacturing, including cross border working experience in Indonesia and China encompassing operations, accounting, financial management and corporate finance and planning in both public listed and private companies.

Mr. Leong started his career with Price Waterhouse in 1989 and is presently the chief financial officer of Inmage Group, a leading global creative ecosystem and technology group since May 2019. Prior to joining Inmage Group, Mr. Leong was the group executive director of HCK Capital Group Berhad ("HCK"), a property development company listed on the Bursa from May 2015 to April 2019. He also served as an executive director of HCK from October 2015 to April 2019. He also had working experience as a senior business controller of Agrindo, an Indonesian palm oil plantation group based in Jakarta, Indonesia from February 2013 to December 2014. Mr. Leong's other notable past working experience includes serving as the chief executive officer of PTB from 2008 to 2010, chief financial officer of FACBI from 2000 to 2008 and holding senior positions in several other companies listed on the Bursa.

Mr. Leong is currently a member of the Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants and CPA Australia, respectively.





# Sustainability Report

At NagaCorp, we believe that we have an important role to play as a corporate citizen that is fully involved in the community where we do business. Our continual evaluation and improvement process ensures that achieving sustainable growth goes beyond generating profits, and it must include a positive impact on our environment and our community. Since the inception of the business in 1995, we have been committed to creating long-term value in a sustainable way for all our stakeholders.

The Board provides oversight of our sustainability strategy and risks, including our approach to managing these risks. The President Committee, supported by our Corporate Social Responsibility Department and relevant business units, is responsible for developing and implementing the sustainability strategy objectives.

## Our Stakeholders

We engage with our key stakeholders, including employees, customers, business partners, government and regulators, shareholders and investors, and communities, to understand their primary concerns and address them accordingly.

## Reporting Scope

This report covering the Year is prepared according to the requirements of the Environmental, Social and Governance (“ESG”) Reporting Guide in Appendix 27 of the Listing Rules. In the following sections, we explain our ESG philosophy to ingrain CSR into the Group’s long term projects to support Cambodia’s development. The topics discussed in this report are determined to be material to the Group and are important to our key stakeholders. This report is compiled with the “comply or explain” provisions and, where applicable, the “recommended disclosures” set out in the ESG Reporting Guide of the Stock Exchange during the Year. A list of the required and recommended disclosures and how we meet the requirements can be found at the end of this report.

This report provides an overview of the management approach of NagaCorp and its ESG performance principally relating to the policies, initiatives and performance of our flagship NagaWorld hotel and entertainment complex in Phnom Penh, Cambodia.

### *Managing COVID-19*

*Since the first case of COVID-19 infection was detected in Sihanoukville on 27 January 2020, the RGC has put in place various precautionary measures, such as contact tracing, quarantining, screening of arrivals, social distancing and mask wearing etc., to contain the disease. As of 7 March 2021, the country recorded 1,011 confirmed cases and zero deaths, a relative success to its regional peers. Still, at NagaWorld we remain vigilant. With the health, safety and well-being of our employees and guests being our top priority, we have initiated a wide range of precautionary and preventive measures since the end of January 2020, some of which are listed below.*

*To further enhance the preventive measures to protect our employees and guests, we launched several initiatives in February and March 2021. These initiatives include setting up a dedicated COVID-19 hotline, launching a new educational video for employees, and implementing track and trace QR code scanning for all guests entering the NagaWorld Complex.*

*More information related to the COVID-19 measures can be found in each of the following sections of this report.*



*Employees*

- *Comprehensive communication programme, including awareness materials, preventive measures and training courses.*
- *Provided timely information and support through online/mobile channels.*
- *Provided personal protection such as masks and gloves and install face recognition and thermal scanners at employee entrances.*
- *Implemented temporary medical leave and quarantine procedures.*
- *Converted the ballroom and the Naba Theatre reception area to employee dining areas to enable social distancing.*

# Sustainability Report



*Customers*

- *Provided free masks and hand sanitisers.*
- *Implemented social distancing in gaming areas and reduce seating in F&B outlets.*
- *Installed thermal scanners and body disinfectant spray units at guest entrances and travel history checks on all guests.*
- *Regular sanitization and disinfection of surfaces in public areas.*

*Business Partners*

- *Provided COVID-19 awareness materials and instructions.*
- *Provided personal protective equipment ("PPE") procurement information.*
- *Allowed more flexibility in terms of delivery date.*


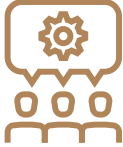





*Community*

- *Donated US\$174,000 worth of medical equipment and supplies to public institutions in response to the pandemic.*
- *Provided US\$55,000 emergency relief to Phnom Penh City Hall for purchasing around 100 tonnes of rice to distribute to impoverished communities.*



This report focuses on the following five areas:

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	Use of Resources	Page 39
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	– Water Usage	Page 41
	Emissions	Page 42
	Air Quality	Page 44
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<b>Nurturing Our People</b> 	Talent Acquisition	Page 47
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<b>Fostering a Responsible Culture</b> 	Health and Safety	Page 57
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# Sustainability Report

## Protecting Our Environment

We have always sought to operate in a responsible, transparent and sustainable way. While delivering the highest quality of services and products to our customers, we aim to minimise risk and our impact on the environment.

At the Global Climate Ambition Summit held in December 2020, Cambodian Prime Minister Samdech Techo Hun Sen reaffirmed Cambodia's commitment to tackle climate change, with a plan set out to reduce Green House Gas ("GHG") emissions by 18% or 38.9 million tonnes and increase renewable energy in the energy mix to 25% by 2030. As a service business, the Group does not produce a significant amount of GHG relative to its contribution to the national economy. The Group's carbon dioxide ("CO<sub>2</sub>") emissions constituted 0.24% of Cambodia's annual emissions<sup>1</sup>, but it contributed approximately 1.2% of Cambodia's national GDP in 2019. Nevertheless, we pledge our support to the RGC and contribute to meeting these ambitious goals.

We continue to look for ways to reduce our carbon footprint. For example, we have accelerated the transition from paper-based transactions to online automation during 2020 by launching four online systems – e-submission for procurement tenders, performance management, e-learning, and My Portal communication platform – and migrating more administrative tasks online. These initiatives improve operational efficiency while reducing our environmental impact by reducing paper usage. Details of these initiatives can be found in the employee and supply chain management sections of this report.

In December 2020, an environmental audit was carried out by the internal team to identify gaps between the Group's environmental performance against the ISO 14001:2015 environmental management system requirements. The results will be used to manage the Group's environmental responsibilities systematically that contribute to the environmental pillar of sustainability.



*In 2020, NagaCorp responded to the Carbon Disclosure Project ("CDP") Climate Change questionnaire, making it the first Cambodia-based company that has done so. Our Climate Change score is equivalent to Asia and Global average.*

<sup>1</sup> Based on Cambodia's CO<sub>2</sub> annual emissions of 16.03 million tonnes in 2019 and the Group's 2019 CO<sub>2</sub> emissions of 38,956 tonnes.

Since 2016, NagaWorld, our flagship property in Phnom Penh, Cambodia, has been certified by the ASEAN Tourism Forum and recognised as an ASEAN Green Hotel. The ASEAN Green Hotel Standard is an initiative dedicated to promoting sustainable tourism in ASEAN by adopting environmental-friendly and energy conservation practices.

NagaCorp complies with all relevant Cambodian laws and regulations in regards to environmental protection and natural resource management, except waste management, which is going through the implementation process.

#### **Education and Awareness**

At NagaWorld, we believe in protecting our environment and valuing the importance of waste pollution prevention, biodiversity, resource preservation and reforestation. In recent years, the rising population and rapid urbanisation have put significant pressures on Cambodia's civil infrastructure and environmental management systems. Being a responsible member of the Cambodian

community, we continue to play an active role, working alongside the government, non-governmental organisations ("NGOs"), and others in the Cambodian business community to promote green initiatives and raise environmental awareness. We believe knowledge leads to positive change. We share with the government, business partners, and wider community best practices and information about sustainable options through workshops. We also organise activities to support local communities' effort in maintaining a green living environment.

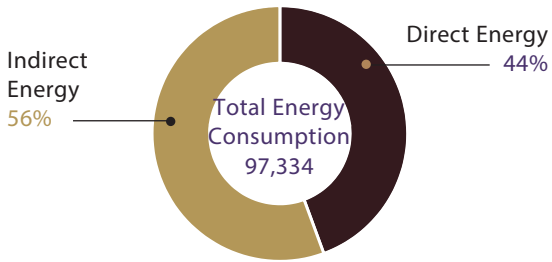
#### **Use of Resources**

##### ***Energy Usage***

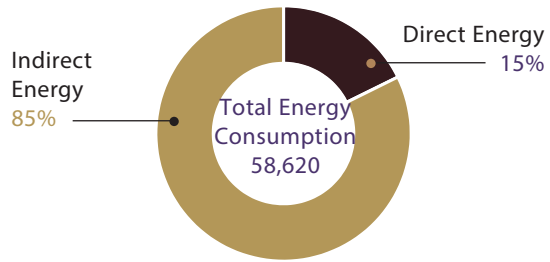
Our primary source of energy is electricity. NagaWorld sources electricity primarily from the Phnom Penh city grid managed by the Electricite Du Cambodge ("EDC"). EDC generates electricity from a mix of hydropower, coal, fossil fuels and biomass. We also used diesel for operating back-up electric generators and hot water boilers in Naga 1, and liquid petroleum gas ("LPG") in our kitchens.

# Sustainability Report

**NagaWorld Energy Consumption 2019**  
(‘000 Mwh)



**NagaWorld Energy Consumption 2020**  
(‘000 Mwh)



<b>Energy Consumption and Intensity</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Energy consumption (‘000 kWh)	80,559	97,334	<b>58,620</b>
Energy intensity (kWh/m <sup>2</sup> of gross floor area)	334	384	<b>231</b>

Note: Figures in the above charts and table do not include fuels consumed by the vehicles owned by the Group.

Due to the rapid expansion and population growth in recent years, the city of Phnom Penh has experienced electricity shortage periodically, especially during the summer months and public holiday seasons. During which, back-up electric generators are utilised in order to maintain our around the clock operations.

Both overall energy consumption and intensity in 2020 were 40% lower compared with the prior year. The significant reduction was due to 1) the high level of direct energy consumption resulting from the diesel generators during the blackout periods in 2019; and 2) the lower level of consumption in 2020 due to the temporary closure of part operations and reduced business volumes after the reopening.

Since 2018, we have introduced 15 initiatives to save energy and reduce costs, including replacing most of the halogen bulbs in Naga1 with more efficient LED lights and installing air handling units to monitor and optimise the air-conditioning operating hours. Thirteen of the 15 initiatives have been implemented and the remaining two are ongoing. These initiatives are expected to reduce our annual energy consumption by 8% once fully implemented. In addition, during 2019 and 2020, 500 hotel rooms in Naga 1 were refurbished and equipped with energy saving lighting and a more efficient water boiler system.

### *Water Usage*

The Phnom Penh Water Supply Authority supplies water to NagaWorld according to WHO and national drinking water standards. We had no issue in sourcing water that is fit for purpose during the Year. NagaWorld complies with the relevant Cambodian rules and regulations in relation to water management. Bottled drinking water provided to our customers is also sourced from Cambodia.

We are committed to using water responsibly and have developed strategies to reduce our water consumption by improving mechanical systems and processes, with water consumption monitored and benchmarked monthly. Effective preventive maintenance, such as regularly cleaning the ventilation filters and condenser tubes, optimising the operation and scheduling of the chiller systems and air conditioning units, further reduces our water consumption.

Water consumption in 2020 was 34% lower than the prior year, primarily due to the temporary closure and reduced business volumes since the reopening. As a result, water intensity, i.e. water usage per square metre of gross floor area, was also reduced.

# Sustainability Report

Water Consumption and Intensity	2018	2019	2020
Water consumption (m <sup>3</sup> )	694,614	699,571	<b>459,002</b>
Water intensity (m <sup>3</sup> /m <sup>2</sup> of gross floor area)	2.8	2.8	<b>1.8</b>

Wastewater is treated in conformance with the British Royal Commission Standard of Quality before being released into the sewers. The remaining solid waste is taken away by tankers for responsible disposal.

We are also educating our customers and our employees on the importance of saving water by providing water saving signs and information in each hotel room and toilet in public areas and offices about how they may contribute.

## Emissions

We seek to minimise our environmental footprint by reducing direct and indirect emissions without compromising customer satisfaction and operational efficiency.

We have adopted the ISO 14064-1 guideline for measuring and reporting our GHG emissions. The principal component of our GHG emissions is CO<sub>2</sub>, with a small quantity of other gases, such as hydrocarbons, carbon monoxide ("CO"), nitrogen oxides ("NO<sub>x</sub>"), and sulphur oxides ("SO<sub>x</sub>").

Direct or Scope 1 emissions are emissions from sources within our control and activities related to our immediate operations. Energy consumption, such as the LPG used in the kitchens and fuels consumed by our owned vehicles and airplanes, are the primary source of direct GHG emissions for NagaWorld. We continue to look for ways to reduce direct emissions by lowering energy consumption and improving energy efficiency in our properties, as well as fuel efficiency for our car fleet. Direct emissions in 2020 were significantly lower compared with the prior year in all categories of GHG; most notably CO<sub>2</sub> emissions were down by 70% from 11,619 tonnes in 2019 to 3,500 tonnes in 2020. The reduction reflected the reduced business volumes in 2020 and the unusually high level of diesel consumption in 2019 due to electricity shortage during the summer.

Energy Consumption and Emissions	Energy Consumption ('000 kWh)	CO <sub>2</sub> emissions (kg)	NO <sub>x</sub> emissions (kg)	SO <sub>x</sub> emissions (kg)	PM emissions (kg)
<b>2020</b>					
Hot water boiler and backup generators – diesel	3,293	782,613	2,656	2,192	219
Kitchen – LPG	5,568	1,235,277	76	-	-
Vehicle – diesel, petrol, kerosene	-	1,482,086	23	7,196	43
<b>Total – Scope 1</b>	<b>8,862</b>	<b>3,499,977</b>	<b>2,755</b>	<b>9,389</b>	<b>263</b>
Purchased electricity – Scope 2	49,759	25,143,078	-	-	-
<b>Total – Scope 1 &amp; 2</b>	<b>58,620</b>	<b>28,643,055</b>	<b>2,755</b>	<b>9,389</b>	<b>263</b>
<b>2019</b>					
Hot water boiler and backup generators – diesel	33,240	7,898,988	206,793	16,852	14,603
Kitchen – LPG	9,994	2,216,967	145	1	-
Vehicle – diesel, petrol, kerosene	-	1,503,042	3,072	372	86
<b>Total – Scope 1</b>	<b>43,234</b>	<b>11,619,007</b>	<b>210,010</b>	<b>17,225</b>	<b>14,689</b>
Purchased electricity – Scope 2	54,101	27,337,083	-	-	-
<b>Total – Scope 1 &amp; 2</b>	<b>97,335</b>	<b>38,956,090</b>	<b>210,010</b>	<b>17,225</b>	<b>14,689</b>

Indirect emissions, or Scope 2 and Scope 3 emissions, are those produced outside of our immediate operations as the consequence of our activities. These include GHG emissions generated from purchased electricity (Scope 2) and those generated from guests travel, sourced goods and materials, and waste (Scope 3).

# Sustainability Report

To reduce indirect emissions, we continue with our energy saving initiatives introduced in 2018 to improve efficiency and further reduce energy consumption, which is the primary source of our GHG emissions. Indirect CO<sub>2</sub> or Scope 2 emission in 2020 was 8% lower compared with the prior year, reflecting the lower level of consumption during the Year as a result of the temporary closure, as well as energy saving measures, such as switching off the outer wall digital displays and closing off some of the floors in Naga 1 and Naga 2 after the reopening. Overall, we emitted 26% fewer GHG (Scope 1 and Scope 2) last year than in 2019.

We are unable to track the GHG emissions related to our activities within the supply chain (Scope 3) due to the lack of reliable data. However, we continue to reduce our environmental impact by sourcing products and materials locally whenever possible and ensuring our suppliers adhere to our environmental policy. See page 62 for more information about our supply chain management.

## Air Quality

We strive to provide a safe and comfortable environment for our employees and customers, including clean air and a reasonable temperature. According to the American Society of Heating, Refrigerating and Air-Conditioning Engineers standards, regular air quality monitoring is carried out. This includes a monthly indoor air quality test based on a range of key indicators, including temperature, relative humidity, CO<sub>2</sub>, carbon monoxide etc. All readings during the reporting period were within permitted levels.

During 2020, our primary focus was ensuring the air handling systems work effectively to reduce the risk of the air-bound coronavirus spreading should there be infections in the property. As part of the precautionary measures, we performed a microbiological test of air quality through the Institut Pasteur du Cambodge research lab in August. We also conducted deep clean operations on all Air Handling Units to make sure all air filters were cleaned and sanitised regularly.



To improve the air quality of NagaWorld complex, we plan to install an indoor air quality filtration system that can remove pollutants such as PM2.5 and gases such as NO<sub>x</sub> and SO<sub>x</sub> in the buildings, as well as air quality monitors in our hotel rooms.

NagaWorld is in compliance with the Cambodian rules and regulations in relation to air pollution.

#### **Waste Management**

Our environmental policy encourages the use of goods that have a low environmental and social impact, and seeks to instil product life cycle thinking into our decision making process. We embrace the “5R” strategic approach in our waste management: Refuse, Reduce, Reuse/Replace, Recycle and Remind. The aim is to minimise resource use and maximise reuse, recycling, and recovery in business operations.

As a service business, we do not produce material amounts of hazardous waste, nor any waste relating to product packaging. Most of our waste produced in NagaWorld is from the hotel and F&B operations. We segregate the waste into recyclable, organic and non-recyclable, and work with local companies to ensure they are handled appropriately.

- Recyclable waste – shredding playing cards from our casinos, carton boxes and plastic bottles are taken by a contractor for recycling.
- Organic waste – restaurant and kitchen organic waste is taken and used as animal feed in local farms. All used cooking oil is taken by a contractor for recycling/reuse.

# Sustainability Report

Waste Production	2018	2019	2020
Waste recycled (tonnes)	304	309	<b>86</b>
Organic waste (tonnes)	274	273	<b>148</b>
Non-recyclable waste (tonnes)	5,936	5,936	<b>2,945</b>
<b>Total waste produced (tonnes)</b>	<b>6,514</b>	<b>6,518</b>	<b>3,179</b>

We continue to look for ways to recycle while producing less waste. The level of waste produced remained flat between 2018 and 2019 despite that business volumes increased by the range of 25-33%. During 2020, the waste levels were significantly reduced due to lower business volumes following three months' temporary closure of the casino operations and limited international visitation. Our hotel and F&B outlets operated throughout the Year but with a reduced capacity.

The initiatives launched in previous years continue. For example, we withdrew single-use plastic straws and takeaway plastic cutlery and containers in December 2018, replacing them with 100% biodegradable and recyclable alternatives in all our F&B outlets. As such, we anticipate eliminating around four million plastic straws every year. The Soap For Hope programme launched in 2017 to recycle hotel

soap bars is still going strong. Covid-induced travel restrictions mean fewer guest visitation and lower hotel occupancy. In spite of that, a total of 54 kg of soap bars were recycled in 2020 (2019: 474 kg). The provision and access to clean soap encourage better hygiene practices, preventing germs and infectious diseases from spreading. Since its launch, 1,356 kg of soap bars has been sanitised and distributed to local families.



## **Nurturing Our People**

NagaCorp recognises that it requires a sustainable and capable workforce to remain competitive and support its ambitious growth plan. Retaining and developing our people, looking after their well-being, and fair and open cultures are vital parts of our business strategy now more than ever. To achieve this, we continue to expand our 3-tier human resources strategy – Starting with us, Growing with us, and Staying with us – that will support the current and future business needs of the Group and drive the required momentum to enhance the capabilities of our people.

### **Talent Acquisition (Starting with Us)**

The ability to attract and retain talent is crucial to our business strategy. We are committed to ensuring equal opportunities to all qualified individuals, irrespective of gender, age, marital status, ethnicity, sexual orientation or religion. As part of our Starting with Us initiative, we commit to giving new employees a warm welcome and make them feel part of the Naga Family from day one. Support initiatives are in place to help employees settle into their journey with us.

We seek talent from both local and global markets through conventional channels as well as social media platforms. We reach out to potential candidates through roadshows and university visits, providing them with opportunities to learn more about NagaWorld. To further support this, a talent database for critical roles was launched in 2020 and will be further expanded in 2021.

Furthermore, we attract talent by offering internship and training programmes, such as the Executive Trainee Programme (“ETP”) launched in 2019 and expanded in 2020. It aims to provide young people, particularly those who come from underprivileged backgrounds, with an opportunity to develop and achieve their potential.

### **Talent Development (Growing with Us)**

The Group continues with its Naga Academy, a vocational education institute founded in 2012. The Naga Academy provides talent and a skilled workforce for the Group through an Internship Programme, which aims to equip trainees with gaming and hospitality skills and empower them with the right attitude and knowledge to succeed in today’s dynamic social and economic environment.

We deploy multiple approaches for learning and development, from e-learning to classroom learnings, workshops, and most importantly, experience-based learnings. In addition, we also invest in employee training and development with a specific emphasis on language skills and service excellence.

During 2020, we launched our new online learning hub (“Moodle”) as an e-learning tool. Through Moodle, employees can learn product knowledge, access company policies, learn about business protocols and complete assessments through the platform at their own pace and location. We continue to expand the hub, with additional courses and training interventions being made available in the system.

# Sustainability Report



## *Language Employee Engagement Programme*

*Since the launch of the e-learning platform, we have also organised regular activities online to encourage participation. For example, as part of the Language Employee Engagement Programme (“LEEP”), we hosted three Mandarin activities during the Chinese Mid-Autumn Festival in September, which attracted 114 employee participants.*

The system has provided our employees an opportunity to continue their learning and development during the pandemic where COVID-19 restrictions and social-distancing measures made conducting face-to-face classes challenging. Apart from being a learning hub, the tool also serves as an additional communication channel where employees can access the Group’s most up-to-date talent development information.

During 2020, we also moved our performance management process online through the launch of the NagaWorld Online Appraisal system (“NOA”). Developed by our in-house IT team, the proprietary web-based system aims to simplify the assessment process and improve operational efficiency. It

provides an easier and more convenient tool for management to review and evaluate employee performance, and for employees to access their performance reviews and provide feedback. The NOA replaces a previous paper-based system.

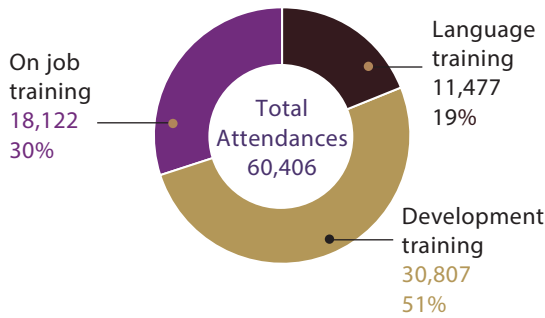
As part of the private-public partnership initiatives to promote Cambodia’s tourism growth and reflect our international customer base, we provide English and Mandarin training to our frontline employees. The language development programmes use a two-prong approach – classroom instructions and on the job toolbox briefing sessions, and now since the launch of the e-learning platform, online learning activities.

We have a clearly defined framework that serves as a foundation and guide for competency development in NagaWorld. The framework was further refined to include competency in corporate and support services. To encourage continuous development, we provide financial support, such as sponsorship and study leave for employees in managerial positions who would like to pursue further education and professional qualifications, such as accountancy, business administration and AML, etc.

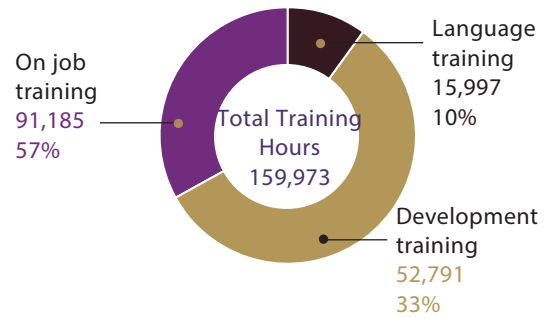
In 2020, the Group recorded 60,406 (2019: 71,588) attendances for a total of 159,973 (2019: 235,165) training hours. Each employee received an average of 19.0 (2019: 27.3) hours of training during the Year.

We continue our commitment to developing local talent through a succession plan that focuses on “local first”, promoting local employees to management positions where and when possible. As of 31 December 2020, local employees represented 41% of all managerial positions at NagaWorld (31 December 2019: 42%).

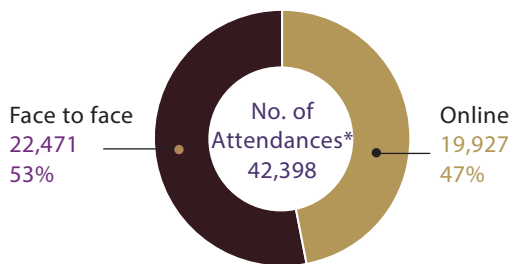
**Number of Attendances**



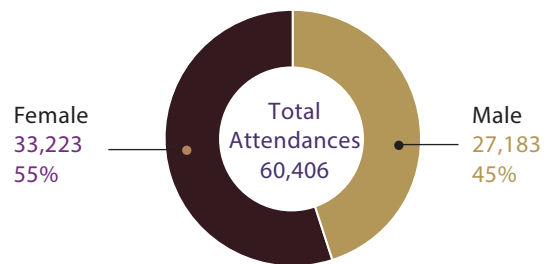
**Number of Training Hours**



**Number of Attendances by Delivery Method**

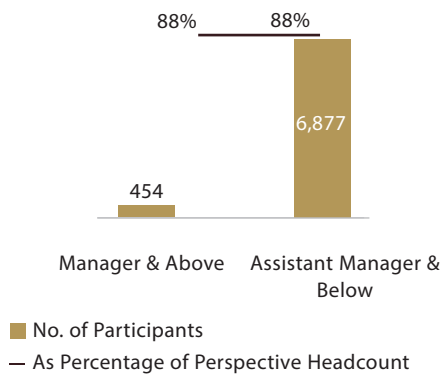


**Attendances by Gender**



\* Excluding on job training

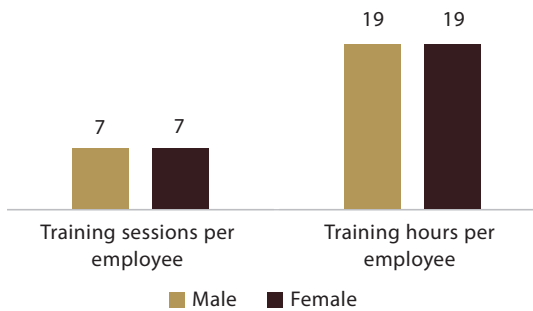
**Attendees by Management Level**



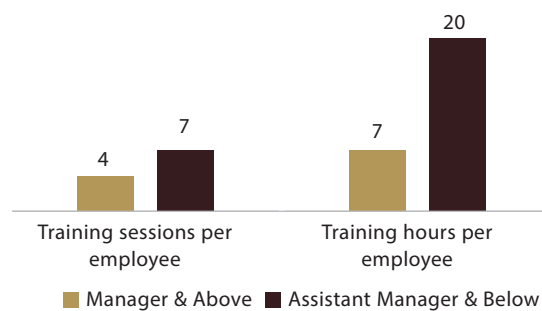
■ No. of Participants  
 — As Percentage of Perspective Headcount

# Sustainability Report

### Average Training Sessions and Hours by Gender



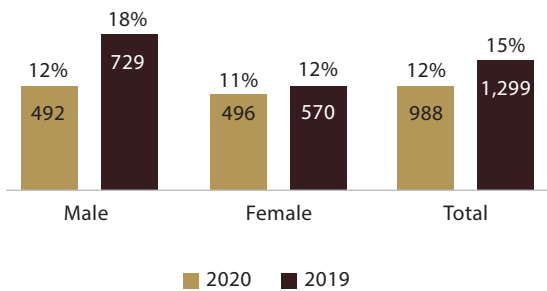
### Average Training Sessions and Hours by Management Level



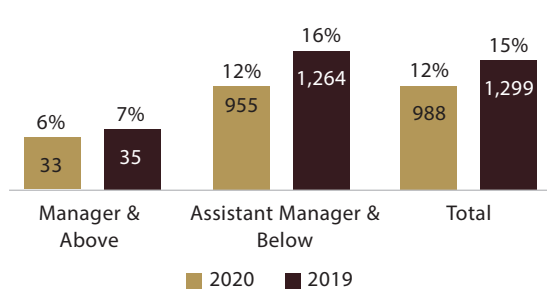
Despite the temporary closure of casino operations and reduced business volumes, we have worked hard not to make any forced employee reductions, thereby keeping our full workforce employed during the Year. This was done by rolling out a number of initiatives that ensured we aligned our costs with business levels but at the same time provided long term job security for all our employees.

As of 31 December 2020, the Group had 734 (2019: 1,373) new joiners, including 416 ETP trainees joined in January, and 988 leavers (2019: 1,299). The Group's employee attrition ratio was 12% (2019: 15%), well below the 19% average turnover rate amongst the large companies in Cambodia (source: HRINC Cambodia) and the 22.5% national average in the country's hotel industry (source: National Employment Agency).

### Employee Turnover by Gender



### Employee Turnover by Management Level



**Talent Engagement (Staying with Us)**  
***Protecting Our Employees During The Pandemic***

Although the COVID-19 situation has been managed relatively well in Cambodia, we remain committed to ensuring the well-being and safety of our employees as well as those of our guests. In addition to the mandatory social distancing measures, we have also established and enhanced a series of protocols and preventive measures to protect our employees against COVID-19 infection since January 2020. They include, amongst others, the following:

- Installed face recognition and thermal scanner at the employee entrance;
- Implemented temporarily restricted travel procedures and employee travel history tracing;
- Implemented additional dining areas for employees in the ballroom and the NABA theatre reception area to enable social distancing measures;
- Implemented temporarily medical quarantine procedures and provided accommodation for employees affected by the quarantine;
- Removed finger scanner time machines that could present a transmission risk;
- Provided paid leave for employees that had to quarantine after exposure to COVID-19 infection incidents;
- Established emergency protocols and increased PPE for in-house doctors;
- Formed direct communication with COVID-19 designated hospitals;
- Dedicated single-point communication for overseas employees;
- Established and performed regular COVID-19 audits in both guests and employee areas;
- Launched a dedicated hotline in February 2021 for employees to raise their concerns instantly to management which is committed to addressing the concerns within 48 hours; and
- Launched a new educational video with enhanced factual information delivery in March 2021.

# Sustainability Report



## March 2020 COVID-19 Update

### REPORTING & COMMUNICATIONS

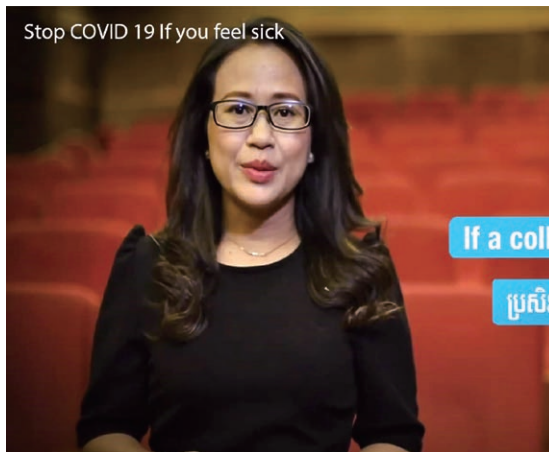
**If you feel sick...**

- Any mild signs or symptoms noticed while you are on duty, visit our in-house clinic immediately.
- Inform your superior or any emergency contacts (see below) and keep them updated of your condition.
- Abide by doctor's advice.

**\*\*NOTE -** If you are Off Duty or away from the property and exhibits signs or symptoms, you are not required to return to the property but must either visit one of the following Phnom Penh panel / NSSF clinics or call the Cambodia Disease Reporting Hotline or emergency contacts (see below):

<b>MW Medical Cambodia</b> Address: #313 Sisowath Quay, Himawari Hotel Apartments Contact: 077 522 577 Email: mwpp@mwmedical.com.sg	<b>Central Hospital</b> Address: #2A St 154, Sangkat Phsar Thmey 3, Daun Penh Contact: 023 214 956 / 023 214 966 / 012 957 627 Email: info@central-hospital.com
<b>Calmette Hospital</b> Address: #3 Monivong Boulevard, Sangkat Sras Chak, Khan Daun Penh Contact: 023 426 948 / 023 724 892 / 011 414 069 Email: hospital@calmette.gov.kh Website: www.calmette.gov.kh	

COVID-19 Safety Materials	
Posters	10
Videos	13
Booklets	3





**Equality and Diversity**

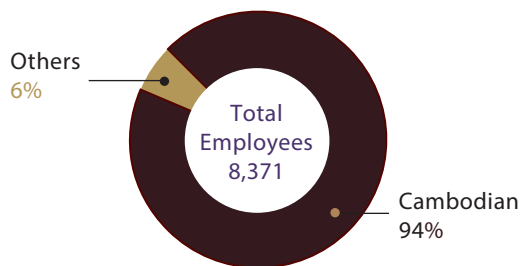
We pride ourselves on providing a safe, fair and healthy work environment with equal opportunities for all our employees. Our employees are treated fairly and equally irrespective of their gender, social status, sexual orientation, religion or belief, marital status, age, colour, nationality, disability or trade union affiliation.

As of 31 December 2020, the Group had a total of 8,371 employees (2019: 8,625), representing 37 nationalities. We prioritise the development of our Cambodian workforce, recruiting locals where possible, with 94% of our workforce in 2020 being Cambodian.

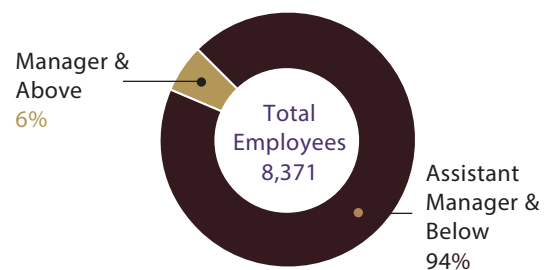
Whilst aiming to create a diverse and inclusive workplace, we ensure that the recruitment of entry-level candidates is done based on attitude and best fit for the role. Internal promotions are conducted on a performance-based approach. In 2020, the number of female managers remained constant at 203, representing 39% of total management (2019: 39%). Promoting our female management talent remains a focus for the Group.

Gender Diversity as of 31 December 2020	Female	Female	Male	Male	Total
Manager & Above	203	39%	314	61%	517
Assistant Manager & Below	4,272	54%	3,582	46%	7,854
<b>Group Workforce</b>	<b>4,475</b>	<b>53%</b>	<b>3,896</b>	<b>47%</b>	<b>8,371</b>

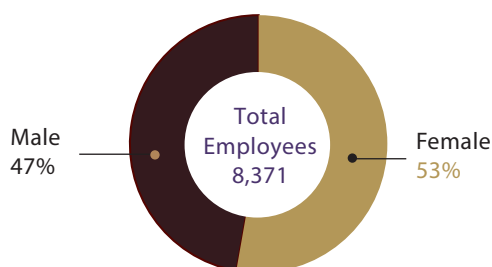
**Employees by Nationality**



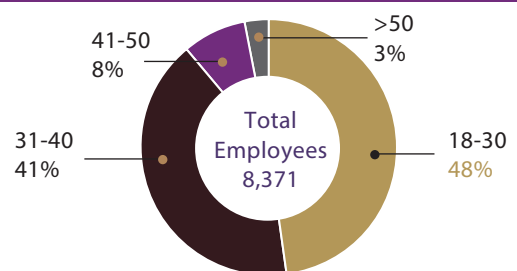
**Employees by Management Level**



**Employees by Gender**



**Employees by Age Group**



# Sustainability Report

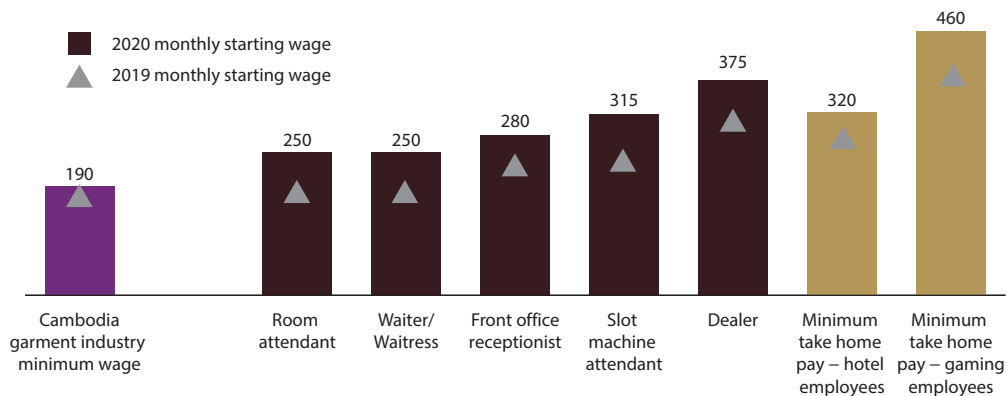
## Compensation and Benefits

In recognition of the rising living costs in Phnom Penh, where the vast majority of our employees live, and taking on the feedback from employee representatives, in January 2020 we raised the level of the starting wage for all entry-level positions by approximately 30% and increased salary levels for those positions that require more skills and technical knowledge.

Since April 2020, the Group's performance was impacted by the temporary suspension of our casino operations between April and July, and since the reopening, a significantly lower level of visitation to the country due to the COVID-19-induced travel restrictions

and border closures. To balance the need to maintain the business' viability and help our employees through this difficult time, we introduced a company-wide pay reduction at all levels in the organisation. Since the reopening of the casino business in July, we have implemented a job-sharing scheme and allowed employees in less demanding roles to take unpaid leave. These measures have allowed more of our employees to keep their jobs, and the Group to maintain its skilled workforce ready for full resumption of operations. To support our employees through this difficult time, annual leave was paid out, and we also set up helpdesks to advise and help employees apply for government subsidies.

### Monthly Starting Wage Comparison (US\$)



Note: No national minimum wage is specified in Cambodia. However, each year the RGC sets a minimum monthly salary for the garment industry workers. The monthly minimum wage for the factory workers was US\$190 for 2020 and US\$182 for 2019. In September 2020, a minimum wage of US\$192 was set for 2021.

The chart above shows a comparison of monthly starting wages that would be received by garment factory workers in Cambodia and the entry-level employees in NagaWorld. Including service charge, tips and allowance, the lowest monthly take-home pay for the Group's entry-level hotel and casino employees were US\$320 and US\$460, respectively. This represented a 19% increase compared with 2019 levels. We believe that our salary offer is one of the best, if not the highest, in Cambodia. Furthermore, our employees are required to work 12.5% fewer hours per week than employees at other comparably sized consumer service or lodging companies in Cambodia.

In addition to the above-the-market-rate salary, employees are entitled to discretionary performance bonuses ranging from 1 to 1.5 times of their monthly wages based on the achievement of business objectives and completion of key priorities and milestones. We also offer generous benefits designed to improve the quality of life for our employees. These include:

- Incremental 1.5 days of paid annual leave for every month of service rendered. Annual leave pay increases based on length of service;
- Fourteen days sick leave per year, which is well in excess of the minimum government requirement;
- Other paid leave entitlements including sick leave, maternity, paternity leave and marriage leave;
- Free medical care through a dedicated in-house clinic. Given the relatively high medical costs in Cambodia, many of

our employees take advantage of this service. In 2020, 5,950 employees used the clinic, culminating in a total number of 32,832 visits to the facility in the Year;

- Free laundry and dry cleaning services for work attire;
- Accident and Life Insurance;
- 300% pay for working on public holidays, well above the statutory requirement of 200%;
- A monthly language incentive up to US\$100.

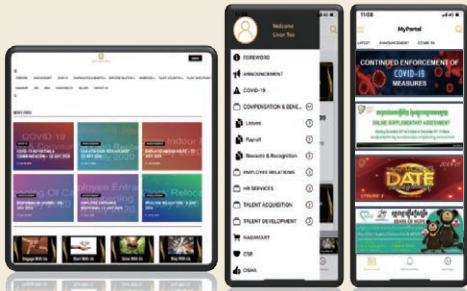
Employees can also continue to enjoy the benefits of our own in house retail shops Nagamart and unlimited free meal allowance, the two initiatives launched in 2019 to support our employees and help lower their living expenses. Nagamart, a not-for-profit supermarket where employees can purchase daily staple and household goods at cost, saw all our employees benefited from this subsidised service during the Year.

On 28 January 2021, the Board has adopted the Share Award Scheme, which is valid for a term of ten years from the adoption date, unless terminated earlier. It aims to continue attracting skilled and experienced employees, incentivise current employees and recognise the contribution of long serving employees and high performing employees to the Group. Lastly, participation in the scheme will motivate employees to strive for the future development and expansion of the Group by providing them with the opportunity to obtain equity interests in the Company.

# Sustainability Report

## Communication and Engagement

During 2020, the Company has rolled out several new initiatives to improve communication and engagement. A multi-dimensional communication strategy was developed that included, amongst other things, the following:



### MyPortal

To encourage downloads, we hosted daily roadshows and service helpdesks for MyPortal and its mobile app. To better meet our employees' needs, we continue to solicit feedback and adding new features. One of them is the "Contact Us" function, through which individual employees can communicate with management directly. It has significantly improved two-way communications between management and employees. Since its launch until 31 December, we have received 773 enquiries relating to matters such as salary payment, talent development, and annual leave. The average time taken to resolve each enquiry was 4.4 days. An electronic payslip functionality was launched in MyPortal in February 2021.

- HR branding tools – these tools were created to ensure a consistent and professional image when we communicate with our employees. It aims to create a sense of belonging and ensures that employees recognise messages relayed as specific to them. It has been designed around the 3-tier human resources strategy: Starting with us, Growing with us and Staying with us.
- Changed the format and structure of our Shop Stewards meetings by scheduling smaller and more regular meetings, which we believe has created a better forum for open dialogue and a platform where work-related matters can be discussed and acted on.
- Launched an online communication tool called MyPortal. Many of our employees, given the nature of their work, have no access to computers at work, making timely communication challenging. The MyPortal mobile app enables them to stay informed anywhere anytime with real-time information, such as instant message alerts and company announcements. This has been particularly important when we have to make regular and quick changes according to the government's instructions and the continually evolving COVID-19 situation. More than 92% of our workforce have now downloaded the MyPortal mobile app and frequently use it.

We also engage with our employees through various rewards and recognition programmes, such as the Employee of the Month and Honesty Award. Employees who have served the Company for a long period are recognised with long service awards.

In line with the provisions in the Cambodian Labour Law (the “Labour Law”), employees are represented by elected Shop Stewards, and all employees are free to join or form a union. The Labour Law requires that Shop Stewards be consulted on drafting and modifying internal regulations and must also be consulted on any planned measures for lay-offs due to a reduction in business activities or internal reorganisation.

The Labour Rights Supported Union of Khmer Employees of NagaWorld (“LRSUKE” or the “Union”) is an employee union independent of NagaWorld. On 25 April 2018, the LRSUKE renewed its registered mandate with the Ministry of Labour for four years. As of 31 December 2020, 47.5% of NagaWorld’s employees are members of the LRSUKE.

The roles of Shop Stewards are to:

- present to the employer any individual or collective grievances;
- inform the Labour Inspector of complaints and criticism relating to the enforcement of the labour legislation and labour regulations;
- ensure the enforcement of the provisions relating to occupational safety and health administration (“OSHA”); and
- suggest useful measures that would contribute to protecting the health and improving employees’ safety and working conditions.

During the Year, 25 meetings were held between management and Shop Stewards. The topics discussed included general business updates, COVID-19 updates, proposed amendments to the Group’s internal rules and other relevant matters raised by the Shop Stewards. New Shop Steward elections are planned for the early part of 2021, which will be followed with workshops to further improve the communication between the Company and Shop Stewards.

Legislative labour requirements in Cambodia are aligned with international standards, including matters such as the prohibition of child and forced labour, employees’ rights to organise unions and engage in collective bargaining, non-discrimination and civil and political rights. NagaCorp complies with all relevant laws and regulations.

## **Fostering a Responsible Culture**

### **Health and Safety**

We are committed to providing a healthy, hazard-free and safe environment for our employees, guests, visitors, suppliers and contractors. To achieve this, we have implemented a systematic approach to identify and assess health and safety risks and to allocate appropriate resources to manage those risks. We maintain an effective communication system on OSHA and continuously monitor and review our performance. NagaWorld complies with all relevant laws and regulations on health and safety.

# Sustainability Report

The review of our OSHA policies and operating procedures is ongoing, which helps to keep us in line with International Labour Organisation standards. The OSHA team conducts regular audits and shares observations and actions with departments thereafter. Awareness training is provided to all employees, and safety standards of daily operations are monitored and maintained. Each manager is accountable for achieving their OSHA objectives. We continue to promote and improve workplace safety during the Year. For example, we launched a week-long Safety Awareness Campaign in February 2020 to promote general safety, such as workplace, fire, road and food safety.

Work-related lost time injury (“LTI”) and the LTI frequency rate (“LTIFR”), a proxy measurement for safety performance, remained low in 2020. Our LTIFR of 0.17 was well below the 4.0 for the gaming sector and 6.1 for the F&B service industry, the only available benchmarks published by the Australian government statutory body Safe Work Australia. Work-related lost time injury is defined as an injury or illness caused, contributed or significantly aggravated by events or exposures in the work environment. At NagaWorld, such injuries occur more often in the kitchens, such as burns, cuts, or slips.

No work-related fatality was recorded in NagaCorp and its subsidiaries in the past five years.

Lost Time Injury	2018	2019	2020
Man-hours ('000)	111,005	104,944	<b>68,947</b>
Number of injuries (work-related)	45	16	<b>12</b>
<b>LTIFR</b>	0.41	0.15	<b>0.17</b>
<b>Lost days due to work-related injuries</b>	Not available	140	<b>58</b>
<b>Work-related fatality</b>	0	0	<b>0</b>

Notes:

- (1) Total man-hours were lower in 2020 due to the temporary suspension of casino operations between 2 April and 7 July 2020 following the RGC’s instructions.
- (2) LTIFR = number of LTI x 1,000,000/total man-hours.
- (3) “Lost days due to work-related injuries” was a new measure starting in 2019. There was no comparable data for 2018.

Ensuring our employees and guests' safety and well-being is paramount to us, especially during the pandemic when situations are constantly evolving. Since the end of January 2020, we have implemented several strict health and safety protocols, such as mandatory temperature checks and wearing masks upon entering NagaWorld and hourly sanitisation of escalator handrails and door handles. Additional preventive measures were implemented later, and social distancing was enforced and observed since the resumption of casino operations in July. Some of these preventive measures are listed below. In addition, we have also temporarily closed swimming pool, replaced the buffet service with a la carte option, and reduced seating capacity in all F&B outlets.

- Additional sanitisation of air handling units and fan coil units;
- Installed disinfectant aerosol sprays in guests areas and employee canteens;
- Scheduled fumigation of guest and employee areas;
- Installed social distancing signage and queue line;
- Converted non-gaming areas to gaming so that customers can enjoy playing while practicing social distancing;
- Implemented track & trace QR code scanning for all guests entering NagaWorld Complex.



- Installed thermal scanners and disinfectant spray units at entrances;
- Designated quarantine rooms;
- Regular sanitisation of company vehicles, tabletops, gaming machines and surfaces in public and office areas;



# Sustainability Report

## Product Responsibility

Being a service business, NagaWorld does not produce any physical products other than the food and beverage prepared for our F&B outlets. Policies and standards are in place to ensure these products and our services meet quality standards. NagaWorld complies with all relevant laws and regulations relating to OSHA, advertising, labelling and privacy matters. We seek to improve our standards continuously.

In August 2020, we established a Guest Service Policy to reflect our shared values of providing the highest possible service standards. A mandatory online training programme was rolled out across the Group.

## Food Safety

We take food safety seriously and abide by relevant local and international standards and regulations.

We aim to serve food prepared to the highest standards, using only the best quality products and ingredients. We believe NagaWorld is one of the leading hotels in Cambodia in food safety and hygiene. To ensure best practices, we have developed a common set of operating standards and procedures implemented in all our kitchens and F&B outlets. We also provide employees with all the necessary information, training, and tools to do their job effectively and with good hygiene practices. Monthly inspections and sampling are carried out in bars, F&B outlets (including staff canteens), kitchens and housekeeping areas.

In addition, we work with local suppliers on improving their knowledge and standards on an ongoing basis. Product quality is

checked in the receiving areas before entering NagaWorld. Non-compliant products are rejected upon inspection and the required standards are reiterated to the supplier. This approach not only ensures the products we use are safe but also helps improve the food safety standards across the industry.

In 2020, we also conducted a food handler refresher training programme, with 908 employees attended. Since April 2019, we have been in the process of implementing Hygiene ISO22000 Standards in regards to food safety, which is expected to complete by early 2022.

The Ministry of Health of Cambodia conducts regular audits of F&B outlets. During the Year, all NagaWorld complex restaurants have been certified with an "A" rating that signifies the highest level of hygiene and cleanliness.

## Fire Safety

The safety of our guests and employees is paramount. NagaWorld has an in-house fire safety department ("FSD") managed by a team of experienced firefighters and fire safety professionals specialising in different fields of emergency response and management.

With 64 firefighters and 15 officers, the team operates 24 hours a day, seven days a week to ensure around the clock emergency assistance and support. Since 2012, all members of the FSD have completed and passed the NFPA (National Fire Protection Association) 1001 International Standard Training – a firefighter professional qualification. All our firefighters are also trained and certified by the Cambodian Red Cross in First-Aid and International SOS in administering medical oxygen and automated external defibrillator.



To raise fire safety awareness and ensure correct procedures are followed during an emergency, training programmes to teach employees how to use fire extinguishers and evacuate safely are ongoing. Despite the disruption of the pandemic, 470 employees (2019: 1,813) participated in the training programme with a total of 1,428 hours (2019: 2,486 hours) in 2020. Additionally, we launched a week-long Safety Awareness Campaign in February to promote fire safety.

Fire training and drills are conducted regularly in order to develop a safety-first behaviour and culture among our employees and our business partners. In September, we conducted an emergency evacuation drill with 120 employees of our business partner, China Duty Free Group, who leases and operates the retail shops in NagaCity Walk.



As part of the CSR programme, we partner with the Ministry of Education, Youth and Sports to deliver fire safety classes to raise fire safety awareness amongst school children and local communities. In 2020, 300 school children attended fire safety classes. We also donated six fire extinguishers to two selected secondary schools.

### **Customer Engagement**

We strive to provide top quality experience and services to all our customers during their stay. We value customer feedback which gives valuable information to our continuous improvement.

We engage with our customers through various channels, such as website, social media and loyalty programme. In addition to the conventional face to face engagement, customers are also encouraged to connect with us on social media, e.g. Facebook and Weibo, and through messaging apps, e.g. WeChat and WhatsApp. These digital platforms provide a direct channel for us to engage with our customers, dealing with issues and gathering feedback instantly. The Premier Club loyalty programme has also helped us understand our customers' needs and preferences better, leading to higher customer satisfaction.

# Sustainability Report

## **Privacy and Data Protection**

We collect personal information from our hotel guests and members of the loyalty programme. This information is managed and securely stored in a central location and used for marketing and promotion purposes only.

All of these are done with customers' consent. A multi-level control system is in place to ensure safe and secure transfer and storage of our customers' data electronically. Standard operating procedures must be followed in regards to handling sensitive information such as personal data, which is implemented and monitored on a departmental level.

## **Supply Chain Management**

Our suppliers are our business partners, and we aim to maintain a long term relationship with them to continuously improve the quality of the products and services we offer.

All our suppliers must meet the requirements of NagaWorld's standards. This is monitored regularly through factory visits and engagement programme. Through these programmes, we ensure the quality of the products we receive and, to our best effort, that they are compliant with Cambodian Labour Law which includes the prohibition of slavery and child labour. Factory visits were temporarily suspended in 2020 due to the pandemic. We aim to resume them as soon as it is practically feasible.

Our sustainability policy is fully embedded in our supply chain management. We continue to work with our suppliers and partners to ensure that products and raw materials are from sustainable sources. For example, all paper in our hotel rooms is certified by Forest Stewardship Council (FSC) and Programme for Endorsement for Forest Certification (PEFC) since 2019.



To reduce our environmental footprint and support the Cambodian economy, we prioritise local suppliers where possible. Over the years, we have built a robust local supply chain that gives us greater control and flexibility and cost benefits. In 2020, 76% of our 566 frequent suppliers were based in Cambodia.

During the Year, the pandemic has disrupted the global supply chain. The supply shortage of PPE and sanitising materials early in the year was particularly challenging. Our focus was to ensure enough supply to keep our employees and guests protected so that the business could continue to operate. Our local business partners' support has enabled us to operate with minimal disruptions during this challenging time. On the other hand, we also recognise the difficulties they face and have provided them with as much support as possible, such as regularly sharing COVID-19 updates and best practices for prevention and allowing more flexibility on delivery dates.

We have also developed a new e-submission system that allows pre-vetted vendors to access information about new tenders and the selected ones to submit bids electronically. The new system has been on trial run with local vendors since October 2020 and can be rolled out to include international vendors once the trial is completed. The e-submission system aims to improve efficiency, speed up our vendor approval process, and promote transparency.

## **Maintaining Effective Governance**

We are committed to maintaining high ethical standards, conducting our business with integrity, honesty and transparency to maintain the trust and confidence of our customers, employees, business partners and other stakeholders. We believe that good corporate governance and ethical processes provide an established framework to operate efficiently and provide first-rate risk management.

In the 2020 Institutional Investor All-Asia Executive Team poll, NagaCorp was voted the "Best CEO", "Best CFO", "Best IR Team", "Best IR Program" and "Best ESG" in the Gaming & Lodging sector. The Institutional Investor's annual rankings are regarded globally as the financial industry's benchmark for excellence. In addition, at the 10th Asian Excellence Awards 2020 organised by Corporate Governance Asia in October 2020, NagaCorp was honoured with four awards – Asia's Best CEO (Investor Relations), Asia's Best CFO (Investor Relations), Best Investor Relations Professional and Best Investor Relations Company (Hong Kong). These awards and recognitions were endorsements of our honest and transparent approach in communicating with Shareholders and investors, which is underpinned by our devotion to adopting and complying with the best international standards and practices in corporate governance and investor relations efforts.

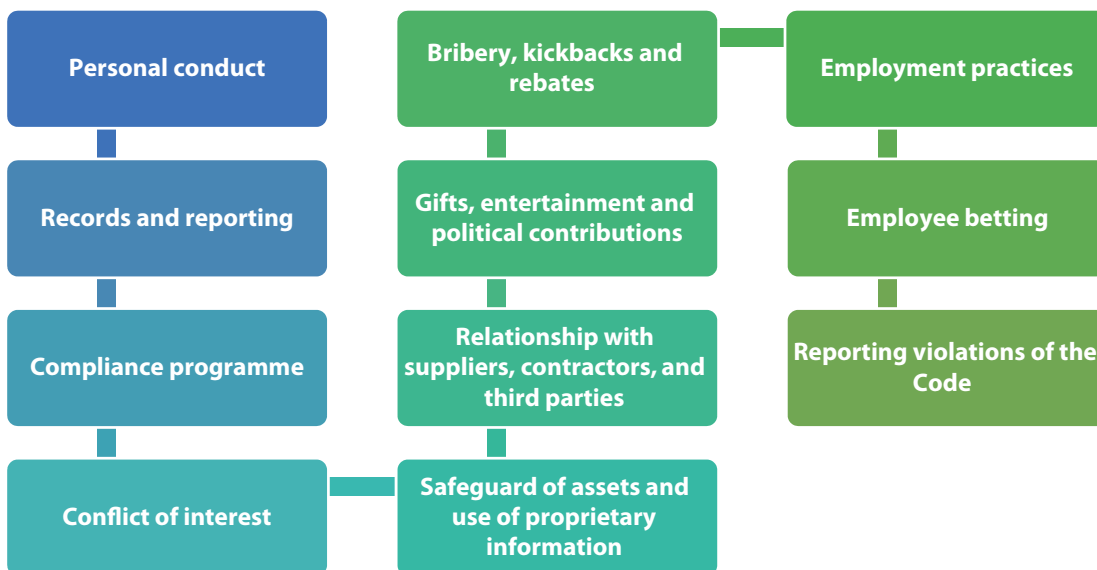
# Sustainability Report

## Code of Conduct

We have a clear set of standards and principles incorporated in the Company's Code of Conduct (the "Code"). The Code governs how all employees must behave and guides daily interactions with fellow employees, customers, suppliers, government officials and business partners. It outlines NagaCorp's expectations on employees with regard to conflicts of interests and encourages employees to report any malpractice and misconduct. The Code sets out our principles in the following 11 areas.

We have also devised and benchmarked our policies and procedures to ensure compliance with all relevant laws and regulations with respect to anti-corruption, AML, extortion, fraud and combatting terrorist financing. These policies are, in our view, industry-leading. All employees are required to comply with all policies and the Code.

### NagaCorp Code of Conduct



## Anti-corruption

NagaCorp has a zero-tolerance policy with regards to involvement in corruption or bribery activities of any kind. An anti-corruption handbook is made available to all employees.

The Code lays out the legal and ethical responsibilities of, and the expected behaviour of our employees. It explicitly prohibits employees from soliciting, accepting, or offering bribes or any other form of advantage. In keeping with best practice, NagaCorp has also developed and implemented an Anti-corruption Policy which reinforces the Code and provides additional guidance regarding compliance with laws and regulations related to bribery and corruption.

Both the Code and the Anti-corruption Policy play a critical role in defining our values and act as a framework for guiding our operations and business practices.

NagaCorp complies with the best international standards and practices in dealing with anti-corruption and anti-bribery issues, which include, but are not limited to, Cambodian law, the Listing Rules, Guidelines published by the Organization for Economic Cooperation and Development, the United Nations Convention Against Corruption and the principles supporting the Foreign Corrupt Practices Act.

Considering NagaCorp’s primary business as a gaming operator, which entails particular sensitivity to the risks of unsuitable associations and the need to comply with legal and regulatory requirements, diligence is required to avoid impropriety the appearance of impropriety by employees engaged in business dealings. NagaCorp has developed a Compliance Programme to structure a process to review and report on certain business activities and identify individuals and organisations’ suitability to engage in joint business endeavours with NagaCorp.

In August 2020, we started rolling out our first online anti-corruption training programme through our e-learning system – Moodle. As of 31 December, 85% of our workforce had participated in the training.





During 2020, no legal case regarding corruption was brought against the Company or its employees.

**Anti-money Laundering**

NagaCorp’s long term sustainability and success are dependent on its integrity and transparency in its daily gaming operations in relation to world best practices on AML.

The Board reviews and assesses the adequacy and effectiveness of the Group’s internal control system on AML through the AML Oversight Committee and the reports made by an AML specialist firm. The AML Oversight Committee formulates AML development and implementation programmes’ policies and strategies, ensures quality control, and oversees AML matters.

To ensure that we maintain a high standard for compliance and integrity on AML, we have established a programme designed to protect our reputation and mitigate AML risks. The programme is underpinned by a four-tier AML control structure comprising:

<p><b>Management Committee</b></p> 	<p>Led by our Compliance Officer and supported by senior managers from various key operational departments, tasked with ensure compliance in day to day operations</p>
<p><b>Periodical Internal Audits</b></p> 	<p>6-months internal audit of all relevant AML / anti-corruption matters</p>
<p><b>Board Oversight Committee</b></p> 	<p>Quarterly board review to review the work and reports of the AML Management Committee and Internal Audit</p>
<p><b>Regular Review by External Auditor</b></p> 	<p>Biannual external audit by AML specialist</p>

# Sustainability Report

We comply with the Financial Action Task Force (“FATF”) recommendations. We follow best practices and impose strict rules on AML controls in daily operations, with a dedicated ACAMS (Association of Certified Anti-Money Laundering Specialists) certified compliance officer overseeing all AML related compliance practices and reporting. A threshold report (“TR”) for cash transaction is filed for each transaction with an amount equal to or exceeding US\$3,000. TRs for all transactions over US\$10,000 and Suspicious Transaction Reports (“STRs”) are submitted online to the Cambodian Financial Intelligence Unit (“CAFIU”). We believe NagaCorp is the first and the only Cambodian company that makes cash transaction reports (“CTRs”) and STR filing electronically since the system was in place in July 2018.

All new employees are required to undertake AML training before they start. The training ranges from how to identify fraudulent banknotes and IDs to fill out CTR and STR forms. From 2020, all employees must partake in refresher training once a year. In 2020, 4,254 employees underwent AML training with a total of 4,254 (2019: 1,201) hours. In addition to the training, we also provide an AML Procedure Manual in Khmer and English to employees to help them handle money laundering matters in daily operations.

AML specialist firm, JB Advisory Services Limited (“JBAS”), conducts bi-annual reviews of our AML controls and produces reports for the Board to assess the adequacy and effectiveness of the Company’s internal control system. The review includes site visits, as well as research work and external consultation. For the year 2020, JBAS assessed that neither the pandemic nor the enforced closure of the gaming operations negatively impacted the AML controls applied by the Company. Sources within the National Bank of Cambodia and external sources consulted

by JBAS acknowledged that the Company remains at the forefront of AML compliance efforts in Cambodia. The review found the Group to be in full compliance with both the Cambodian 2010 AML Prakas and the 2012 FATF Recommendations, and noted that the 2015 Mutual Evaluation Report on Cambodia of the APG and its second update in August 2019 were positive developments. A copy of the independent review report can be found on pages 119 to 121 of this annual report.

To the best of the knowledge, information and belief of the directors of the Company (the “Directors”), neither NagaCorp nor any of its employees are subject to any actual, pending or threatened cases regarding any corrupt practice or any allegation of unethical practice during the Year.

## Risk Management

Sound risk management and internal control systems are vital to the achievement of the Group’s strategic objectives. NagaCorp has an established risk framework under which it identifies risks relevant to the Group’s operations and activities and assesses risks in relation to their likelihood and potential impacts. Under the framework, management is primarily responsible for designing, implementing, and maintaining the risk management and internal control systems. The Board and the Audit Committee oversee the implementation and monitor the effectiveness of these systems and safeguard the Group’s assets.

Our internal audit department conducts routine testing and an annual audit, during which the Audit Committee reviews the risk management and internal control system for the Year. The review includes, but is not limited to, financial, operational and compliance controls.

Our primary operations are located in Cambodia. To support the Board in assessing the country's investment risks, the Company has commissioned an annual independent review to evaluate the political, social, investment and macro-economic risks associated with Cambodia. In the most recent review conducted by Political and Economic Risk Consultancy, Ltd. ("PERC") in January 2021, Cambodia was given a socio-political risk rating of 5.17 (of the rating of 10 the highest risk). It has reduced from the prior year's rating of 5.56, and is on par with Thailand (4.93), and lower than other Asian developing countries such as the Philippines (5.52), Indonesia (5.43) and India (5.63). The full review can be found on pages 115 to 118 of this annual report.

### Supporting Our Community

Cambodia has undergone a transformation over the past two decades. Driven by garment exports and tourism, the Kingdom's economy has sustained an average 7% growth between 1998 and 2019, making it one of the world's fastest growing economies. NagaWorld was one of the first foreign-invested private companies in the Kingdom following decades of wars and depredation. We see ourselves as part of the fabric of the Cambodian community and believe we only thrive as the country prospers. In the past 25 years, NagaWorld has supported Cambodia's development, including promoting tourism alongside the Ministry of Tourism and sharing best practices with the government and business communities.

Today, as one of Cambodia's largest private sector employers and economic contributors, NagaWorld plays an important role in the well-being of the people whose lives we touch upon and the community in which we operate.

*"Since our inception in 1995, contributing to society, doing charity and helping nation building have always been synonymous with the way NagaCorp carries out its business in Cambodia. Through private and public sector participation programmes, NagaCorp's community, environmental, and national care encompass a wide sphere of activities from education, sports development, human resources development, promoting tourism, contributing to charitable causes, sustainability, green initiatives and benchmarking international industry best practices by adhering to global corporate governance programs."*

**NagaCorp Founder and CEO,  
Tan Sri Datuk Dr Chen Lip Keong.**

### NagaWorld Kind Hearts






NagaWorld Kind Hearts is an employee-based community of volunteers formed in 2014 with a collective goal of giving back to our society. Our initiatives and activities are grouped under four pillars: Education Enhancement, Community Engagement, Sports Development, and Environmental Care. Since inception till the end of 2020, more than 390,000 Cambodians have benefited through our CSR programmes. Charitable donations made by the Group to worthy causes in Cambodia during the Year totalled US\$3.24 million (2019: US\$3.1 million).

NagaWorld Kind Hearts' continuous efforts in supporting the economic and social development in the Kingdom continue to be recognised internationally, collecting multiple awards through various programmes in 2020.

# Sustainability Report

Award	Awarded by	Category	NagaWorld Kind Hearts Programme
Silver Award 	The 2020 Global CSR Summit & Awards™	Best Community Programme	Community Engagement
Bronze Award 	The 2020 Global CSR Summit & Awards™	Best Environmental Excellence	Environmental Care
Silver Stevie® Award 	The 17th International Business Awards®	CSR Programme of the Year in Asia, Australia and New Zealand	The award recognised for NagaWorld Kind Hearts' long-term contributions towards nation building of Cambodia through comprehensive and impactful CSR initiatives. Continuous efforts on Education Enhancement, Community Engagement, Sports Development and Environmental Care have shown visible results in transforming our communities across the country for the better.
Bronze Stevie® Award 	The 17th International Business Awards®	CSR Programme of the Year in Asia, Australia and New Zealand	The award was for the "Nation Building for Cambodia's Youth and National Sports Development" programme, a series of sport-related initiatives, such as the Football Development Programme at Kampong Speu, which benefited 42,000 students the province.
Bronze Stevie® Award 	The 17th International Business Awards®	CSR Programme of the Year in Asia, Australia and New Zealand	The award was for the "NagaWorld Kind Hearts – Helping Create a Sustainable Greener Cambodia" programme, a series of activities and workshops on environmental conservation and waste management.



Award	Awarded by	Category	NagaWorld Kind Hearts Programme
Bronze Stevie® Award 	The 17th International Business Awards®	The Most Valuable Corporate Response to COVID-19	The award was given to “NagaWorld Battles COVID-19 With Proactive Preventive Measures” programme, recognising our continuous efforts in COVID-19 prevention both internally and externally and in supporting the Cambodian government and authorities in their efforts to contain and fight COVID-19.
Honourable Mention 	The 11th Annual PR News CSR & Nonprofit Awards 2019	Volunteer Programme	“Nation Building Through NagaWorld Kind Hearts” overall programme
Honourable Mention 	The 11th Annual PR News CSR & Nonprofit Awards 2019	Green Campaign	“A Sustainable Cambodia Through NagaWorld Kind Hearts” programme
Honourable Mention 	The 2nd Annual PRNews’ Platinum PR Awards	Top Campaign of The Year (Community Engagement)	“NagaWorld Kind Hearts Uplifts and Engages: Nation Building in The Cambodia Society” programme
Honourable Mention 	The 2nd Annual PRNews’ Platinum PR Awards	Campaign, Industry Vertical (Sports)	“Pathways to Ultimately Empower The Youth of Cambodia” programme

# Sustainability Report



THE INTERNATIONAL  
BUSINESS AWARDS®

### *The Stevie® Awards*

*The Stevie® Awards are regarded as the world's most-coveted accolades, equivalent to the Oscars for business performance and social impact. NagaWorld Kind Hearts were recognised for four awards at this year's International Business Awards®. This is our second consecutive year of being honoured at this highly respected awards ceremony.*

### **Comments from the Stevie® Awards judges:**

*"Impressive initiatives – shall be copied in other countries"*

*"Very impressive CSR programme focusing on the most important four pillars. This is a great example of how communities, societies and nations progress. Great job."*

*"This is well-planned PR programme, it is amazed to see how integrated in different level it is."*

2020 was a challenging year for everyone in Cambodia. To show our support, we carried on with the majority of our CSR programmes despite the various preventive COVID-19 measures constraints. A summary of the progress we made during the Year is below.

## **Education Enhancement**

### **Why We Care**

Education is the passport to the future

### **Our Aim**

To provide educational opportunities for underprivileged students and communities, and to further enhance the knowledge and skills of our next generation in Cambodia.

We believe that investing in education is investing in the future of a nation. A population with full quality education and good health will raise a country's productivity, as well as improve social mobility. However, for the two million people still living below the national poverty line these things are hard to come by. We support underprivileged children and youth in Cambodia through material and financial aid, in addition to the time and resources donated by our employees.

### ***School Outreach Programme: Stationery Set Distribution***

To support schools in rural areas, we collaborated with the Ministry of Education, Youth and Sport and launched the school



outreach programme in 2014. The programme has now completed its sixth year, benefiting 125,239 children from over 100 primary schools. Under a renewed collaboration agreement with the Ministry of Education, Youth and Sport, the programme has been expanded to include Pursat Province, making it the 12th municipalities/provinces that have been benefited. That is half of the Kingdom's administrative divisions.

All students received writing books and pens, and outstanding students received much needed school bags. These contributions have proven to be very useful, especially for students whose parents may ill afford these necessary items for the children to continue their studies.



### ***Heng Sou Eng, NagaWorld Kind Hearts Volunteer (Housekeeping Department)***

*Public speaking for me is very challenging. However, through volunteering in NagaWorld Kind Heart's initiatives, I have learned and improved my skills and strengths. At the same time, I've learnt the joy of giving, and also to meet fellow colleagues from different departments whom I may not have opportunities to meet during the course of my work.*

*I feel that I have spent my time and energy in the right way as this is one way to help our communities. It also helps build greater camaraderie amongst colleagues*

*in the long run. I have also learnt about planning and strategizing, and fostering better teamwork with an effective output.*

# Sustainability Report

NagaWorld volunteers participated and contributed their time to share their work and life experiences with the children, as well as educated them about the importance of waste management and personal hygiene. By engaging with the children, our volunteers also had opportunities to work as a team and build up their confidence levels in public speaking.

## ***School Outreach Programme: Fire Safety Awareness***

To raise fire safety awareness amongst school children and local communities, we have partnered with the Ministry of Education, Youth and Sports to deliver fire safety classes and donate fire extinguishers to selected secondary and high schools.

In 2020, the programme has been expanded from Phnom Penh and Kandal Province to encompass Takeo, Kampong Speu, and Kampong Cham provinces. Around 3,500 more students will benefit by learning much needed fire safety knowledge.



## ***Children@Risk Programme***

We continue our collaboration with Cambodia Outreach, a non-government organisation ("NGO"), on the Children@Risk Programme, supporting ten Cambodian children through their studying. The programme aims to bring hope and opportunities to the underprivileged children and orphans by supporting them and their families until they graduate from high school.

Since early 2019, we have been providing the children with financial aids to cover their expenditure, including food, study materials and daily living needs. The children, who were previously lagging in school, have all achieved good grades. It was particularly commendable in 2020 as their study was interrupted by the school closures due to the pandemic.



**Community Engagement**

**Why We Care**  
**Our Aim**

To serve is to love  
 To engage and integrate with underprivileged communities, focusing on well-being and sustainability and inspiring children to follow their dreams and passion.

We work closely with the local and international NGOs on several programmes to help those in need, with a particular focus on underprivileged children and youth. In 2020, we doubled our efforts in supporting local communities during our battle against COVID-19.

**COVID-19 Support Programme**

To support the Cambodian government in fighting and containing the virus, we had made a series of donations to the Ministry of Health. These included portable hand sanitisers and temperature checker kiosks to keep students safe at schools. We also contributed much needed COVID-19 testing equipment including a Nucleic Acid Extraction System, 6,400 viral DNA extraction kits, 3,000 units of virus sample collection kits, five laptops and 500 bottles of hand sanitiser gel. In addition, we donated 40,000 face masks, 4,000 bottles of hand sanitiser gel and 720 litres of sanitising alcohol to several authorities, including the Ministry of Education, Youth and Sport, the Ministry of Land Management, Urban Planning and Construction, the General Commissariat of National Police and the Phnom Penh City Hall. These donations proved invaluable for the government in managing the pandemic, especially during the global shortage of personal protection equipment supply.

Relief was provided to those who had been severely impacted by the pandemic. We donated US\$55,000 to Phnom Penh City Hall for purchasing around 100 tonnes of rice to distribute to impoverished communities who were struggling to cope with the economic impact and restrictions induced by the pandemic.



## Sustainability Report

In total, NagaWorld has contributed more than US\$174,000 worth of medical equipment and supplies to public institutions in response to the pandemic. NagaWorld has donated a total of US\$10.5 million to the Cambodian Red Cross over the years.



### *Relationship with Cambodian Red Cross*

*The Cambodian Red Cross is the largest NGO in Cambodia and is officially recognised by the Cambodian Government as the primary auxiliary for humanitarian services throughout the country. Apart from contributing in nation building, NagaWorld has been a long-standing contributor to the Cambodian Red Cross – giving back to the community and working toward building Cambodia's social welfare.*

### *Teen Challenge Programme*

In collaboration with local NGO Teen Challenge Cambodia, we launched the 'Teen Challenge Project' in October 2019. The programme intends to help youths considered to be at risk and marginalised communities through a year-long recovery programme to help them rebuild their lives. NagaWorld provided six teenagers with support covering medical care, counselling, literacy and vocational training, such as eco-farming techniques and motorcycle repairing skills, so that they were better equipped for a brighter future and to become productive members of society.



### *Thet, Teen Challenge Cambodia participant*

*"I was born in Siem Reap. I have joined and received skills training, and am happy that I am on my way to achieving my dream. I can read and write Khmer to a certain level. I practice my guitar through music sessions and can play a few songs. When I left the Centre, I wanted to be a tour guide in my home town. I realized that I was at a very*

*high risk of destroying my own future. But now I have learned something new and have transformed myself to having a good attitude. I can see a realistic career path ahead of me. Thanks to NagaWorld for giving us a 'second chance' to change our lives."*

### ***Flood Relief Programme***

Torrential rain in October 2020 had resulted in widespread flooding in Cambodia, causing various degrees of damage to people's livelihood and local infrastructure in 19 out of 24 provinces across the Kingdom. In response to this, NagaWorld donated US\$55,000 to the General Commissariat of National Police to purchase approximately 100 tonnes of rice as emergency relief for those who are affected.

### ***Bears of Hope***

To support local small businesses and social causes, we have collaborated with Cambodia Knits, a social enterprise, and Australian charitable wildlife protection association, Free The Bears, and launched the 'Bears of Hope' programme during the Year. The

knitted bears are available for sale at the NagaWorld Souvenir Store. All sale proceeds will go back to Cambodia Knits to support the continuation of its social cause, such as providing assistance to single mothers in underprivileged communities that have been impacted disproportionately by the pandemic.

Additionally, US\$1 from the sale of each bear will be given to wildlife conservation and animal welfare at Free The Bears, which runs the largest sanctuary for sun bears and moon bears in Cambodia (also known as Malayan and Asiatic black bears). The donation will help provide shelter, food, and daily care to over 120 rescued bears in the Phnom Tamao Wildlife Rescue Centre in Takeo Province.



### ***Cambodia Knits***

*Cambodia Knits is a social enterprise working with marginalised communities in and near Phnom Penh. It produces high quality and uniquely handcrafted products while providing fair and flexible employment opportunities to women who often face constraints in finding and keeping paid employment, and empowering them to break the intergenerational cycles of poverty.*

# Sustainability Report

## Sports Development

### Why We Care

Unlocking potential through continuous efforts

### Our Aim

To develop sports programmes for communities, encourage participation in physical activities, foster teamwork and leadership skills, and promote an active and healthy lifestyle.

NagaCorp believes that participation in sports develops character, fosters teamwork and leadership, and revitalises the young and the disadvantaged in a sustainable way. NagaCorp continues to support Cambodian sports through a partnership with the National Olympic Committee of Cambodia (“NOCC”) and continuing support of both grassroots and international events.

## Empowering Sports

NagaWorld is the longest corporate supporter of Cambodian athletes, having been the first company sign a sponsorship agreement to support the Cambodian contingent for the 2011 SEA Games in Indonesia, the 2012 Olympic Games in London and the 2016 Olympic Games in Rio de Janeiro.

In 2019, we extended the partnership agreement with the NOCC for another four years to honour Cambodian athletes’ success at major international sporting events, including the ASEAN Para Games in 2021, the postponed 2020 Summer Olympics and Paralympics in Tokyo, the 2022 Asian Games in Hangzhou and the 2022 Summer Youth Olympics in Dakar.

## NagaWorld Football Club

Football is the most popular sport in Cambodia. NagaWorld Football Club (“NagaWorld FC”) is one of the founding clubs of the Cambodia Premier League which started in 2005, and one of the best-known clubs in the country.

In the 2020 season, NagaWorld FC finished runner up in the Hun Sen Cup, one of the two main football tournament in Cambodia. To promote women’s football, the Football Federation of Cambodia (“FFC”) launched the inaugural Cambodia Women League in September 2020. NagaWorld FC women’s team was one of the ten teams participating the competition.





### **Football Development Programme in Kampong Speu**

Sports is a key pillar in NagaWorld Kind Hearts' programmes. As such, NagaWorld Kind Hearts and NagaWorld FC continue to use football to reach out to Cambodia communities to encourage a healthier nation through sports. NagaWorld has been running the Football Development Programme since November 2018. In line with Cambodian government's plan to promote sports, the programme aims to equip sports teachers in secondary and high schools with professional coaching techniques

which they can employ to improve students' football skills. To date, 120 secondary and high school sports teachers in the Kampong Speu Province have been trained and obtained a 'D' coaching licence issued by the FFC. They have been providing football techniques training to their students since. As of the end of 2020, around 42,000 students have benefited. The programme is supported by the Ministry of Education, Youth and Sport, the Union of Youth Federations of Cambodia and the provincial government of Kampong Speu.



*Sreyleak, Along Chhrey High School student*  
*"After our sports teacher returning from the football coaching course with NagaWorld, my school team trainings have been held every Saturday and Thursday. Apart from improving our football skills, we have also gained knowledge of leadership and life skills, and understanding of girls' football. My ultimate goal is to become a professional footballer and represent Cambodia at international women's tournaments."*

After successfully completing the two-year programme in 2020, we conducted a football coach refresher course with 20 selected sports teachers, upgrading their knowledge and skills to the next level of football coaching, i.e. professional 'C' License coaching. The course, delivered by the FFC, consists of three practical components: conducting a training session, shaping a team, and the individual programme.

We also organise regular youth tournaments to identify promising young talents for the national team. Of the ten student candidates scouted from the U18 tournament organised by NagaWorld in 2019, one has been selected by the NagaWorld FC to play in the professional league.



# Sustainability Report

## Environmental Care

### Why We Care

Start today. Save tomorrow. Towards a sustainable future

### Our Aim

To spread awareness and provide education to citizens on the importance of environmental conservation and protection.

### Access to Clean Water

According to Water.org, an NGO, more than three million people in Cambodia lack access to safe water, and most of them live in rural areas. Access to sufficient, safe, and clean water and sanitation remains a pressing issue for the Cambodian government and people.



In response to the RGC's call for assistance in the sustainable rural development of Cambodia, NagaWorld donated US\$2 million towards community-supporting activities of the Water Wells Foundation in September 2020. This significant contribution helps create new and hygienic water sources for a large number of marginalised communities of over 100,000 people. This will be a significant improvement to their daily lives and a foundation for the better future, contributing to the sustainable development of rural areas towards a cleaner and healthier living standard, as well as assisting the government in nation building.

In addition, we have contributed US\$3,000 to an annual charity event hosted by the SOMA Group, known as one of the successful locally-owned business in Cambodia to raise funds for clean water access in rural areas, especially for the most vulnerable families who cannot afford tap water connection fees. The initiative has brought safe drinking water to over 20,000 people in nearly 5,000 households through the newly built water treatment plant. Around 40 families have gained access to clean water through NagaWorld Kind Hearts participation.

### Soap Recycling Programme

Launched in 2017, NagaWorld Kind Hearts has been supporting the Soap for Hope project, which aims to hygienically recycle used soap, provide employment and training opportunities, and lift the community's standards with the provision of free soap. To date, we have donated around 1,356 kg of used soap in total, which has benefitted over 500 underprivileged families across Phnom Penh.



*Nhem Pov, School Principal of Prek Raing Secondary School*

*"After attending the Plastic-Free Workshop organised by NagaWorld in 2019, I have guided the school teachers and together, we have taught the students to practice together to reduce overall plastic usage. I do hope it helps make our country a cleaner and greener place."*

***Plastic Waste Awareness Programme***

As part of our continuing effort to reducing plastic consumption and making the environment cleaner and greener, we have implemented a wide-ranging 'No Plastic Straws, Please!' Campaign which involves removing single-use plastic straws from our operations since December 2018 and replacing takeaway plastic cutlery and containers with recyclable alternatives. To date, around 4.5 million plastic straws have estimated to be eliminated.

Our continuous efforts to raising awareness of environmental damages from single-use plastic have also paid off. Our environmental sustainability workshop hosted by NagaWorld Kind Hearts in collaboration with NGO Plastic Free Cambodia in August 2019 has received good feedback. Attendees to the workshop, including NagaWorld employees and the principals from 28 high schools in Phnom Penh, have been sharing what they've learned back in their schools and within their communities, further spreading plastic waste awareness.

# Sustainability Report

## HKEX ESG Reporting Guide Index

### A. Environmental

Name	Description	Page, reference and additional comment	GRI reference
<b>A1. Emissions</b>			
General disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Page 39, 41, 42, 44, 45 We aim to meet international standards and adopt best practices regarding environmental protection and natural resource management where possible. In situations where such matters are not in our control, such as the lack of a recycling facility in the country, we work with our partners to find appropriate solutions.	103-2 (c-i), 305, 306, 307-1
KPI A1.1	The types of emissions and respective emissions data.	Page 42, 43	305-1, 305-2, 305-4, 305-6, 305-7
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) GHG emissions (in tonnes) and where appropriate, intensity.	Page 43 Energy consumption and emissions table.	305-1, 305-2, 305-4, 305-6, 305-7
KPI A1.3	Total hazardous waste produced (in tonnes) and where appropriate, intensity.	Page 45 As a service business, we do not produce a material amount of hazardous waste, nor any waste relating to product packaging.	306-2(a)
KPI A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity.	Page 46	306-2(b), 306-3

Name	Description	Page, reference and additional comment	GRI reference
KPI A1.5	Description of measures to mitigate emissions and results achieved.	<p>Page 43, 44</p> <p>Our primary source of emissions is purchased electricity. Reducing energy consumption helps to lower emissions. Fifteen energy saving initiatives were introduced in 2018. Thirteen of which have been implemented and the remaining two are ongoing.</p>	103-2, 305-5
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	<p>Page 45, 46</p> <p>As the amount of waste produced depends on business volume, which is affected by external factors, it is difficult to set internal targets on waste reduction. However, we have adopted the "5R" strategy for waste management and put in place several measures to reduce waste e.g. the withdrawal of single-use plastic straws and replacement of plastic takeaway cutlery and containers with 100% biodegradable and recyclable alternatives.</p>	103-2, 306-2, 306-4

# Sustainability Report

Name	Description	Page, reference and additional comment	GRI reference
<b>A2. Use of Resources</b>			
General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Page 38, 39	103-2(c-i), 301, 302, 303
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity.	Page 40, 41	302-1, 302-2
KPI A2.2	Water consumption in total and intensity.	Page 42	303-1, 303-3, 303-4, 305-5
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Page 41	103-2, 302-4, 302-5
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Page 41	103-2, 303-3, 303-4, 303-5
KPI A2.5	Total packaging material used for finished products (in tonnes), and if applicable, with reference to per unit produced.	Not applicable to NagaCorp as a service business.	301-1
<b>A3. Environment &amp; Natural Resources</b>			
General disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Page 38, 39	103-2(c-i), 301, 302, 303, 304, 305, 306
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	There is no activities of significant impact on the environment and natural resources in 2020.	103-1, 103-2, 303-1, 303-2, 304-2, 306-3(c), 306-5

## B. Social

Name	Description	Page, reference and additional comment	GRI reference
<b>B1. Employment</b>			
General disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest period, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Page 53, 57	103-2(c-i), 202, 401, 405, 406, 419-1
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Page 53 See charts.	102-8, 405-1(b)
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Page 53 See charts.	401-1
<b>B2. Health and Safety</b>			
General disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Page 57, 58	103-2(c-i), 403, 419-1

# Sustainability Report

Name	Description	Page, reference and additional comment	GRI reference
KPI B2.1	Number of rate of work-related fatalities.	Page 58	403-9
KPI B2.2	Lost days due to work injury.	Page 58 See table. We started record data on lost days due to work-related injuries since 2019, hence there was no comparable data in 2018.	403-9
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Page 58	103-2, 103-3(a-i), 403-1
<b>B3. Development &amp; Training</b>			
General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Page 47, 48, 49	103-2(c-i), 404-2(a)
KPI B3.1	The percentage of employees trained by gender and employee category.	Page 49 See charts.	404-1
KPI B3.2	The average training hours completed per employee by gender and employee category.	Page 50 See charts.	404-1
<b>B4. Labour Standards</b>			
General disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that a significant impact on the issuer relating to preventing child and forced labour.	Page 57	103-2(c-i), 408, 409, 419-1



Name	Description	Page, reference and additional comment	GRI reference
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	<p>Page 57</p> <p>NagaCorp complies with all relevant labour laws and regulations requirements in Cambodia, which are aligned with international standards, including matters such as prohibition of child and forced labour. We also work tirelessly to ensure all our suppliers and partners are fully compliant with Cambodian Labour Law. During the Year, we developed an engagement programme that helps increase awareness about child labour among our suppliers, and ensure they adhere to our No Child Labour policy. This is monitored regularly through factory visits and engagement programmes with our suppliers. To the Company's best knowledge, no case of child and/or labour was found in the Company's premises and its supply chain in 2020.</p>	103-2, 408, 409
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	To the Company's best knowledge, no case of child and/or forced labour was found in the Company's premises and its supply chain in 2020.	103-2, 408, 409

# Sustainability Report

Name	Description	Page, reference and additional comment	GRI reference
<b>B5. Supply Chain Management</b>			
General disclosure	Policies on managing environmental and social risks of the supply chain.	Page 62, 63	103-2(c-i), 204, 308, 414
KPI B5.1	Number of suppliers by geographical region.	Page 63	102-9
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	<p>Page 62</p> <p>All our suppliers must meet the requirements of NagaWorld's standards to identify environmental and social risks. This is monitored on a regular basis through factory visits and engagement programmes. We also continue to work with our suppliers and partners to ensure that products and raw materials are from sustainable sources to identify the environmental risks. For example, all paper in our hotel rooms are certified by Forest Stewardship Council (FSC) and Programme for Endorsement of Forest Certification (PEFC). For social risk, please refer to the comments in ESG B4.</p>	103-2, 308-1, 308-2, 414-1, 414-2

Name	Description	Page, reference and additional comment	GRI reference
<b>B6. Product Responsibility</b>			
General disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Page 60, 61, 62 Policies and compliance information are provided in each of the relevant sections.	103-2(c-i), 416-2, 417-2, 417-3, 418-1, 419-1
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable to NagaCorp as a service business.	
KPI B6.2	Number of products and services related complaints received and how they are dealt with.	Page 61	102-43, 102-44, 103-2(c-vi), 418-1
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Not applicable to NagaCorp as a service business.	
KPI B6.4	Description of quality assurance process and recall procedures.	Not applicable to NagaCorp as a service business.	
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Page 62	103-2, 103-3(a-i), 418

# Sustainability Report

Name	Description	Page, reference and additional comment	GRI reference
<b>B7. Anti-Corruption</b>			
General disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Pages 64, 65	103-2(c-i), 205, 205-3, 419-1
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Page 65, 66 During 2020, no prosecution, lawsuit or claim regarding corruption was brought against the Company or its employees.	205-3
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Page 64, 65	102-17, 103-2, 103-3(a-i), 205
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Page 65	205-2

Name	Description	Page, reference and additional comment	GRI reference
<b>B8. Community Investment</b>			
General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Page 67	103-2(c-i), 413
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Page 67, 70-79	203-1(a), 413-1
KPI B8.2	Resources contributed to the focus area.	Page 67, 70-79 We have a dedicated CSR team of four supporting the NagaWorld employee volunteering group NagaWorld Kind Hearts' initiatives relating to the four pillars of focus.	201-1(a-ii), 413-1



# បង្ការការចម្លងជំងឺកូវីដ១៩

**វិធានការណ៍បង្ការការចម្លងជំងឺកូវីដ១៩ (COVID-19)**

បានធ្វើការត្រួតពិនិត្យ និងការពារប្រជាជន

ប្រសិនបើមានអ្នកជំងឺកូវីដ១៩ ឬអ្នកសង្ស័យថាខ្លួនខ្លួន ត្រូវប្រកាសឱ្យដឹងដល់មន្ត្រីសុខាភិបាល និងមន្ត្រីសុខាភិបាលស្រុក/ខេត្ត ដើម្បីត្រួតពិនិត្យ និងការពារប្រជាជន

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# Corporate Governance Report

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

## Corporate Governance Practices

In the opinion of the Directors having considered, amongst others, the findings of reviews and/or audits conducted by the independent professional parties (as discussed below), the Company has applied the principles of and complied with, all the applicable code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules (the “CG Code”) during the Year.

## Directors’ Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “Model Code”) as the code of conduct of the Directors in respect of transactions in securities of the Company. Following specific enquiry by the Company of all Directors, the Company confirmed that the Directors have complied with the required standard set out in the Model Code for the Year.

## The Board

The Company has a Board with a balanced composition of executive and non-executive directors to provide for leadership, control and management of the Company’s business and affairs. The Board is committed to making decisions objectively in the interests of the Company.

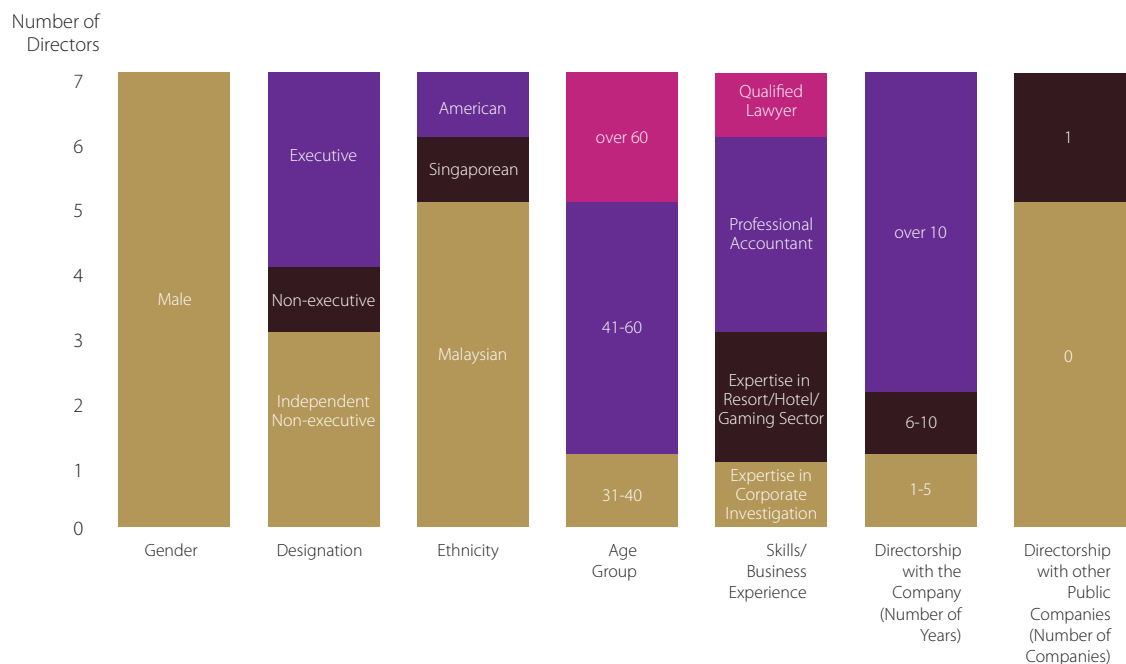
The Board currently consists of three executive Directors, namely Tan Sri Dr Chen Lip Keong (chief executive officer), Mr. Philip Lee Wai Tuck (executive deputy chairman) and Mr. Chen Yiy Fon; one non-executive Director, namely Mr. Timothy Patrick McNally (chairman); and three independent non-executive Directors (“INEDs”), namely Mr. Lim Mun Kee, Mr. Michael Lai Kai Jin and Mr. Leong Choong Wah.

The composition, structure and size of the Board are reviewed at least once annually by the Nomination Committee to ensure that it has a balance of appropriate skills, experience and diversity of perspectives to meet the needs of the business of the Group.



Members of the Board have a diverse range of business, financial and professional expertise. Brief biographical details of the Directors are set out in the section headed “Directors’ Profile” in this annual report.

An analysis of the current Board composition is set out in the following chart:



Throughout the Year, the Company has complied with the requirements of the Listing Rules relating to the appointment of independent non-executive directors representing at least one-third of the Board, with at least one independent non-executive director possessing the appropriate professional qualifications, accounting or related financial management expertise. The Company has received from each of the INEDs his latest annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all of them meet the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules and are independent.

Save for the fact that Mr. Chen Yiy Fon is a son of Tan Sri Dr Chen Lip Keong, the chief executive officer, executive Director and controlling shareholder of the Company, to the best of the Directors’ knowledge, there is no financial, business, family or other material/ relevant relationship among members of the Board and between the chairman and the chief executive officer. All of the Directors are free to exercise their independent judgment.

# Corporate Governance Report

## Board Process

The Board meets regularly for at least four times a year. Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notices are given. Papers for Board meetings and committee meetings together with all relevant information are normally sent to all Directors or committee members at least three working days before each meeting, enabling them to make informed decisions with adequate information.

In order to have an effective Board, Directors are provided with information on activities and developments in the Group's business on a regular and timely basis to keep them apprised of the latest developments of the Group. The Directors have full access to information on the Group and are able to seek independent professional advice when they consider it necessary.

The company secretary of the Company (the "Company Secretary") is responsible for maintaining minutes of all meetings of the Board and its committees. Draft minutes are circulated to the Directors for comments within reasonable time after each meeting and the final version thereof, as approved formally by the Board or the relevant committee, is filed for record purposes. All Directors have access to the minutes of the Board and its committee meetings.

According to the current Board practice, each Director is required to make disclosure of his interests or potential conflict of interests, if any, in any proposed transactions or issues discussed by the Directors at Board meetings. The Company's articles of association (the "Articles of Association") also contain provisions requiring the Directors to abstain from voting for resolutions approving transactions in which such Directors or any of their associates have a material interest.

During the Year, four Board meetings and one general meeting were held. Details of the attendances of the Board meetings and the general meeting are set out below:

Directors	Number of Meetings Attended/Held During Term of Office	
	Board Meetings	General Meeting
<b>Executive Directors</b>		
Tan Sri Dr Chen Lip Keong ( <i>Chief Executive Officer</i> )	4/4	0/1
Mr. Philip Lee Wai Tuck ( <i>Executive Deputy Chairman</i> )	4/4	1/1
Mr. Chen Yiy Fon	4/4	1/1
<b>Non-executive Director</b>		
Mr. Timothy Patrick McNally ( <i>Chairman</i> )	4/4	1/1
<b>Independent Non-executive Directors</b>		
Mr. Lim Mun Kee	4/4	1/1
Mr. Michael Lai Kai Jin	4/4	1/1
Mr. Leong Choong Wah	4/4	1/1

### Board Diversity

The Company acknowledged that diversity was important for the effective functioning of the Board and made progress in shaping the Board for the future by adopting the Board Diversity Policy in August 2013, which ensures diversity in its broadest definition. Under the policy:

- (a) the Company recognises and embraces the benefits of having a diverse Board, and sees diversity at the Board level as an essential element in achieving a sustainable and balanced development of the Company;
- (b) all Board appointments will be based on meritocracy, and candidates will be considered against objective criteria (including, but not limited to, gender, age, cultural and educational background, professional experience, skills, knowledge and length of service), having due regard for the benefits of diversity; and
- (c) the ultimate decision will be based on merits and contribution that the selected candidates will bring to the Board.

# Corporate Governance Report

While the Board does not think specific quotas on any objective criteria are appropriate and considers that the opportunities should be made on merit, it does believe that a diverse mix of gender, age, cultural and educational background, professional experience, skills, knowledge and length of service is important.

## The Chairman and the Chief Executive Officer

The roles of the chairman and the chief executive officer are separate and assumed by different individuals to ensure a balance of power and authority, so that power is not concentrated in any one individual of the Board. The chairman, Mr. Timothy Patrick McNally is responsible for overseeing the function of the Board while the chief executive officer, Tan Sri Dr Chen Lip Keong, is responsible for managing the Group's business and overall operations. There is a clear division of responsibilities between the chairman and chief executive officer.

## Non-executive Directors

The non-executive Director has been appointed for a term of three years and each of the INEDs has been appointed for a term of one year.

## Directors' Responsibilities

The Board is responsible for the management of the Company, which includes formulating business strategies, directing and supervising the Company's affairs. Executive Directors are in charge of different businesses and functional divisions in accordance with their respective areas of expertise.

The Board is also entrusted with the overall responsibility of developing, maintaining and reviewing sound and effective corporate governance policies within the Group and is committed to ensuring that corporate governance functions are carried out in accordance with the CG Code, including continuously reviewing and improving the corporate governance practices within the Group.

## Directors' Commitment

Each Director is expected to give sufficient time and attention to the affairs of the Company. All Directors have disclosed to the Company the number and nature of offices held in public companies or organisations and other significant commitments, with the identity of the public companies or organisations and an indication of the time involved. Each Director is also requested to provide confirmation to the Company semi-annually and notify the Company Secretary in a timely manner of any change of such information.

## **Induction, Familiarisation and Training**

Upon appointment, each Director is given comprehensive introduction to the business operations of the Group and the regulatory and statutory requirements for Directors and is required to attend briefings from senior executives and department heads of the Group.

To ensure effective fulfilment of the respective roles of the Directors on the Board, various steps are taken to ensure that all Directors would continuously update and refresh their knowledge and skills, as well as familiarize themselves with the Company through gaining access to its operations and employees.

Directors' training is an ongoing process. Directors have attended briefings from time to time provided by the Company to develop and refresh the Directors' duties and responsibilities. All Directors are also encouraged to attend relevant training courses at the Company's expense.

During the Year, Mr. Timothy Patrick McNally, Tan Sri Dr Chen Lip Keong, Mr. Philip Lee Wai Tuck, Mr. Chen Yiy Fon, Mr. Lim Mun Kee, Mr. Michael Lai Kai Jin and Mr. Leong Choong Wah received and read materials on New ESG Requirements. Directors were also kept informed on the changes and developments on the Group's business and on legislative and regulatory environment in which the Group operates in order to develop, refresh and update their knowledge and skills.

Training records of all Directors have been maintained by the Company Secretary.

The Board also recognizes the importance of ongoing professional development of senior management so that they can continue to contribute to the Company. To keep them abreast of the market developments and applicable rules and regulations for the fulfilment of their duties and responsibilities, all members of senior management are encouraged to attend briefings and seminars as appropriate. The training and continuous professional development of Directors and senior management has been reviewed by the Board on an annual basis.

# Corporate Governance Report

## Delegation by the Board

The Board has established various Board committees including the Audit Committee, the Remuneration Committee, the Nomination Committee and the AML Oversight Committee, and delegated authority to oversee these aspects of the Company's affairs. Pursuant to the respective terms of reference, the Board committees are required to report to the Board regularly on their decisions and recommendations. The day-to-day management of the operations of the Company is delegated to the divisional heads.

## Audit Committee

The Company has established written terms of reference for the Audit Committee in accordance with the requirements of the Listing Rules. In December 2015, the terms of reference of the Audit Committee were updated to reflect the additional responsibilities of the Audit Committee arising from the Stock Exchange's proposal on risk management and internal control under the CG Code applicable to accounting periods beginning on or after 1 January 2016. Such terms of reference were further updated on 31 December 2018 so as to be in line with the amendments to the Listing Rules which came into effect on 1 January 2019. The Audit Committee consists of three INEDs, namely Mr. Lim Mun Kee, Mr. Michael Lai Kai Jin and Mr. Leong Choong Wah. The Audit Committee is chaired by Mr. Lim Mun Kee.

The principal responsibilities of the Audit Committee include, amongst others, ensuring the objectivity and credibility of financial reporting and internal control principles, assuring adequate risk management and internal control systems are in place and following and maintaining an appropriate relationship with the external auditor of the Company.

The Audit Committee is also responsible for reviewing the Group's whistle-blowing procedures which allow employees to raise concerns, in confidence and in anonymity, about possible improprieties in financial reporting, internal control or other matters and ensure that these arrangements allow fair and independent investigation of such matters and appropriate follow up actions.

To perform its duties, the Audit Committee is provided with sufficient resources and is supported by the internal audit department of the Group (the "Internal Audit Department") to examine all matters relating to the Group's adopted accounting principles and practices and to review all material financial, operational and compliance controls.

During the Year, four Audit Committee meetings were held and details of the attendance of the Audit Committee members are set out below:

Directors	Number of Meetings Attended/Held During Term of Office
<b>Independent Non-executive Directors</b>	
Mr. Lim Mun Kee ( <i>Chairman</i> )	4/4
Mr. Michael Lai Kai Jin	4/4
Mr. Leong Choong Wah	4/4

During the Year, the Audit Committee had considered, reviewed and discussed (1) the auditing and financial reporting matters; (2) the appointment of external auditor including the terms of engagement; (3) the annual and interim financial statements and the relevant results announcements and give recommendation to the Board for approval; (4) reports on the Group's internal audit; (5) reports on the Group's internal control with a focus on AML issued by an independent professional party; and (6) the effectiveness of the Group's risk management and internal control systems. Each member of the Audit Committee has unrestricted access to the independent auditor and all senior staff of the Group.

The Audit Committee recommended to the Board that, subject to the approval of the Shareholders at the 2021 AGM, BDO Limited be re-appointed as the independent auditor of the Company.

### Remuneration of Directors and Senior Management

A formal and transparent procedure for fixing the remuneration packages of individual Directors and senior management is in place. Details of remuneration policies and other relevant information are set out in the Remuneration Committee Report.

### Nomination and Appointment of Directors

A nomination policy concerning the selection criteria and procedures for the appointment and re-appointment of Directors has been formally adopted. Details of selection criteria and nomination procedure are set out in the Nomination Committee Report.

### Risk Management and Internal Control

The Board considers that sound risk management and internal control systems are vital to the achievement of the Group's strategic objectives and acknowledges its responsibility to establish, maintain and review the effectiveness of such systems.

# Corporate Governance Report

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

The Internal Audit Department assisted the Audit Committee in reviewing the effectiveness of risk management and internal control systems and performed its functions during the Year following an annual audit plan and routine testings. As part of this exercise, the Audit Committee reviewed the risk management and internal control systems in respect of the Year. The Board conducted a review of the risk management and internal control systems of the Group for the Year, including financial, operational and compliance controls, and considered the systems are effective and adequate. The

Board assessed the effectiveness of the risk management and internal control systems by considering the reviews performed by the Audit Committee. The Board also assessed the effectiveness of the Group's internal audit function and external audit process, and satisfied itself, through the work of its Audit Committee, that the internal audit function is to be effective and adequate including the adequacy of resources, staff qualifications and experience, training programs and budget of the accounting, internal audit and financial reporting functions and is effective in providing assurance to the Board on the relevant risks faced by the Company, and that the external audit process is effective.

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

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

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



- Tier 1 – An AML Management Committee, led by the compliance officer and supported by senior managers from various key operational departments, tasked with ensuring that the Company adopts policies and procedures as governed by the AML Procedure Manual in its day to day operational activities.
- Tier 2 – Internal audit of AML procedures to ensure that the Company is in compliance with AML policies, with results of such audits reported to the Audit Committee and AML Oversight Committee.
- Tier 3 – AML Oversight Committee established at the Board level, chaired by the chairman of the Board, which meets on a quarterly basis to review the work and reports of the AML Management Committee and Internal Audit. Matters of significance are then reported to the Board for deliberation.
- Tier 4 – External audit of the Company's AML procedures. The Company engages an AML specialist firm which carries out a biannual audit of the Company's AML procedures, which includes work conducted by the AML Management Committee. The report of this external AML audit is reported in the Company's annual financial reports. For more details, please refer to the section headed "Independent Review of Anti-Money Laundering Internal Controls at NagaCorp Ltd." in this annual report. It is noted that the Company has been found to be fully compliant with all relevant FATF recommendations.

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

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

### **AML Oversight Committee**

The Company set up an AML Oversight Committee to formulate policies and strategies on AML development and implementation programmes, ensure quality control and act as an oversight committee on AML matters. The AML Oversight Committee currently consists of Mr. Timothy Patrick McNally, Tan Sri Dr Chen Lip Keong, Mr. Chen Yiy Fon and Mr. Michael Lai Kai Jin. Mr. Timothy Patrick McNally acts as the chairman of the AML Oversight Committee.

# Corporate Governance Report

During the Year, four AML Oversight Committee meetings were held and details of the attendance of the AML Oversight Committee members are set out below:

Directors	Number of Meetings Attended/Held During Term of Office
<b>Executive Directors</b>	
Tan Sri Dr Chen Lip Keong	4/4
Mr. Chen Yiy Fon	4/4
<b>Non-executive Director</b>	
Mr. Timothy Patrick McNally (Chairman)	4/4
<b>Independent Non-executive Director</b>	
Mr. Michael Lai Kai Jin	4/4

During the Year, the AML Oversight Committee had considered, reviewed and discussed (1) reports from the independent professional party on AML internal controls; (2) change of independent reviewer on AML internal controls; (3) report from its sub-committee AML Management Committee; and (4) regulatory updates on AML legislations and new casino law in Cambodia.

The Board, through reports made by the independent professional parties and the AML Oversight Committee, has reviewed the Group's internal control system on AML and considered it to be effective and adequate.

## Inside Information

With respect to procedures and internal controls for handling dissemination of inside information, the Company:

- is aware of its obligations under the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) (the "SFO") and the Listing Rules and the overriding principle that inside information should be announced immediately after such information comes to the attention of the Board and/or it is the subject of a decision unless it falls within the safe harbours as provided in the SFO;
- conducts its affairs with close regard to the applicable laws and regulations and the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission;
- has established a Corporate Disclosure Policy for monitoring, reporting and disseminating inside information to our Shareholders, investors, analysts and media; and
- has communicated to all relevant staff regarding the implementation of the Corporate Disclosure Policy and relevant trainings are also provided.

## Management Functions

While the Board is responsible for the overall strategic direction and governance by considering and approving the Group's strategies, policies and business plan, the functions of implementing the approved strategies and policies and managing the day-to-day operations are delegated to the management team and subject to the chief executive officer's leadership and supervision.

## Directors' and Auditor's Responsibilities for the Consolidated Financial Statements

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group and have ensured that the consolidated financial statements are prepared in accordance with statutory requirements and applicable accounting standards. The Directors have ensured timely publication of the consolidated financial statements of the Group.

The statement of the independent auditor of the Company, BDO Limited, about reporting responsibilities on the consolidated financial statements of the Group is set out under the heading "Independent Auditor's Report" in this annual report.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

## Company Secretary

The Company Secretary is responsible for facilitating the Board process as well as communications among the Board members, with Shareholders and management. The Company Secretary also provides professional advice to the Board on corporate governance and other matters. During the Year, the Company Secretary, Ms. Lam Yi Lin, undertook no less than 15 hours of professional training to update her skills and knowledge.

## Independent Auditor's Remuneration

For the Year, the amounts paid to the independent auditor of the Group in respect of the services provided to the Group are set out below:

	<b>2020</b>
	<b>US\$'000</b>
Audit services	
– Current year	<b>422</b>
– Over-provision for prior year	<b>114</b>
Non-audit services	
– Carrying out agreed-upon-procedures on interim financial information and on offering memorandum regarding issuance of the 2024 Senior Notes	<b>362</b>

# Corporate Governance Report

## Dividend Policy

The Company has adopted a dividend policy which aims at enhancing transparency and facilitating Shareholders and investors to make informed investment decisions, by setting out the guidelines on the distribution of dividends to the Shareholders. The Board considered that the Company's core principle is to strive to create value and contribute favorable returns for Shareholders. In view of the profitability and ability to generate healthy cashflow, the Company is committed to maintaining its recurring dividend distribution to Shareholders, while preserving a solid balance sheet and financial flexibility to pursue future development opportunities. From 2006 to 2019, the Company's dividend payments were between 45% to 86% of net profit, whereby total dividend declared and paid was amounted to US\$1.43 billion. The Company has continued to maintain high dividend payout of 60% to 71% from 2014 to 2019, with implied dividend yield ranging from 4.5% to 7.2%. Prospective dividend payout remains dependent upon the financial performance and future funding needs of the Company.

For this purpose, the Company's dividend policy should be based on a number of factors including but not limited to the actual and expected financial results of the Group, the Shareholders' interests, general business conditions and strategies, the Group's expected working capital requirements and future expansion plans and statutory and regulatory restrictions. In accordance with the dividend policy adopted by the Company, the Board may propose the payment of dividends, if any, where it deems appropriate.

The distribution of dividends to Shareholders can be by way of cash or scrip or partly by cash or scrip or some other ways as determined by the Board from time to time.

The dividend policy is subject to the reviews of and the changes to be made by the Board after considering the earnings of the Group, its financial requirements and other factors from time to time.

## Communication with Shareholders

The Company is committed to maintaining ongoing communication with the Shareholders through a number of formal communication channels. These include the annual report, interim report, press releases and announcements.

The most recent Shareholders' meeting was the 2020 annual general meeting (the "2020 AGM") held on 24 April 2020 at Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. At the 2020 AGM, the chairman of the Board and the chairmen of the respective Board committees and the representative of the independent auditor were present to answer questions at the meeting.

At the 2020 AGM, all the resolutions were voted by poll and were duly passed by the Shareholders. The results of the poll voting have been published on the respective websites of the Company and the Stock Exchange.

### **Procedures for Shareholders to convene General Meetings/put forward Proposals**

Subject to the provisions of the Articles of Association, the Listing Rules and the applicable laws and regulations, Shareholders may convene general meetings of the Company in accordance with the following procedures:

1. One or more Shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Requisitionist(s)") may require the Board to convene an extraordinary general meeting of the Company by depositing a written requisition (the "Requisition") at the principal place of business in Hong Kong of the Company at Suite 2806, 28/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, for the attention of the Board or the Company Secretary.
2. The Requisition must clearly state the name(s) and shareholding in the Company of the Requisitionist(s), specify the purposes of the extraordinary general meeting and the details of the business proposed to be transacted in the extraordinary general meeting and be signed by the Requisitionist(s) and may consist of several documents in like form, each signed by one or more of the Requisitionists.
3. Upon receipt of the Requisition, the Directors shall verify the Requisition with the Company's Hong Kong branch share registrar and upon their confirmation that the Requisition is proper and in order, shall forthwith proceed duly to convene the extraordinary general meeting, and such extraordinary general meeting shall be held within two (2) months after the deposit of the Requisition. If the Requisition has been verified as not being proper or in order, the Director shall notify it to the Requisitionists concerned and an extraordinary general meeting shall not be convened as requested.
4. If within twenty-one (21) days from the date of the deposit of the Requisition the Board fails to proceed duly to convene the extraordinary general meeting, the Requisitionist(s) may himself or themselves convene the extraordinary general meeting in the same manner and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to the Requisitionist(s) by the Company.

## Corporate Governance Report

5. Under the Articles of Association and pursuant to the requirements of the Listing Rules, a notice specifying the time and place and the general nature of the proposed business to be transacted at the extraordinary general meeting shall be given to all Shareholders entitled to attend the extraordinary general meeting for consideration in the following manner:

- notice of not less than 21 clear days or 10 clear business days, whichever is longer, if a special resolution is to be passed at the extraordinary general meeting; and
- notice of not less than 14 clear days or 10 clear business days, whichever is the longer, in all other cases, provided that an extraordinary general meeting may be called by a shorter notice if it is so agreed by a majority in number of the Shareholders having the right to attend and vote at the extraordinary general meeting, being a majority together holding not less than 95% in nominal value of the issued Shares giving such right.

6. If a Shareholder wishes to propose a person other than a Director of the Company for election as a Director at any general meeting, the nominating Shareholder can deposit a written notice to that effect (the "Notice") at the principal place of business in Hong Kong of the Company at Suite 2806, 28/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, for the attention of the Board or the Company

Secretary. In order for the Company to inform Shareholders of that proposal, the Notice must state the full name of the person proposed for election as a Director, include the biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the nominating Shareholder and such nominated person indicating his/her willingness to be elected. The minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that (if the Notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgement of such Notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting. In order to ensure Shareholders have at least 10 business days to receive and consider the relevant information of the nominated person, nominating Shareholder(s) are urged to submit their Notice(s) as early as practicable, to that (if the notice of general meeting has already been given), a supplemental circular or announcement containing information of the nominated person can be despatched to Shareholders as soon as practicable without the need to adjourn the relevant general meeting.

Shareholders who have enquires about the above procedures may write to the Company Secretary at the principal place of business in Hong Kong of the Company at Suite 2806, 28/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

### Enquiries put to the Board

Apart from the Shareholders' meetings, the Company's website is an effective means of communication with Shareholders. Any Shareholders who have questions or comments on what the Company is doing are most welcome to contact the Company at any time through the website. Shareholders may raise enquiries to the Board by contacting the Group's Investor Relations team. Upon receipt of the enquiries, the Investor Relations team will forward the Shareholders' enquiries and concerns to the Board, Board committees or the management for handling as appropriate.

### Shareholdings as at 31 December 2020

As at 31 December 2020, the Company had around 300 registered Shareholders. Details of Shareholders by aggregated shareholding are listed below:

Shares Held by Shareholders	Number of Shareholders	% of Shareholders	Aggregate Number of Shares	% of Total Issued Shares
1 – 1,000	107	31.10%	2,947	0.00%
1,001 – 10,000	181	52.62%	494,553	0.01%
10,001 – 100,000	28	8.14%	1,118,202	0.03%
100,001 – 500,000	14	4.07%	3,345,362	0.08%
Over 500,000	14	4.07%	4,336,046,977	99.88%
<b>Total</b>	<b>344</b>	<b>100.00%</b>	<b>4,341,008,041</b>	<b>100.00%</b>

# Corporate Governance Report

According to publicly available information and as far as the Directors are aware, as at 31 December 2020, approximately 32.54% of the issued share capital of the Company was held by the public and the public float capitalization was approximately HK\$14,351,361,472.

## Constitutional Documents

Pursuant to Rule 13.90 of the Listing Rules, the Company has published on the website of the Stock Exchange and that of the Company its memorandum and Articles of Association. During the Year, no amendments were made to the constitutional documents of the Company.

## Financial Calendar

2020 Final Results Announcement	:	8 March 2021 (Monday)
Closure of Register of Members	:	(i) 24 May 2021 (Monday) to 27 May 2021 (Thursday) (for ascertaining Shareholders' entitlement to attend and vote at the 2021 AGM)
	:	(ii) 3 June 2021 (Thursday) (for ascertaining Shareholders' entitlement to the 2020 Final Dividend)
2021 AGM	:	27 May 2021 (Thursday)
Record Date for 2020 Final Dividend	:	3 June 2021 (Thursday)
Payment of 2020 Final Dividend	:	5 July 2021 (Monday)

Hong Kong, 8 March 2021



# Remuneration Committee Report

## Remuneration Committee

The Company has established written terms of reference for the Remuneration Committee in accordance with the requirements under the Listing Rules. The Remuneration Committee currently consists of one executive Director, namely Tan Sri Dr Chen Lip Keong and three INEDs, namely Mr. Michael Lai Kai Jin, Mr. Lim Mun Kee and Mr. Leong Choong Wah. Mr. Michael Lai Kai Jin acts as the chairman of the Remuneration Committee.

The principal responsibilities of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for the remuneration of the Directors and senior management of the Company, and to make recommendations to the Board regarding the remuneration packages of executive Directors, non-executive Directors and senior management of the Company before the Board determines their remuneration based on the expertise, capability, performance and responsibility of the Directors and senior management. The Remuneration Committee also takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management, employment conditions elsewhere in the Group in making its recommendation. In addition to salaries, the Group provides staff benefits such as medical insurance and contributions to provident schemes.

During the Year, work performed by the Remuneration Committee included (1) reviewing the Company's policy and structure for the remuneration of the Directors and senior management; (2) making recommendation to the Board regarding the Directors' remuneration to be approved by Shareholders at the 2020 AGM; (3) recommending the payment of incentive bonus to the Directors; (4) reviewing the performance incentive of Dr Chen and recommending the Board to approve the payment of his performance incentive entitlement for the year 2019; and (5) reviewing and endorsing the Remuneration Committee Report included in the 2019 annual report of the Company and recommending to the Board for approval.

During the Year, two Remuneration Committee meetings were held. Details of the attendance of the Remuneration Committee members are set out below:

Directors	Number of Meetings Attended/Held During Term of Office
<b>Executive Director</b>	
Tan Sri Dr Chen Lip Keong	2/2
<b>Independent Non-executive Directors</b>	
Mr. Michael Lai Kai Jin (Chairman)	2/2
Mr. Lim Mun Kee	2/2
Mr. Leong Choong Wah	2/2

## Remuneration Committee Report

### Remuneration of Directors

The Directors received the following remuneration for the Year:

	Annual Performance Incentive US\$' 000	Discretionary Bonus US\$' 000	Fees US\$' 000	Basic Salaries, Allowances and Benefits- in-kind US\$' 000	Total US\$' 000
<b>Executive Directors</b>					
Tan Sri Dr Chen Lip Keong	26,182	150	–	605	26,937
Philip Lee Wai Tuck	–	120	–	230	350
Chen Yiy Fon	–	30	–	144	174
<b>Non-executive Director</b>					
Timothy Patrick McNally	–	100	240	74	414
<b>Independent Non-executive Directors</b>					
Michael Lai Kai Jin	–	20	36	–	56
Lim Mun Kee	–	30	48	1	79
Leong Choong Wah	–	20	36	1	57
<b>Total</b>	<b>26,182</b>	<b>470</b>	<b>360</b>	<b>1,055</b>	<b>28,067</b>

During the period of temporary closure of NagaWorld casino in Cambodia to prevent the spread of COVID-19,

Dr Chen agreed to receive 50% of his basic salary for the months of April and May 2020, 25% for the month of June 2020 and 83% for the month of July 2020; and

Mr. Philip Lee Wai Tuck agreed to receive approximately 51.67% of his basic salary for the month of April 2020, 50% for the month of May 2020, 25% for the month of June and 83% for the month of July 2020.

### Remuneration of Senior Management

Pursuant to code provision B.1.5 of the CG Code, the emoluments of the members of the senior management (other than the Directors) for the Year by band are as follows:

	No. of Individuals
US\$Nil – US\$258,000	–
US\$258,001 – US\$323,000	–
US\$323,001 – US\$387,000	1
US\$387,001 – US\$452,000	–
US\$452,001 – US\$516,000	–
US\$516,001 – US\$581,000	1
US\$581,001 – US\$645,000	1
US\$645,001 – US\$710,000	–
US\$710,001 – US\$774,000	–
US\$774,001 – US\$839,000	–

### Share Option Scheme

On 20 April 2016, the Company has adopted a share option scheme (the “Share Option Scheme”) which has a life of ten years until 19 April 2026. The purpose of the Share Option Scheme is to provide incentive or reward to the eligible participants for their contribution to, and continuing efforts to promote the interests of the Group. According to the terms of the Share Option Scheme, the Directors are authorized, at their discretions, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company.

No share options were granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption and during the Year.

### Share Award Scheme

In order to continue to attract skilled and experienced personnel, to incentivise them to remain with the Group and/or to recognise their contribution to the Group and to motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to obtain equity interests in the Company, the Company has on 28 January 2021 adopted the Share Award Scheme which is valid for a term of 10 years from the adoption date.

Since its adoption and up to the date of this report, no award shares were granted by the Company under the Share Award Scheme.

Hong Kong, 8 March 2021

# Nomination Committee Report

## Nomination Committee

The Company has established written terms of reference for the Nomination Committee in accordance with the requirements under the Listing Rules. The Nomination Committee currently consists of one executive Director, namely Tan Sri Dr Chen Lip Keong, and three INEDs, namely Mr. Michael Lai Kai Jin, Mr. Lim Mun Kee and Mr. Leong Choong Wah. Mr. Michael Lai Kai Jin acts as the chairman of the Nomination Committee.

The principal responsibilities of the Nomination Committee include, amongst others, to review, from time to time, the structure, size and composition (including the skills, the knowledge and experience) of the Board and make recommendations to the Board regarding any proposed changes to the composition of the Board to complement the Company's corporate strategy. The Nomination Committee also undertakes to identify individuals suitably qualified to become a Director and nominate such individual to the Board for directorship. The Nomination Committee also assesses the independence of the INEDs, makes recommendations to the Board on the appointment, re-appointment and succession plans of Directors, reviews and monitors the implementation of the Board Diversity Policy.

## Nomination Policy

In respect of the appointment and re-appointment of Directors, a nomination policy concerning the selection criteria and procedures was adopted in December 2018.

## Selection criteria

Set out below is a summary of the factors that would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

- reputation for integrity
- qualifications, skills and experience that are relevant to the Group's businesses having regard to the corporate strategy
- commitment in respect of available time and relevant interest
- diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service

In the case of nominating the candidate for appointment/re-appointment as an INED, in addition to the selection criteria to which the Nomination Committee would give due regard, the independence of the candidate would be assessed with reference to the independence criteria set out in the Listing Rules. If an INED serves more than nine consecutive years, particular attention would be given to reviewing the independence of such INED for determining his eligibility for nomination by the Board to stand for re-election at a general meeting.

### **Nomination Procedure and Process**

The Nomination Policy includes the following procedure and process in respect of the nomination of Directors:

1. Nomination Committee shall invite nomination of candidates from Board members, if any, for its consideration. The Nomination Committee may also put forward candidates who are not proposed by Board members. External recruitment agencies may be engaged to assist in identifying and selecting suitable candidates, if considered necessary.
2. For appointment by the Board, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for re-election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation to Shareholders.
3. Shareholders may also propose candidates for election as a Director in accordance with the procedures posted on the Company's website.

### **Board Diversity Policy**

The Company recognizes that having a diverse Board can enhance the quality of its performance. In August 2013, a Board Diversity Policy was adopted by the Board which sets out the approach to achieve diversity among the Board members. A summary of the Board Diversity Policy is set out in the Corporate Governance Report on pages 95 to 96 of this

annual report. When recommending suitable candidates to the Board, the Nomination Committee will take into consideration merits of the candidates, such as qualifications, work experiences, and time commitment, and against objective criteria, with due regard for the benefits of diversity (including, without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service).

Under its revised terms of reference as approved by the Board, the Nomination Committee is delegated with the task of reviewing and implementing the Nomination Policy concerning the selection criteria and procedures for the appointment and re-appointment of Directors. It is also responsible for reviewing the Board Diversity Policy and the measurable objectives that the Board has set for implementing the Board Diversity Policy, and monitor the progress on achieving these objectives.

### **Appointment and Re-election of Directors**

The Articles of Association provide that any Director appointed either to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office until the next following annual general meeting of the Company and shall be eligible for re-election. The Articles of Association also provide that one-third of the Directors for the time being, or, if the number is not a multiple of three, the number nearest to but not less than one third shall retire from office by rotation at each annual general meeting of the Company provided that every Director shall be subject to retirement by rotation at least once every three years.

## Nomination Committee Report

In accordance with the Articles of Association, Tan Sri Dr Chen Lip Keong, Mr. Chen Yiy Fon and Mr. Michael Lai Kai Jin shall retire from office at the forthcoming annual general meeting. All the retiring Directors, being eligible, will offer themselves for re-election.

Other than Mr. Timothy Patrick McNally who is appointed for a specific term of three years, each of the INEDs is appointed for a term of one year. The term of office may be renewed at the discretion of the Board but are subject to retirement by rotation and re-election in accordance with the Articles of Association.

### Summary of Work Done

During the Year, work performed by the Nomination Committee included (1) reviewing and recommending to the Board that the retiring Directors to stand for re-election at the 2020 AGM; (2) reviewing the structure, size and composition of the Board; (3) reviewing the Board Diversity Policy, measurable objectives for implementing this policy and the progress on achieving objectives; (4) assessing and arranging for confirmation of independence of each INEDs pursuant to Rule 3.13 of the Listing Rules; (5) considering the renewal of term of office of three INEDs and recommending to the Board for approval; and (6) reviewing and endorsing the Nomination Committee Report included in the 2019 annual report of the Company and recommending to the Board for approval.

During the Year, two Nomination Committee meetings were held. Details of the attendance of the Nomination Committee members are set out below:

Directors	Number of Meetings Attended/Held During Term of Office
<b>Executive Director</b>	
Tan Sri Dr Chen Lip Keong	2/2
<b>Independent Non-executive Directors</b>	
Mr. Michael Lai Kai Jin <i>(Chairman)</i>	2/2
Mr. Lim Mun Kee	2/2
Mr. Leong Choong Wah	2/2

Subsequent to the end of the Year, the Nomination Committee reviewed the current Board composition against the objective criteria set out in the Board Diversity Policy. An analysis of the current Board composition based on these criteria is set out in the Corporate Governance Report on page 93 of this annual report. The Nomination Committee considers that the existing members of the Board possess a diverse mix of skills, knowledge and experience in light of the current business needs of the Company.

Hong Kong, 8 March 2021

# Independent Review of Investment Risks in Cambodia

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

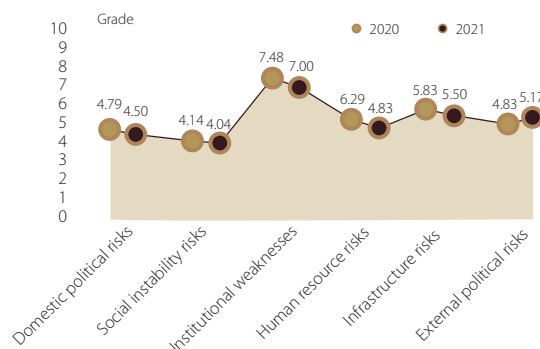
## TO THE BOARD OF NAGACORP LTD.

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

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

Based on the assessments and reviews carried out between late November 2020 and the first week of January 2021 we summarised our findings below:

### Perceptions of Cambodia’s Business Environment Risks



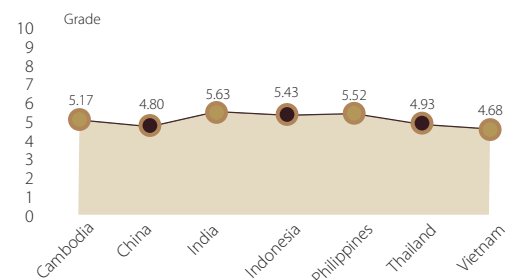
Grades range from zero to 10, with zero being the best grade possible and 10 the worst.

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

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

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

### How Perceptions of Cambodian Socio-Political Risks Compare



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

variables defines overall investment risks in Cambodia. We have treated each variable as having equal importance or weight.

### Summary

Cambodia’s political and social stability has been tested by fire over the past year. The economy was hurt badly by the COVID-19 pandemic. Real GDP growth contracted, the number of jobless jumped, and household incomes fell. Almost all sectors of the economy suffered, with the important exception of agriculture. However, instead of raising social instability and causing the government to lose popularity, the people of Cambodia have come together to work with the government to contain the spread of the virus. Labor unrest

## Independent Review of Investment Risks in Cambodia

has been less than in previous years, and support for the government has broadened and increased.

Consequently, while Cambodia's economic problems have mounted, socio-political risks have fallen over the past year. The position of the government has never been stronger because Cambodians are more unified in their support of the policies of Prime Minister Hun Sen and his government.

Prior to the pandemic, the main reasons the government enjoyed public support were because it led the country out of the painful chaos of Khmer Rouge regime and because its policies resulted in over two decades of rapid economic growth in which general living standards improved substantially. There were concerns that this public support could weaken if economic growth were to slow substantially, especially since a growing portion of the population was born after the fall of the Khmer Rouge and has no first-hand experiences with the extreme social turmoil their parents suffered through. However, economic growth slowed in 2020 by more than anyone had anticipated, yet the government broadened its support by implementing policies that protected Cambodians against the virus better than any other government in Asia was able to do for its population – and it did so with more limited financial resources and medical infrastructure. Cambodians today have a new reason to support the government. The policies it has taken have shown its determination to protect average Cambodians during a major health emergency rather than to protect special interest groups. This has increased public trust in the government.

The only major category of socio-political risks that has increased over the past year is external risks. The virus itself has its origins outside the country, but the recovery of

Cambodia's small, open economy is largely dependent not on its own government's policies but on the policies of foreign governments like China, Japan, Korea, the US, and the EU. Cambodia's recovery depends on how fast these governments get the virus under control, enable their citizens to feel comfortable in traveling abroad again as tourists, generate more internal demand for the types of products Cambodia exports, and start implementing supply chain changes that could divert more direct investments to Cambodia.

Economic conditions are already improving in most of these major countries, but the pandemic has just begun a new wave. Although vaccines have been developed, it will take most of 2021 to inoculate their populations, as well as for airlines and other industries to put the safeguards in place that will allow for a full-scale resumption of international travel.

Many of the economic statistics for the first nine months of 2021 for Cambodia as well as other countries will look impressive not because the recovery is sharp but because the numbers for 2021 will be compared against periods of 2020 when lockdowns were in force and many types of business, including tourism and foreign trade, were seriously disrupted. It will probably take at least until 2022 for many industries to recover all the ground lost last year and get back to 2018 and 2019 levels of business in absolute terms.

However, Cambodia has shown it has the political and social stability, as well as the institutional strength, to see it through a length period of recovery. Risks associated with the current government's stability and its ability to orchestrate a smooth leadership transition when that time actual comes are lower now than they were one year ago.



## Positive Developments

- Cambodian society has demonstrated flexibility and stability. It is easy to maintain such traits during good economic times, but it takes a period of real adversity to show just how deeply ingrained these traits have become. That is what has happened to Cambodia this year and why there should be greater confidence that social stability will be maintained going forward.
- The pandemic will accelerate capital market reform in Cambodia. Banks will be forced to slow their lending and improve their credit assessment capabilities. Development of the local stock market is likely to accelerate, as firms look for new ways to raise capital. Well-run companies in cash-rich positions will have many more opportunities and reduced competition from companies that in the past boom times relied mainly on borrowing or pre-sales to finance investments.
- The pandemic has temporarily eliminated the problem of an excessively tight labor market and high labor turnover rates. This is especially true in the hotel, travel and service industries catering to foreigners, and should make it easier for strong companies that survive the crisis period to take advantage of the recovery to expand and improve their competitive position.

- Cambodia's relationship with China has continued to strengthen throughout the pandemic, through more direct investment in manufacturing and infrastructure, a new free-trade pact, and a further increased grants, soft-term loans and other development assistance offered by Beijing. The closeness of Cambodia's relations with China is demonstrating its durability.
- Cambodia is positioned to rebound faster from the pandemic than are many other countries in the region like Thailand, India, and Indonesia where social conditions are less stable, especially if major tourist groups like Mainland Chinese see Cambodia's social stability and good personal security as attractions that many alternative destinations do not offer foreign visitors.

## The Challenges

- The recovery in international tourism is likely to be slower than many optimists are hoping. COVID-19 not only needs to be brought under control, but also systems need to be introduced that eliminate the need for quarantines and other inconveniences that interfere with the ease of international travel.
- The economic slowdown and negative impact this has had on jobs and incomes have pushed up household debt risks and left Cambodia's microfinance sector in a vulnerable position. Because of this overhang of debt, it could interfere with the recovery of consumer spending when economic conditions start to improve.

# Independent Review of Investment Risks in Cambodia

- Reduced cash flow is increasingly affecting firms and is likely to remain a major constraint throughout most of 2021. Banks have slowed their lending, while many foreign buyers have tightened their terms. Firms like property developers that depend on pre-sales to finance their ongoing investments have seen those sales dry up.
- The operational efficiency and effectiveness of the civil service is low. The deficiencies of institutional quality, accountability and standards go deeper than that. Civil servants at all levels have little incentive to excel and little to fear personally from poor personal performance.

## Robert Broadfoot

### Managing Director

PERC

Hong Kong, 11 January 2021

## About the Reviewer

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

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

# Independent Review of Anti-Money Laundering Internal Controls at NagaCorp Ltd.

JB Advisory Services Ltd  
10B, Lockhart Centre,  
301-307, Lockhart Road,  
Wanchai,  
Hong Kong.

January 21, 2021  
Full year 2020

## Attention: Board of NagaCorp

As in our review covering the first half of 2020, JB Advisory Services Ltd. ("JBAS") notes the impact of the Covid 19 pandemic on the business of NagaCorp throughout the year. The gaming operations of NagaCorp were suspended between the second of April and the seventh of July on the instructions of the Cambodian government. Much of the region is still subject to stringent travel restrictions and quarantine regulations. Given the ongoing restrictions, the independent review of the internal controls of NagaCorp Ltd. ("NagaCorp") with a focus on anti-money laundering ("AML") for the year 2020, has been conducted remotely, both for the first half review and for the full year review. In summary, JBAS assesses that neither the pandemic nor the enforced closure of the gaming operations negatively impacted the AML controls applied by NagaCorp.

To maintain the thoroughness of the review process, information was provided by NagaCorp electronically and interviews and reviews of hard copies of relevant documentation were conducted via video links. In addition, regular contact was maintained with NagaCorp staff both in Hong Kong and Phnom Penh throughout 2020 alongside external consultation on the progress of AML controls in Cambodia.

It was previously noted that the Cambodian government had acted to halt the growth in unregulated gaming in the country, particularly the expansion in Sihanoukville and online gaming operations. With regard to the country environment, JBAS reiterates that the strong actions by the Cambodian government, including the banning of online gaming from January 2020 and the passing of gaming legislation later in the year have significantly improved the situation and the international perception of the country's controls. The firm steps taken by the administration have, in the opinion of JBAS, significantly improved the perception of and the actual compliance situation in Cambodia.

JBAS notes that, in November, the new gaming law ("LAW ON THE MANAGEMENT OF COMMERCIAL GAMBLING") was passed. The law will add strength to the compliance regime in Cambodia and is welcomed by analysts as providing legal and financial certainty around compliance and taxation.

JBAS reviewed the law for relevance to the AML controls applied by NagaCorp and to understand any related compliance issues that it might raise. JBAS assessed the compliance of NagaCorp with the provisions of the Law with regard to AML and are satisfied that NagaCorp is fully compliant.

In addition, it is noted that The National Assembly of Cambodia on June 27 2020 adopted two draft laws on anti-money laundering (AML) and counter-terrorist financing (CFT) and on combating the financing of weapons of mass destruction (WMD) proliferation.<sup>1</sup> This legislation further upgrades the country's compliance with FATF regulations and standards.

<sup>1</sup> <https://english.cambodiadaily.com/news/cambodia-passes-two-draft-bills-to-curb-money-laundering-wmd-financing-165002/>

## Independent Review of Anti-Money Laundering Internal Controls at NagaCorp Ltd.

An area that was addressed by the AML law was the threshold for customer due diligence. On November 10, the Cambodia Financial Intelligence Unit instructed that this level be Twelve Million Riels. On December 1, 2020, NagaCorp therefore restored the three thousand US Dollar threshold, equivalent to the Riel limit, having previously raised this to USD five thousand.

NagaWorld has been evaluating systems from various vendors to further enhance its compliance in areas of Know Your Customer, Customer Due Diligence, Enhanced Due Diligence, Politically Exposed Persons and Transaction Monitoring. In August 2020, a long-term agreement was signed with LexisNexis as the preferred vendor. JBAS assesses that this further strengthens the robust due diligence applied by NagaCorp at NagaWorld.

JBAS verifies that NagaCorp continues to operate in accordance with all laws and regulations. The company purely targets customers visiting the company's two Phnom Penh properties and AML controls are stringently applied considerably beyond the industry norm in any other jurisdiction.

The review team found NagaWorld to be in full compliance with all relevant FATF recommendations and noted that the upgrading of Cambodia by the second update of the APG Mutual Evaluation of Cambodia to be positive developments.

JBAS considers Mr. Mahendran Supramaniam to be an ideal point of contact due to his in depth and long-term experience in NagaCorp and due to his understanding of internal procedures in his role as Head of Internal Audit. With the addition of Mr. Jason Ooi, Director of AML Compliance, the resilience of NagaCorp's AML controls has been further

enhanced. JBAS also conducted interviews with management as well as maintaining regular communication with Timothy McNally, the non-executive Chairman of NagaCorp and Chairman of the AML Oversight Committee.

NagaCorp continues to apply the controls required in the AML Manual which was produced by NagaCorp in the first half of 2014 to reflect the requirements of both the Cambodian 2010 AML Prakas and the updated 2012 FATF Recommendations.

During the review process JBAS also examined records on the ongoing AML training of relevant NagaCorp staff. All existing front-line members of staff have undertaken training previously and the company is now conducting a refresher course to ensure front line members of staff remain aware and informed on all aspects of AML. In total 4,254 staff have attended training in 2020. The vast majority have been refresher courses, but new employees have also been trained. The refresher training has been based on the Company's Training Manual. This ongoing process is recognized by JBAS as providing substantial understanding of AML issues at all levels of NagaCorp.

NagaCorp, as of December 2020, has a total of eight CAMS (Certified Anti-Money Laundering Specialists) trained personnel including senior staff in Compliance, Finance, Internal Audit and Casino Operations. This is one more than in 2019.

The Chief Financial Officer, Sean Tan has been serving as the Compliance Officer since July 2018. In addition, Jason Ooi, the Director of Compliance at NagaCorp further strengthens the AML oversight within NagaCorp. Mr. Jason Ooi has significant relevant experience having most recently been employed in similar roles at two of the major gaming operators in Macau.

JBAS recognizes the continued significant emphasis placed on AML controls by NagaCorp. There has been no deterioration whatsoever in the diligence applied in the adherence to all laws and regulations concerning AML in NagaCorp. Discussions with Mr. Jason Ooi and Mr. Mahendran Supramaniam focused on the comprehensive nature of record keeping and on the interaction with the Financial Investigation Unit (“FIU”) of the National Bank of Cambodia. The role of the NagaCorp Compliance Officer has been further defined in conversations with the FIU which has itself further defined its internal roles in 2020.

It is noted that casino operations were closed for nearly three months. Despite this, JBAS notes that the Suspicious Incident Records (SIRs) continue to record all necessary and relevant information and that there is cross-checking between surveillance, operations and AML compliance staff within many these reports. The majority of the SIRs refer to incidences of small note transactions or counterfeit notes with no significant AML issue being identified in 2020. Cash Transaction Reports and Suspicious Transaction Reports continue to be submitted online to the FIU.

The AML Oversight Committee met four times in 2020. The review team is satisfied NagaWorld maintains full control of the gaming operations and these operations remain compliant with all relevant FATF recommendations. As previously mentioned, JBAS maintains regular contact with Timothy McNally the Chairman of the AML Oversight Committee. JBAS notes that both the Managing Director Finance & Operations, Chen Cherchi, the Director of Compliance, Jason Ooi and the Chief Security Officer, Anthony Betz were added to the AML Management Committee in 2019, further emphasizing the commitment at all levels to maintaining a strong AML regime within NagaCorp.

JBAS also notes that there has been some reinforcing of the 2007 AML Law through the issuing of further Prakas which clarify certain identifiers and increase the sanctions for breaches of AML law or indeed, breaching of any of the confidentiality conditions and reporting requirements.

JBAS recognizes that NagaWorld remains at the forefront of implementing AML controls in Cambodia and we also note that NagaCorp is committed to full compliance with all national and international laws and regulations on AML. Sources within the National Bank of Cambodia and external sources consulted by JBAS acknowledge that NagaWorld remains at the forefront of AML compliance efforts in Cambodia.

The review team found NagaWorld to be in full compliance with all relevant FATF recommendations and noted that the 2015 Mutual Evaluation Report on Cambodia of the APG and its second update in August 2019 were positive developments.

## **John Bruce**

### **Managing Director**

JB Advisory Services Limited is an independent security and risk management consultancy with working knowledge of and extensive experience in AML and Risk management. It was founded by a twenty-year veteran of the industry in 2020.

# Report of the Directors

The Directors have pleasure in presenting their report together with the audited consolidated financial statements for the Year.

All references herein to other sections or reports in this annual report form part of this Report of the Directors.

## Principal Place of Business

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 25 February 2003 and has its registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong at Suite 2806, 28/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

## Principal Activities and Geographical Analysis of Operations

The Company is an investment holding company. The principal activity of the Group is the management and operation of a hotel and entertainment complex, NagaWorld, at NagaWorld, Samdech Techo, Hun Sen Park, Phnom Penh, Kingdom of Cambodia. Other particulars of its principal subsidiaries are set out in note 1 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the Year. An analysis of the Group's performance for the Year by business segment and its geographical segment information is set out in note 14 to the consolidated financial statements.

## Business Review

A review of the business of the Group during the Year and a discussion on the Group's future business development are provided in the Management Discussion and Analysis on pages 10 to 27 of this annual report.

Description of possible risks and uncertainties that the Group may be facing can be found in the Corporate Governance Report and the Independent Review of Investment Risks in Cambodia on pages 92 to 108 and 115 to 118, respectively of this annual report. Also, the financial risk management objectives and policies of the Group can be found in note 29 to the consolidated financial statements. The Board has not identified any important events affecting the Group that have occurred after the end of the Year. The Group has set up proper procedures to ensure adherence to the relevant laws and regulations which have a significant impact on the Group in conduct of its business, including but not limited to all relevant FATF recommendations. The Group also complies with the Listing Rules, the applicable companies laws and the SFO. During the Year, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

An analysis of the Group's performance for the Year using financial key performance indicators is provided in the Financial Highlights on page 4 of this annual report. In addition, the Group understands the importance of sound environmental management practices and sustainable business operations. The Group has in place a sustainability policy and is committed to minimize adverse impact that its operations may have on the environment. The Group has implemented a number of environment-friendly measures and continuously endeavours to promote environmental and social responsibility to employee and contribute to the community. For details, please refer to the Sustainability Report on pages 34 to 89 of this annual report.

With regards to the stakeholder relationships, NagaCorp understands the importance of creating and maintaining a holistic network of relationships to its business operations, and places priority in engaging various stakeholders in its daily activities. The Company believes that healthy relationships can be cultivated by maintaining active communication with employees, providing quality services and improved products to our players and customers, and collaborating with key business associates.

A review of our employees and management culture is contained in the Sustainability Report on pages 34 to 89 of this annual report.

Apart from providing quality services and improved products to our players during their stay in NagaWorld, the Group via its Golden Edge Rewards Club loyalty program continues to understand its members' profile, create targeted marketing promotions and rollout player development initiatives to increase the number of visitors and the amount of gaming spending.

The Group believes in the power of positive partnerships to consolidate its position as the entertainment centre of the Mekong Region. By collaborating with quality business associates, NagaCorp will be able to consistently deliver quality and sustainable products and services. NagaWorld has a policy of prioritising local suppliers whenever possible. Further details in this regard are set out in the Sustainability Report on pages 34 to 89 of this annual report.

### Major Junket Operators

NagaCorp continues to maintain strong working relationships with junket operators. Regular events showcasing renowned international stars are held to assist the junket operators to develop their business for mutual benefit.

The information in respect of the Group's revenue and cost of sales attributable to customers brought in by the major junket operators during the Year is as follows:

	Percentage of the Group's total	
	Revenue	Cost of sales
The largest junket operator	48%	74%
Five largest junket operators in aggregate	62%	94%

# Report of the Directors

To the best knowledge of the Directors, none of the Directors or their close associates (as defined in the Listing Rules) or any Shareholders (who, to the best knowledge of the Directors, own more than 5% of the issued Shares) had any interest in the five largest junket operators for the Year.

## Major Customers and Suppliers

The aggregate amount of operating revenues attributable to the Group's five largest customers (excluding customers brought in by junket operators) represented less than 30% of the Group's total operating revenues for the Year. The aggregate amount of purchases (not including the purchases of items that are of a capital nature) attributable to the Group's five largest suppliers (excluding junket operators) represented less than 30% of the Group's total purchases for the Year.

## Results and Appropriations

The financial performance of the Group for the Year is set out in the consolidated statement of income on page 142.

An interim dividend of US cents 0.29 per Share (2019: US cents 3.39 per Share) for the six months ended 30 June 2020 was declared in August 2020 and paid in September 2020. The Directors recommended the payment of a final dividend of US cents 1.88 per Share (2019: US cents 5.09 per Share) for the Year. The proposed final dividend for the Year represented a 100% payout of the net profits generated for the second half of 2020.

## Summary of Financial Information

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 221.

## Transfer to Reserves

The profit attributable to equity shareholders of the Company, before dividends, of US\$102,303,000 (2019: US\$521,278,000) have been transferred to the reserves. Other movements in reserves are set out in the consolidated statement of changes in equity on page 146 of this annual report.

## Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association and the laws of the Cayman Islands that oblige the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

## Charitable Donations

Charitable donations made by the Group during the Year amounted to US\$3,222,000 (2019: US\$3,096,000), all of which were donated in Cambodia.

## Share Capital

There was no movement in the share capital of the Company during the Year.

## Reserves

Movements in the reserves of the Company and of the Group are set out in note 36 to the consolidated financial statements and the consolidated statement of changes in equity on page 146 of this annual report respectively.

## Distributable Reserves

As at 31 December 2020, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately US\$555,174,000 (2019: US\$619,230,000).



## Remuneration

In compliance with the CG Code, the Company has a Remuneration Committee to formulate compensation policies and determine and manage the compensation of the Group's senior management.

## Remuneration of the Directors and Senior Management

Details of the remuneration of the Directors and of the Group's senior management are set out in note 10 to the consolidated financial statements.

## Tax Relief

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the Shares, they are advised to consult an expert.

## Directors

The Directors during the Year and up to the date of this report are:

### Chairman and Non-executive Director:

Timothy Patrick McNally <sup>M</sup>

### Executive Directors:

Tan Sri Dr Chen Lip Keong <sup>R/N/M</sup>  
(Chief Executive Officer)

Philip Lee Wai Tuck  
(Executive Deputy Chairman)

Chen Yiy Fon <sup>M</sup>

### Independent Non-executive Directors:

Michael Lai Kai Jin <sup>A/R/N/M</sup>

Lim Mun Kee <sup>A/R/N</sup>

Leong Choong Wah <sup>A/R/N</sup>

A: Member of Audit Committee

R: Member of Remuneration Committee

N: Member of Nomination Committee

M: Member of AML Oversight Committee

In accordance with Article 87 of the Articles of Association, Tan Sri Dr Chen Lip Keong, Mr. Chen Yiy Fon and Mr. Michael Lai Kai Jin shall retire from office by rotation at the forthcoming annual general meeting. All retiring Directors, being eligible, will offer themselves for re-election.

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

The Directors who held office as at 31 December 2020 had the following interests in the Shares and underlying Shares at that date as recorded in the register of directors' and chief executive's interests required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

# Report of the Directors

## (1) Interests in Shares and underlying Shares

Name of Directors	Capacity	Number of Shares and underlying Shares held	% of Total Issued Shares <small>(Note 1)</small>
Dr Chen	Founder of a discretionary trust <small>(Note 2)</small>	951,795,297 (L)	21.93 (L)
Dr Chen	Beneficial owner	1,943,107,166 (L)	44.76 (L)
Dr Chen	Interest of controlled corporation <small>(Note 3)</small>	1,175,948,575 (L)	27.09 (L)

### Notes:

- (1) Based on the Company's issued share capital of 4,341,008,041 Shares as at 31 December 2020.
- (2) Dr Chen is the founder of a discretionary family trust named ChenLa Foundation. ChenLa Foundation indirectly holds, through LIPKCO ENTERPRISES LIMITED and LIPKCO Group Limited, a total of 951,795,297 Shares. As a founder of ChenLa Foundation, Dr Chen is deemed to be interested in the Shares held by ChenLa Foundation. Details of the interests in the Company held by ChenLa Foundation and LIPKCO Group Limited are set out in the section headed "Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares" below.
- (3) Such interest includes (i) 33,570,000 Shares held by ChenLipKeong Capital Limited; and (ii) 1,142,378,575 Settlement Shares or such Adjusted Settlement Shares (both as defined in the circular of the Company dated 22 July 2019) to be issued to ChenLipKeong Fund Limited upon the completion of the Guaranteed Maximum Sum Design and Build Agreement ("DBA") and the Subscription Agreement. By virtue of the 100% interest held by Dr Chen in ChenLipKeong Capital Limited and ChenLipKeong Fund Limited, Dr Chen is deemed to be interested in the Shares which are held by ChenLipKeong Capital Limited and which will be held by ChenLipKeong Fund Limited. Details of the interests in the Company held by ChenLipKeong Fund Limited is set out in the section headed "Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares" below.
- (4) The letter "L" denotes the entity's long position in the Shares.

**(2) Interests in Debentures**

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

## Note:

ChenLipKeong Capital Limited which is wholly-owned by Dr Chen held an aggregate principal amount of US\$45,000,000 7.95% senior notes due 2024 issued by the Company. The notes cannot be converted into Shares.

Save as disclosed above, as at 31 December 2020, none of the Directors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code.

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

So far as the Directors or the chief executive of the Company are aware of, as at 31 December 2020, the Shareholders, other than a Director or the chief executive of the Company, who had an interest or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 in Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein, were as follows:

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

# Report of the Directors

## Notes:

- (1) Based on the Company's issued share capital of 4,341,008,041 Shares as at 31 December 2020.
- (2) Such interests are held by LIPKCO Group Limited and LIPKCO ENTERPRISES LIMITED which in turn are controlled by ChenLa Foundation of which Dr Chen is the founder.
- (3) Upon the completion of the DBA and the Subscription Agreement, these 1,142,378,575 Settlement Shares or such Adjusted Settlement Shares (both as defined in the circular of the Company dated 22 July 2019) for the funding of the Naga 3 project will be issued to ChenLipKeong Fund Limited. ChenLipKeong Fund Limited is wholly owned by Dr Chen.
- (4) The letter "L" denotes the entity's long position in the Shares.

Save as disclosed above and so far as the Directors and the chief executive of the Company are aware of, as at 31 December 2020, no other party (other than a Director or the chief executive of the Company) had an interest or short positions in the Shares or the underlying Shares which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 in Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

## Summary of the Share Option Scheme

The Company has adopted a share option scheme (the "Share Option Scheme") on 20 April 2016. The Board may, at its discretion, invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for Shares subject to the terms and condition of the Share Option Scheme.

### (1) Purpose

The purpose of the Share Option Scheme is to provide incentive or reward to the eligible participants for their contribution to, and continuing efforts to promote the interests of the Group.

### (2) Eligible participants

Eligible participants include any employee (whether full-time or part time), executives or officers, directors of the Group or any invested entity and any consultant, business associates, adviser or agent of any member of the Group or any invested entity, who have contributed or will contribute to the growth and development of the Group or any invested entity.

### (3) Total number of Shares available for Issue

The maximum number of Shares which may be issued upon the exercise of all options to be granted by the Company under the Share Option Scheme must not exceed in aggregate 10% of the Shares in issue of the Company as at its adoption date (being 226,998,887 Shares as at such date).

Subject to the approval of the Shareholders in general meeting, the limit may be refreshed to 10% of the Shares in issue as at the date of approval of such limit. Options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed in the accordance with the Share Option Scheme or exercised) shall not be counted for the purpose of calculating the limit as refreshed.

As at the date of this annual report, the total number of Shares available for issue under the Share Option Scheme is 226,998,887 Shares, representing approximately 5.23% of the Shares in issue (i.e. 4,341,008,041 Shares) as at the date of this annual report.

Notwithstanding the foregoing, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other schemes if this will result in such overall limit being exceeded.

**(4) Total Maximum Entitlement of each Eligible Participant**

Unless approved by the Shareholders in general meeting, the total number of Shares issued and to be issued upon exercise of all options granted and to be granted (whether exercised, cancelled or outstanding) under the Share Option Scheme to any eligible participant in any 12-month period shall not exceed 1% of the Shares in issue from time to time.

Options granted to a substantial shareholder or independent non-executive director of the Company or any of their respective associates (as defined in the Listing Rules) in any 12-month period up to and including the date of such grant in excess of 0.1% of the Shares in issue and having an aggregate value, based on the closing price of the Shares at the date of each grant, exceeding HK\$5 million must be approved by Shareholders in general meeting in advance.

**(5) Option Period**

The period within which the options may be exercised under the Share Option Scheme will be determined by the Board at the time of grant, save that such period must not exceed 10 years from the date of grant of the relevant option.

## Report of the Directors

**(6) Minimum Period for which an Option must be Held before it can be Exercised**

No minimum period for which an option must be held before it can be exercised unless otherwise determined by the Board at the time of grant.

**(7) Payment on Acceptance of the Option**

No consideration is payable by the eligible participant upon the acceptance of an option. An offer of an option must be made by the Company in writing on a business day and accepted in writing by the eligible participant in such manner as the Board may prescribe within 21 calendar days (from and including the date of the offer by the Company) of the same being made and if not so accepted such offer shall lapse.

**(8) Basis of Determining the Exercise Price**

The exercise price of the options shall be determined by the Board and notified to the eligible participants at the time of the grant but shall not be less than the greater of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant of such option, which must be a business day;
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of such option; and
- (iii) the nominal value of the Shares.

**(9) The Remaining Life of the Scheme**

Unless otherwise terminated by the Board or the Shareholders in general meeting in accordance with the provisions of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years from its adoption date, and after which no further options shall be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect and in all other respects with respect to options granted prior to such termination and not then exercised which shall continue to be valid and exercisable subject to and in accordance with the terms of the Share Option Scheme.

Since its adoption and up to 31 December 2020, no share option has been granted by the Company under the Share Option Scheme. Accordingly, there were no outstanding share options as at the date of this annual report. Apart from the Share Option Scheme, the Company has no other share option scheme currently in force as at the date of this annual report.

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

### **Sufficiency of Public Float**

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules.

### **Directors' Interests in Competing Businesses**

None of the Directors has interests in any business (apart from the Group's businesses) which competes or is likely to compete, either directly or indirectly, with the businesses of the Group during the Year.

### **Directors' Service Contracts**

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

### **Directors' Interests in Transactions, Arrangements or Contracts**

Save as disclosed under the section headed "Equity-linked Agreements" and "Connected Transactions" below, no transactions, arrangements or contracts of significance in relation to the Group's business to which any of the Company's subsidiaries and fellow subsidiaries was a party, and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at any time during the Year or at the end of the Year.

### **Shareholders' Interests in Contracts of Significance**

Save as disclosed under the section headed "Equity-linked Agreements" and "Connected Transactions" below, no Shareholder had a material interest, either directly or indirectly, in any contract of significance (whether for the provision of services to the Company or not) to the business of the Group to which the Company or its holding company or any of its subsidiaries or fellow subsidiaries was a party.

### **Permitted Indemnity**

Pursuant to the Articles of Association, subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by the execution of their duty or otherwise in relation thereto. Such permitted indemnity provision has been in force throughout the Year and remained in force as of the date of this report. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

### **Properties**

Particulars of the major properties and property interests of the Group are set out in note 15 to the consolidated financial statements.

### **Purchase, Sale or Redemption of 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.

## Report of the Directors

### Equity-linked Agreements

On 14 April 2019, the Company as the issuer entered into the Subscription Agreement with ChenLipKeong Fund Limited, a special purpose vehicle wholly owned by Tan Sri Dr Chen Lip Keong, an executive director, the chief executive officer and the controlling shareholder of the Company, as the subscriber (the "Subscriber"), pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for 1,142,378,575 Settlement Shares or such Adjusted Settlement Shares (both as defined in the circular of the Company dated 22 July 2019) at the price of HK\$12.00 per Share (subject to adjustments under the terms of the Subscription Agreement) for the Subscription Sum (as defined in the circular of the Company dated 22 July 2019), which shall be paid by the Subscriber for the funding of Naga 3 pursuant to the terms of the Subscription Agreement (the "Subscription").

The Subscription is conditional upon the fulfilment or waiver of (a) the representation and warranties of the Company as per the terms of the Subscription Agreement being true, accurate and correct in all respects and not misleading in any respect at, and as if made on, the Issue Date (as defined in the circular of the Company dated 22 July 2019); (b) the Company having performed all of its obligations under the Subscription Agreement; (c) the Shares remaining listed and traded on the Stock Exchange at all times prior to and on the Issue Date; (d) on or prior to the Subscription Payment (as defined in the circular of the Company dated 22 July 2019), the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Settlement Shares or the Adjusted Settlement Shares (whichever is

relevant); (e) the Company having obtained resolutions of its independent shareholders at the extraordinary general meeting approving (i) the Subscription Agreement and the transaction(s) contemplated thereunder; and (ii) the specific mandate for the allotment and issue of the Settlement Shares or the Adjusted Settlement Shares (whichever is relevant); (f) the representation and warranties of the Subscriber in the transaction documents being true, accurate and correct in all respects and not misleading in any respect at, and as if made on, the Issue Date; (g) the Subscriber having performed all of its obligations under the transaction documents to be performed on or before the Issue Date; and (h) the receipts or evidence of receipts by the Company of payments of the Subscription Sum paid by the Subscriber.

The Subscription Agreement and all the transaction(s) contemplated thereunder were approved by the independent shareholders of the Company at the extraordinary general meeting held on 8 August 2019.

Save as disclosed above and other than the Share Option Scheme adopted by the Company as mentioned in the section headed "Summary of the Share Option Scheme" above, no equity-linked agreements were entered into during the Year or subsisted at the end of the Year.

### Issue of Senior Notes

On 6 July 2020, the Company issued the 2024 Senior Notes. The 2024 Senior Notes will 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 6 January 2021.



The net proceeds of the 2024 Senior Notes, after deduction of fees, commissions and expenses, amount to approximately US\$336.88 million. The Group intends to use the net proceeds from the 2024 Senior Notes to (i) redeem some or all of the outstanding 2021 Senior Notes on or prior to its maturity; and (ii) general corporate purposes of the Company and its Restricted Subsidiaries (as defined in the Company's announcement dated 24 June 2020), if any amounts remain from the redemption of the 2021 Senior Notes.

The 2024 Senior Notes are listed on the Singapore Exchange Securities Trading Limited and cannot be converted into Shares. Further details about the 2024 Senior Notes were set out in the announcements of the Company dated 22 June 2020, 24 June 2020 and 6 July 2020.

### **Connected Transaction**

On 24 June 2020, ChenLipKeong Capital Limited entered into an agreement to subscribe with the Company, pursuant to which ChenLipKeong Capital Limited agreed and committed to subscribe for and purchase the 2024 Senior Notes in the principal amount of up to US\$45 million in the offering of the 2024 Senior Notes and not directly from the Company.

The subscription price of the 2024 Senior Notes payable by ChenLipKeong Capital Limited is 98.167% of the principal amount of the 2024 Senior Notes and is the same as the subscription price payable by the other investors in the 2024 Senior Notes issuance. The subscription by ChenLipKeong Capital Limited is being undertaken by ChenLipKeong Capital Limited as part of the 2024 Senior Notes issuance and will enable the Company to raise funds.

ChenLipKeong Capital Limited is principally engaged in investment holding and is wholly-owned by Tan Sri Dr Chen Lip Keong. ChenLipKeong Capital Limited is hence an associate of Tan Sri Dr Chen Lip Keong and thus a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the subscription of the 2024 Senior Notes by ChenLipKeong Capital Limited constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

On 6 July 2020, US\$45 million in principal amount of the 2024 Senior Notes were issued and delivered pursuant to the subscription by ChenLipKeong Capital Limited.

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

On 21 May 2018, a written agreement (the "2021 Notes Indenture") was entered into among the Company as issuer of the 2021 Senior Notes, NagaCorp (HK) Limited, NAGAWORLD LIMITED, NagaCity Walk Limited (formerly known as TanSriChen (Citywalk) Inc.) and Naga 2 Land Limited (formerly known as TanSriChen Inc.), companies wholly and beneficially owned by the Company and collectively as guarantors, and GLAS Trust Company LLC as trustee of the 2021 Senior Notes, pursuant to which the 2021 Senior Notes were issued. The 2021 Notes Indenture provides that upon the occurrence of a Change of Control (as defined in the 2021 Notes Indenture), the Company will make an offer to repurchase all outstanding 2021 Senior Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest and Additional Amounts (as defined in the 2021 Notes Indenture), if any, at the date of repurchase. Please refer to the announcements of the Company dated 30 April 2018, 8 May 2018, 15 May 2018 and 22 May 2018 for details about the 2021 Senior Notes.

## Report of the Directors

On 6 July 2020, a supplemental indenture to the 2021 Notes Indenture was entered into among the Company, the guarantors under the 2021 Notes Indenture, Naga 3 Company Limited and GLAS Trust Company LLC as trustee of the 2021 Senior Notes, pursuant to which Naga 3 Company Limited was added as a subsidiary guarantor under the 2021 Senior Notes. In addition, On 30 September 2020, a second supplemental indenture to the 2021 Notes Indenture was entered into among the Company, the guarantors under the 2021 Notes Indenture, Ariston Sdn. Bhd. ("Ariston") and GLAS Trust Company LLC as trustee of the 2021 Senior Notes, pursuant to which Ariston was added as a subsidiary guarantor under the 2021 Senior Notes.

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

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

### Management Contracts

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the Year.

### Events after Reporting Period

#### 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

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

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

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

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

During the term of the Share Award Scheme, up to 5% of the total number of Shares in issue on its adoption date (i.e. up to a total of 217,050,402 Shares) may be granted under the Share Award Scheme (the "Scheme Mandate Limit"). The Scheme Mandate Limit may be renewed by the Board, provided that the total number of Shares in respect of which the awards may be granted following such renewal will not exceed 5% of the total number of Shares in issue as at the renewal date.

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 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 extraordinary general meeting of the Company.

For the details of the Share Award Scheme and the Initial Connected Grants, 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.

## Report of the Directors

No Shares have been granted under the Share Award Scheme since its adoption date and up to the date of this report.

Save as disclosed above, there were no other major subsequent events occurred since the end of the Year and up to the date of this annual report.

### **Material Related Party Transactions**

Details of the material related party transactions undertaken in the normal course of business by the Group are set out in note 30 to the consolidated financial statements. None of the related party transactions constitutes a discloseable connected transaction under Chapter 14A of the Listing Rules.

### **Compliance with the Model Code**

The Company has adopted the Model Code. All Directors have confirmed, following specific enquiry by the Company, that they have fully complied with the Model Code throughout the Year.

### **Auditor**

BDO Limited has acted as the independent auditor of the Company and audited the Group's consolidated financial statements for the Year.

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as the Company's independent auditor.

By order of the Board

### **Timothy Patrick McNally**

*Chairman*

Hong Kong, 8 March 2021

# Independent Auditor's Report

## **Independent auditor's report to the members of NagaCorp Ltd.**

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

### **Opinion**

We have audited the consolidated financial statements of NagaCorp Ltd. (the "Company") and its subsidiaries (together the "Group") set out on pages 142 to 220, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the International Accounting Standards Board's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# Independent Auditor's Report

## Obligation payment

Refer to notes 11 and 33 to the consolidated financial statements, and the accounting policy 4(g) on page 160.

The Group is a gaming and hotel and leisure operator in Cambodia. As explained in note 11 to the consolidated financial statements, during the year, the Group paid monthly obligation payments to the government of Cambodia in respect of its activities in Cambodia in accordance with practices as agreed with the Ministry of Economy and Finance of Cambodia ("MOEF") in the past as the Casino Law which is to cover taxation of gaming activities in Cambodia, is effective from 1 January 2021. As disclosed in note 11, the Group paid an additional obligation payment of \$22.0 million during the year in addition to the monthly obligation payments.

Due to the inherent nature of this matter and as further explained in note 33 to the consolidated financial statements, the measurement of a reliable estimate of such additional obligation payment (if any) required significant judgement and is dependent on future development of this matter.

### *Our responses:*

- Inquiring the management of the Group and the local component auditor pertaining to this subject matter;
- Obtaining correspondences with the MOEF relevant to gaming and non-gaming obligation payments and evaluating the legal opinions of the Group obtained in the past and in current year to assess the Group's exposure to gaming and non-gaming obligation payments;
- Checking the payments of monthly obligation payments to supporting information that we considered relevant;
- Checking the payment of additional obligation payment to supporting information that we considered relevant and reviewing the acknowledgement of receipt for the additional obligation payment issued by the MOEF;
- Evaluating the management's accounting judgement and treatment of the additional obligation payment; and
- Evaluating the adequacy of disclosure of this matter in the consolidated financial statements.

## **Other Information in the Annual Report**

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Directors for the Consolidated Financial Statements**

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Independent Auditor's Report

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**BDO Limited**

*Certified Public Accountants*

**Chiu Wing Cheung Ringo**

**Practising Certificate Number P04434**

25th Floor, Wing On Centre,  
111 Connaught Road Central,  
Hong Kong

Hong Kong, 8 March 2021

## Consolidated Statement of Income

for the year ended 31 December 2020  
(Expressed in United States dollars)

	Note	2020 \$'000	2019 \$'000
<b>Revenue</b>	6	<b>878,681</b>	1,755,466
Cost of sales		<b>(451,676)</b>	(909,162)
<b>Gross profit</b>		<b>427,005</b>	846,304
Other income	7	<b>4,694</b>	10,806
Administrative expenses		<b>(61,063)</b>	(61,256)
Other operating expenses		<b>(205,275)</b>	(224,002)
<b>Profit from operations</b>		<b>165,361</b>	571,852
Finance costs	8	<b>(33,226)</b>	(20,210)
<b>Profit before taxation</b>	9	<b>132,135</b>	551,642
Income tax	11	<b>(29,832)</b>	(30,364)
<b>Profit attributable to owners of the Company</b>		<b>102,303</b>	521,278
<b>Earnings per share (US cents)</b>			
Basic	13	<b>2.36</b>	12.01
Diluted	13	<b>2.36</b>	12.01

The notes on page 149 to 220 form part of these consolidated financial statements.

# Consolidated Statement of Comprehensive Income

for the year ended 31 December 2020  
(Expressed in United States dollars)

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

The notes on pages 149 to 220 form part of these consolidated financial statements.

# Consolidated Statement of Financial Position

as at 31 December 2020  
(Expressed in United States dollars)

	Note	2020 \$' 000	2019 \$' 000
<b>Non-current assets</b>			
Property, plant and equipment	15	1,673,717	1,594,848
Right-of-use assets	16	90,194	85,758
Intangible assets	17	67,914	70,631
Prepayments for acquisition, construction and fitting-out of property, plant and equipment	18	134,511	129,523
Promissory notes	19	9,196	9,992
		<b>1,975,532</b>	1,890,752
<b>Current assets</b>			
Consumables	20	1,984	2,767
Trade and other receivables	21	119,810	126,772
Restricted bank balance, fixed deposits and other liquid funds	22	14,263	53,353
Cash and cash equivalents	22	437,741	273,377
		<b>573,798</b>	456,269
<b>Current liabilities</b>			
Trade and other payables	23	148,431	159,407
Senior notes	25	298,547	–
Contract liabilities	24	8,581	9,963
Lease liabilities	16	7,809	2,761
Current tax liability		3,413	2,968
		<b>466,781</b>	175,099
<b>Net current assets</b>		<b>107,017</b>	281,170
<b>Total assets less current liabilities</b>		<b>2,082,549</b>	2,171,922
<b>Non-current liabilities</b>			
Other payables	23	4,907	4,502
Senior notes	25	337,102	294,813
Contract liabilities	24	28,000	35,396
Lease liabilities	16	56,074	48,840
		<b>426,083</b>	383,551
<b>NET ASSETS</b>		<b>1,656,466</b>	1,788,371

	Note	2020 \$'000	2019 \$'000
<b>CAPITAL AND RESERVES</b>	26		
Share capital		<b>54,263</b>	54,263
Reserves		<b>1,602,203</b>	1,734,108
<b>TOTAL EQUITY</b>		<b>1,656,466</b>	1,788,371

Approved and authorised for issue by the Board on 8 March 2021.

Timothy Patrick McNally  
*Chairman*

Philip Lee Wai Tuck  
*Executive Deputy Chairman*

The notes on pages 149 to 220 form part of these consolidated financial statements.

## Consolidated Statement of Changes in Equity

for the year ended 31 December 2020  
(Expressed in United States dollars)

	Share Capital \$'000	Share premium \$'000	Capital redemption reserve \$'000	Merger reserve \$'000	Capital contribution reserve \$'000	Exchange reserve \$'000	Retained profits \$'000	Total \$'000
<b>Balance at 1 January 2019</b>	54,263	751,356	151	(12,812)	55,568	(1,596)	692,939	1,539,869
Profit for the year	-	-	-	-	-	-	521,278	521,278
Other comprehensive income – exchange differences from translation of foreign operations	-	-	-	-	-	555	-	555
Total comprehensive income for the year	-	-	-	-	-	555	521,278	521,833
Dividend declared and paid	-	-	-	-	-	-	(273,331)	(273,331)
	-	-	-	-	-	555	247,947	248,502
<b>Balance at 31 December 2019</b>	54,263	751,356	151	(12,812)	55,568	(1,041)	940,886	1,788,371

	Share Capital \$'000	Share premium \$'000	Capital redemption reserve \$'000	Merger reserve \$'000	Capital contribution reserve \$'000	Exchange reserve \$'000	Retained profits \$'000	Total \$'000
<b>Balance at 1 January 2020</b>	54,263	751,356	151	(12,812)	55,568	(1,041)	940,886	1,788,371
Profit for the year	-	-	-	-	-	-	102,303	102,303
Other comprehensive income – exchange differences from translation of foreign operations	-	-	-	-	-	(894)	-	(894)
Total comprehensive income for the year	-	-	-	-	-	(894)	102,303	101,409
Dividend declared and paid	12	-	-	-	-	-	(233,314)	(233,314)
	-	-	-	-	-	(894)	(131,011)	(131,905)
<b>Balance at 31 December 2020</b>	54,263	751,356	151	(12,812)	55,568	(1,935)	809,875	1,656,466

The notes on page 149 to 220 form part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

for the year ended 31 December 2020  
(Expressed in United States dollars)

	2020 \$' 000	2019 \$' 000
<b>Operating activities</b>		
Profit before taxation	132,135	551,642
Adjustments for:		
– Depreciation and amortisation	97,151	96,369
– Amortisation of casino licence premium	2,717	3,478
– Interest income	(928)	(4,282)
– Finance costs	33,226	20,210
– Unrealised exchange loss	303	494
– Impairment loss on trade receivables	2,314	2,400
– Gain on disposal of property, plant and equipment	(3)	(50)
– Write-off of property, plant and equipment	2	23
<b>Operating profit before changes in working capital</b>	<b>266,917</b>	670,284
Decrease/(increase) in consumables	783	(716)
Decrease/(increase) in trade and other receivables	4,648	(14,374)
(Decrease)/increase in trade and other payables	(21,067)	73,604
Decrease in contract liabilities	(8,778)	(8,810)
<b>Cash generated from operations</b>	<b>242,503</b>	719,988
Tax paid	(29,387)	(29,770)
<b>Net cash generated from operating activities</b>	<b>213,116</b>	690,218
<b>Investing activities</b>		
Interest received	496	3,746
Decrease in restricted bank balance, fixed deposits and other liquid funds	39,090	23,088
Payment for the purchase of property, plant and equipment and for the construction cost of property	(161,828)	(432,484)
Payment for purchase of right-of-use assets	–	(8,000)
Premium paid for extension of exclusivity of casino licence	–	(10,500)
Proceeds from disposal of property, plant and equipment	3,543	50
<b>Net cash used in investing activities</b>	<b>(118,699)</b>	(424,100)

## Consolidated Statement of Cash Flows

for the year ended 31 December 2020  
(Expressed in United States dollars)

	2020 \$' 000	2019 \$' 000
<b>Financing activities</b>		
Interest paid	(28,125)	(28,125)
Payment for lease liabilities	(3,930)	(7,821)
Dividends paid	(233,314)	(273,331)
Net proceeds from issue of senior notes	335,316	–
<b>Net cash generated from/(used in) financing activities</b>	<b>69,947</b>	<b>(309,277)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>164,364</b>	<b>(43,159)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>273,377</b>	<b>316,536</b>
<b>Cash and cash equivalents at end of year</b>	<b>437,741</b>	<b>273,377</b>
<b>Analysis of cash and cash equivalents</b>		
Cash and bank balances	437,741	273,377



# Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

## 1 General

The Company is a company incorporated in the Cayman Islands and has its principal place of business at NagaWorld, Samdech Techo Hun Sen Park, Phnom Penh, Kingdom of Cambodia. Its shares are listed on the Main Board of the Stock Exchange.

The Group is engaged principally in the management and operation of a hotel and casino complex known as NagaWorld in Phnom Penh, the capital city of Cambodia.

### Information about subsidiaries

Details of the Company's principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation	Place of business	Issued and paid up share capital	Effective equity held by the Company	the subsidiary	Principal activities
NagaCorp (HK) Limited	Hong Kong	Hong Kong	HK\$10	100%	-	Investment holding
Naga Russia Limited	Cayman Islands	Russia	\$1	100%	-	Investment holding
Naga Russia One Limited	Cayman Islands	Russia	\$1	-	100%	Investment holding
Naga Hotels Russia Limited	Cayman Islands	Russia	\$1	-	100%	Investment holding
NAGAWORLD LIMITED ("NWL")	Hong Kong	Cambodia	HK\$78,000,000	-	100%	Gaming, hotel and entertainment operations
Ariston Sdn. Bhd ("Ariston")	Malaysia	Malaysia and Cambodia	Malaysian Ringgit ("RM") 56,075,891	-	100%	Holding casino licence and Investment holding
Neptune Orient Sdn. Bhd.	Malaysia	-	RM250,000	-	100%	Inactive
ARISTON (CAMBODIA) LIMITED	Cambodia	-	Cambodian Riel ("KHR") 120,000,000	-	100%	Inactive
Naga Primorsky Entertainment Limited	Cyprus	Russia	Euro1,000	-	100%	Investment holding
Naga Primorsky Beach Resorts Limited	Cyprus	Russia	Euro1,000	-	100%	Investment holding
Naga Entertainment No.3 Limited	Cyprus	Russia	Euro1,000	-	100%	Investment holding
Naga Sports Limited	Hong Kong	-	HK\$2	-	100%	Inactive
Naga Travel Limited	Hong Kong	Hong Kong	HK\$2	-	100%	Investment holding

# Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

## 1 General (continued)

### Information about subsidiaries (continued)

Name of subsidiary	Place of incorporation	Place of business	Issued and paid up share capital	Effective equity held by		Principal activities
				the Company	a subsidiary	
Naga Retail Limited	Hong Kong	Cambodia	HK\$2	-	100%	Operation of retail business
Naga Entertainment Limited	Hong Kong	-	HK\$2	-	100%	Inactive
Naga Management Limited	Hong Kong	-	HK\$2	-	100%	Inactive
Naga Media Limited	Hong Kong	-	HK\$2	-	100%	Inactive
Naga Services Limited	Hong Kong	Hong Kong	HK\$2	-	100%	Investment holding
Naga Services Company Limited	Vietnam	-	\$50,000	-	100%	In liquidation
Naga Management Services Limited	Thailand	Thailand	Thai Baht 3,000,000	-	100%	Management consulting services
NagaJet Management Limited	Cayman Islands	Cambodia	\$1	-	100%	Management of company aircraft
NAGA TRANSPORT LIMITED	Cambodia	Cambodia	KHR200,000,000	-	100%	Transportation support activities
GOLDEN PASSAGE DESTINATIONS CO., LTD.	Cambodia	Cambodia	KHR200,000,000	-	100%	Travel agency services
NagaWorld (Macau) Limitada	Macau	Macau	MOP25,000	-	100%	Marketing, sales, consultancy and services in connection with travelling, hotels and resorts
Primorsky Entertainment Resorts City LLC	Russia	Russia	RUB677,360,138	-	100%	Gaming, hotel and entertainment operations
Primorsky Entertainment Resorts City No.2 LLC	Russia	Russia	RUB10,000	-	100%	Inactive
NagaWorld Three Limited	British Virgin Islands	-	\$1	-	100%	Inactive
Naga Lease Limited	Hong Kong	Hong Kong	HK\$2	-	100%	Inactive

## 1 General (continued)

### Information about subsidiaries (continued)

Name of subsidiary	Place of incorporation	Place of business	Issued and paid up share capital	Effective equity held by		Principal activities
				the Company	a subsidiary	
Naga 2 Land Limited	British Virgin Islands	Cambodia	\$285,000,000	100%	-	Asset holding
NagaCity Walk Limited	British Virgin Islands	Cambodia	\$95,000,000	100%	-	Investment holding
NAGACITY WALK LAND COMPANY LIMITED	Cambodia	Cambodia	\$1,000,000	-	100%	Management of NagaCity Walk Project
TALENT TREE MANPOWER SOLUTIONS CO, LTD.	Cambodia	Cambodia	KHR4,000,000	-	100%	Employment placement agencies
BASSAKA HOLDING COMPANY LIMITED	Cambodia	Cambodia	KHR4,000,000	100%	-	Investment holding and management consulting
NAGAi Limited	Cayman Islands	-	\$1	100%	-	Inactive
NAGAHOTEL Limited	Cayman Islands	-	\$1	100%	-	Inactive
NagaGroup Global Limited	Cayman Islands	-	\$1	100%	-	Inactive
NagaGroup Global Limited	British Virgin Islands	-	\$1	100%	-	Inactive
NAGAi Inc	British Virgin Islands	-	\$1	100%	-	Inactive
NAGAHOTEL Limited	British Virgin Islands	-	\$1	100%	-	Inactive
NAGA Limited	British Virgin Islands	-	\$1	100%	-	Inactive
NAGA 3 COMPANY LIMITED	Cambodia	Cambodia	KHR4,000,000,000	100%	-	Property development and property investment
NAGAWORLD FOOTBALL CLUB COMPANY LIMITED	Cambodia	Cambodia	KHR4,000,000	-	100%	Operating football club
NagaCap Limited	Cayman Islands	-	\$1	100%	-	Inactive
NagaFarm Limited	Cayman Islands	-	\$1	100%	-	Inactive

The class of shares held is ordinary.

# Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

## 2 Adoption of new or revised International Financial Reporting Standards

### Impact of new amendments which are effective during the Year

In the current year, the Group has applied, for the first time, the following new or revised International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”), that are effective for the current accounting period of the Group.

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.

## 3 Basis of preparation

The consolidated financial statements 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 IASB. In addition, the consolidated financial statements include applicable disclosures required by 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 as explained in the accounting policies set out below.

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 33.

The consolidated financial statements are presented in United States dollars, which is the functional currency of the Company.

## 4 Principal accounting policies

### (a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Intercompany transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

### (b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (i) power over the investee, (ii) exposure, or rights, to variable returns from the investee, and (iii) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

### (c) Property, plant and equipment

#### (i) Owned assets

The following items of property, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses (see note 4(h)).

- buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 4(p));
- freehold land; and
- other items of property, plant and equipment.

Capital work-in-progress comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the capital work-in-progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed.

# Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

## 4 Principal accounting policies (continued)

### (c) Property, plant and equipment (continued)

#### (i) Owned assets (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged as expenses in profit or loss during the financial period in which they are incurred.

#### (ii) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	50 years
Renovations, furniture and fittings	5 – 10 years
Motor vehicles	5 years
Plant and equipment	5 – 10 years
Aircraft	20 years

No depreciation is provided for freehold land and capital work-in-progress. Depreciation is provided for capital work-in-progress when it is completed and ready for its intended use.

### (d) Intangible assets

#### *Acquired intangible assets – Casino licence premium*

The premium paid for the licence, and related exclusivity periods, to operate the casino in Phnom Penh is stated at cost less accumulated amortisation and impairment losses (see note 4(h)).

Amortisation is charged to profit or loss on a straight-line basis over the period of exclusivity of the licence.

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired (see note 4(h)).

### (e) Consumables

Consumables comprising food and beverage, diesel and sundry store items are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase, and other costs incurred in bringing the inventories to their present location and condition. Cost is determined principally on a weighted average basis. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

## 4 Principal accounting policies (continued)

### (f) Financial instruments

#### (i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not measured at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### *Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

**Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

**Fair value through other comprehensive income ("FVOCI"):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

# Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

## 4 Principal accounting policies (continued)

### (f) Financial instruments (continued)

#### (i) Financial assets (continued)

##### *Debt instruments (continued)*

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

##### *Equity instruments*

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

#### (ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit losses ("ECLs") on trade receivables, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.



## 4 Principal accounting policies (continued)

### (f) Financial instruments (continued)

#### (ii) Impairment loss on financial assets (continued)

The Group has elected to measure loss allowances for trade receivables using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non-credit-impaired financial assets interest income is calculated based on the gross carrying amount.

# Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

## 4 Principal accounting policies (continued)

### (f) Financial instruments (continued)

#### (iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

#### *Financial liabilities at FVTPL*

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at FVTPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at FVTPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of income. The net fair value gain or loss recognised in the statement of income does not include any interest charged on these financial liabilities.

## 4 Principal accounting policies (continued)

### (f) Financial instruments (continued)

#### (iii) Financial liabilities (continued)

##### *Financial liabilities at amortised cost*

Financial liabilities at amortised cost including trade and other payables and senior notes issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

#### (iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

#### (v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

#### (vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

# Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

## 4 Principal accounting policies (continued)

### (g) Provisions

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at their present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (h) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired, or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- Right-of-use assets; and
- intangible assets.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

## 4 Principal accounting policies (continued)

### (h) Impairment of other assets (continued)

- Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

### (i) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The income tax in respect of the gaming and hotel operations of the Company's subsidiary, NWL, represents obligation payments ("Obligation Payments") (refer to note 11(a)).

# Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

## 4 Principal accounting policies (continued)

### (j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

### (k) Commissions and incentives

Commissions and incentive expenses represent amounts paid and payable to operators, and are included in cost of sales when incurred by the Group.

### (l) Employee benefits

#### *Short term employee benefits and contributions to defined contribution retirement scheme*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement scheme and the 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. Any short term employee benefits are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are measured at undiscounted amounts.

The Group operates defined contribution retirement plans namely Mandatory Provident Fund and Employee Provident Fund for its employees in Hong Kong and Malaysia respectively. Contributions to both plans are made based on a percentage of the employee's basic salaries. The Group's employer contributions vest fully with the employees when contributed into the plans.

There is no mandatory retirement plans in Cambodia except for government employees and veterans who are eligible for government-run pension plans.

## 4 Principal accounting policies (continued)

### (m) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into United States dollars at exchange rates ruling at the end of the reporting period. Foreign currency transactions during the Year are translated into United States dollars at the exchange rates ruling at the transaction dates. The results of foreign entities are translated into United States dollars at the average exchange rates for the year; items in the statement of financial position are translated into United States dollars at the rates of exchange ruling at the end of the reporting period. The resulting exchange differences are dealt with as other comprehensive income. All other translation differences are included in profit or loss.

The functional currency of the group entities has been determined as United States dollars rather than Cambodian Riel and Russian Ruble, the domiciled currency in the relation to the Group's operations, on the basis that the gaming and other operation transactions are undertaken in United States dollars.

### (n) Dividends

Interim dividends are recognised as a liability in the period in which they are declared and final dividends are recognised as a liability when shareholders' approval has been obtained.

### (o) Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of key management personnel of the Group or the Company's parent.

# Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

## 4 Principal accounting policies (continued)

### (o) Related parties (continued)

- (b) An entity is related to the Group if any of the following conditions apply:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
  - (viii) the entity or any member of a group of which it is a party, provides key management personnel services to the Group or the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.



## 4 Principal accounting policies (continued)

### (p) Leasing

#### (i) Accounting as a lessee

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of 12 months or less. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

#### *Right-of-use asset*

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and estimated useful lives of the assets as follows:

Leasehold land	Over the lease terms
Buildings	50 years
Equipment	5 – 10 years

# Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

## 4 Principal accounting policies (continued)

### (p) Leasing (continued)

#### (i) *Accounting as a lessee (continued)*

##### *Lease liability*

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

## 4 Principal accounting policies (continued)

### (p) Leasing (continued)

#### (ii) Accounting as a lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased assets to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

Any changes in the scope of the consideration for a lease that was not part of the original terms and conditions of the lease are accounted for as lease modifications. The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, recognising the remaining lease payments as income on either a straight-line basis or another systematic basis over the remaining lease term.

### (q) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

- (i) Casino revenue from gaming tables and electronic gaming machines represents net house takings arising from casino operations and is recognised in profit or loss at a point in time when stakes are received by the casino and the amounts are paid out to the players. The credit policy on gaming receivables is five to thirty days from the end of VIP tour. Other customers paid in advance before they wager.

# Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

## 4 Principal accounting policies (continued)

### (q) Revenue recognition (continued)

- (ii) Revenue from provision of gaming machine stations which comprises revenue in relation to profit sharing arrangements for the gaming machine operations where third parties provide and maintain the gaming machine stations is recognised in accordance with the substance of the relevant agreements:
  - The Group recognises its share of net wins from gaming machine operation at a point in time under joint operation with the third parties; or
  - Revenue for services provided to the third parties, based on sharing of net wins from the gaming machine operations, is recognised over time when the Group acts an agent to the third parties.
- (iii) Income from hotel operations including room rental, food and beverage sales and other ancillary services are recognised when the services are rendered. Most of the customers pay for room rental in advance or upon departure from the hotel by cash or credit card. Other services are paid when services are rendered. Certain entity customers are granted with credit period of thirty days from end of month.
- (iv) The Group operates a loyalty programme where customers accumulate points for money spent on gaming or hotel facilities which entitle them to acquire goods or services free of charge or at a discount. Revenue from the award points is recognised when the points are redeemed or when they expire.
- (v) Licence fee is recognised at a point in time when the right to use exists at which the licensing right is assigned. All other licence fee income is recognised over the contract period. Payment is made when the relevant contract is signed.

### (r) Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

## 4 Principal accounting policies (continued)

### (s) Other income

- (i) Rental income under operating leases is recognised on a straight-line basis over the terms of the relevant leases.
- (ii) Interest income is recognised as it accrues using the effective interest method.

### (t) Joint arrangements

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangement as joint operations where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

### (u) Capitalisation and borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

# Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

## 4 Principal accounting policies (continued)

### (v) Equity-settled share-based payments

For equity-settled share-based payment transactions, the Group measures the goods or services received, and the corresponding increase in equity, at the fair value of the goods or services received. If the fair value of the goods or services received cannot be measured reliably, the Group measures their value, and the corresponding increase in equity, by reference to the fair value of the equity instruments granted.

## 5 Casino licence

Pursuant to the terms of the Sihanoukville Development Agreement (“SDA”), Supplemental Sihanoukville Development Agreement (“SSDA”) and the Addendum Agreement, the terms of the casino licence of the Group (the “Casino Licence”) were varied and the salient terms of the Casino Licence are as follows:

### (a) Duration of licence

The Casino Licence is an irrevocable licence with a duration of 70 years from 2 January 1995. The SSDA also states that should the Cambodian Government, for any reason, terminate or revoke the licence at any time before its expiry, it will pay Ariston, a subsidiary of the Company, the amount of monies invested in the business as agreed investment cost and additional mutually agreed damages for the termination and/or revocation of the Casino Licence at any time before the expiry of the period.

### (b) Exclusivity

Ariston has the right of exclusivity in respect of 200 kilometres of Phnom Penh (except the Cambodia-Vietnam Border Area, Bokor, Kirirom Mountains and Sihanoukville) (the “Designated Area”) for the period to the end of 2035. During this period, the Cambodian Government is prohibited from:

- authorising, licensing or approving the conduct of casino gaming within the Designated Area;
- entering into any written agreement with any party with respect to casino gaming within the Designated Area; and
- issuing or granting any other casino licence.

## 5 Casino licence (continued)

### (b) Exclusivity (continued)

The SSDA also states that the Cambodia Government will pay Ariston mutually agreed damages if it terminates or revokes its exclusivity rights at any time prior to the expiry of the period.

On 19 November 2019, the Company entered into the agreement with the Cambodian Government to extend the exclusivity of casino licence for an additional 10 years effective from 1 January 2036 to 31 December 2045 for a consideration of \$10 million and annual fee of \$3 million to be paid on annual basis for a period of 10 years beginning from January 2036 to December 2045.

### (c) Casino complex

Ariston has the right to locate the casino at any premises or complex within the Designated Area and is entitled to operate such games and gaming machines at its own discretion without the need for any approval from the Cambodian Government. There are no restrictions relating to the operating hours of the casino.

## 6 Revenue

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

	2020 \$' 000	2019 \$' 000
Casino operations – gaming tables	787,268	1,561,422
Casino operations – electronic gaming	82,360	158,054
Hotel room income, food and beverage and others	9,053	35,990
	<b>878,681</b>	<b>1,755,466</b>

# Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

## 7 Other income

	2020 \$' 000	2019 \$' 000
Interest income	928	4,282
Rental income	3,706	6,389
Others	60	135
	<b>4,694</b>	10,806

## 8 Finance costs

	2020 \$' 000	2019 \$' 000
Interest expenses and amortisation of transaction costs relating to senior notes (Note 25)	47,171	31,820
Interest on lease liabilities	6,165	5,384
Other interest expenses	405	–
	<b>53,741</b>	37,204
Less: Interest expenses capitalised into capital work-in-progress	<b>(20,515)</b>	(16,994)
	<b>33,226</b>	20,210



## 9 Profit before taxation

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

	2020 \$' 000	2019 \$' 000
(a) Staff costs (including directors' remuneration):		
Salaries, wages and other benefits	105,228	125,168
Contributions to defined contribution retirement scheme <sup>#</sup>	47	45
<b>Total staff costs*</b>	<b>105,275</b>	125,213
(b) Other items:		
Auditor's remuneration		
– Current year	784	746
– Under/(over) provision for 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

\* included in other operating expenses in the consolidated statement of income

# There were no forfeited contributions utilised to offset employers' contributions to retirement schemes during the Year.

# Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

## 10 Directors' remuneration and senior management remuneration

### (a) Directors' remuneration

The remuneration of the Company's directors is as follows:

	Annual performance incentive \$'000	Discretionary bonus \$'000	Fees \$'000	Basic salaries, allowances and benefits- in-kind \$'000	2020 Total \$'000
<b>Executive directors</b>					
Tan Sri Dr Chen Lip Keong	26,182	150	-	605	<b>26,937</b>
Philip Lee Wai Tuck	-	120	-	230	<b>350</b>
Chen Yiy Fon	-	30	-	144	<b>174</b>
<b>Non-executive director</b>					
Timothy Patrick McNally	-	100	240	74	<b>414</b>
<b>Independent non-executive directors</b>					
Michael Lai Kai Jin	-	20	36	-	<b>56</b>
Lim Mun Kee	-	30	48	1	<b>79</b>
Leong Choong Wah	-	20	36	1	<b>57</b>
<b>Total</b>	<b>26,182</b>	<b>470</b>	<b>360</b>	<b>1,055</b>	<b>28,067</b>

## 10 Directors' remuneration and senior management remuneration (continued)

### (a) Directors' remuneration (continued)

The remuneration of the Company's directors is as follows: (continued)

	Annual performance incentive \$'000	Discretionary bonus \$'000	Fees \$'000	Basic salaries, allowances and benefits- in-kind \$'000	2019 Total \$'000
<b>Executive directors</b>					
Tan Sri Dr Chen Lip Keong	30,335	150	–	720	<b>31,205</b>
Philip Lee Wai Tuck	–	120	–	283	<b>403</b>
Chen Yiy Fon	–	30	–	144	<b>174</b>
<b>Non-executive director</b>					
Timothy Patrick McNally	–	100	220	262	<b>582</b>
<b>Independent non-executive directors</b>					
Michael Lai Kai Jin	–	20	36	–	<b>56</b>
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir (retired on 26 April 2019)	–	20	12	–	<b>32</b>
Lim Mun Kee	–	30	48	–	<b>78</b>
Leong Choong Wah	–	7	36	–	<b>43</b>
<b>Total</b>	<b>30,335</b>	<b>477</b>	<b>352</b>	<b>1,409</b>	<b>32,573</b>

During the Year, no contributions were made to defined contribution retirement scheme for any of the Directors (including past Directors) (2019: Nil).

# Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

## 10 Directors' remuneration and senior management remuneration (continued)

### (a) Directors' remuneration (continued)

Tan Sri Dr Chen Lip Keong ("Dr Chen") is entitled to an annual performance incentive based on the Group's consolidated profit before taxation and before the said annual performance incentive ("PBT") as reported in the consolidated financial statements which shall be paid within one month of the approval of the consolidated financial statements. The performance incentive is calculated in accordance with the following formula:

Less than \$30 million PBT	:	\$Nil performance incentive
Between \$30 million to \$40 million PBT	:	performance incentive of 2% of PBT
More than \$40 million but up to and including \$50 million	:	performance incentive of \$0.8 million plus 3% of additional portion of PBT from \$40,000,001 to \$50,000,000
More than \$50 million	:	performance incentive of \$1.1 million plus 5% of additional portion of PBT from \$50,000,001 onwards

Based on the formula stated in the service agreements entered into between the Company and Dr Chen, the Company acknowledges and agrees that Dr Chen is entitled to a performance incentive of \$26,182,000 (the "2019 Performance Incentive Entitlement") and \$5,207,000 (the "2020 Performance Incentive Entitlement") for the financial years ended 31 December 2019 and 2020 respectively.

Pursuant to the resolution passed by the Board on 10 February 2020, the Board considered the matter relating to the 2019 Performance Incentive Entitlement and resolved to appeal to the generosity and good judgement of Dr Chen to defer such entitlement. The Company and Dr Chen agreed to defer the 2019 Performance Incentive Entitlement until the achievement of certain key performance indicators (the "KPIs") in 2020. The Company and Dr Chen agreed that subject to the achievement of the KPIs, the deferral of the 2019 Performance Incentive Entitlement should be extended to 2020 or beyond at the sole election of Dr Chen, and that the Company and Dr Chen shall negotiate in good faith a reasonable timeframe which is in the best interests of the Company.

## 10 Directors' remuneration and senior management remuneration (continued)

### (a) Directors' remuneration (continued)

As a result of the achievement of the said KPIs for the Year, the 2019 Performance Incentive Entitlement amounting to \$26,182,000 was recognised in profit or loss during the Year.

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 the 2020 Performance Incentive Entitlement. The Company and Dr Chen agreed to defer the 2020 Performance Incentive Entitlement until the achievement of 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 \$18.6 million from the financial years 2010 to 2014.

### (b) Five highest paid individuals

Of the five individuals with highest emoluments, two (2019: three) are directors whose emoluments are disclosed in note 10(a). The aggregate of the emoluments in respect of the three individuals for the Year (2019: two) are as follows:

	2020 \$'000	2019 \$'000
Salaries, wages and other benefits	1,435	984
Contribution to defined contribution retirement scheme	–	–
Discretionary bonus	60	186
<b>Total</b>	<b>1,495</b>	<b>1,170</b>

# Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

## 10 Directors' remuneration and senior management remuneration (continued)

### (b) Five highest paid individuals (continued)

The emoluments of the three individuals (2019: two) with the highest emoluments are within the following bands:

	2020 Number of Individuals	2019 Number of Individuals
\$Nil – \$258,000 (approximately HK\$ Nil – HK\$2,000,000)	–	–
\$258,001 – \$323,000 (approximately HK\$2,000,001 – HK\$2,500,000)	–	–
\$323,001 – \$387,000 (approximately HK\$2,500,001 – HK\$3,000,000)	1	–
\$387,001 – \$452,000 (approximately HK\$3,000,001 – HK\$3,500,000)	–	1
\$452,001 – \$516,000 (approximately HK\$3,500,001 – HK\$4,000,000)	–	–
\$516,001 – \$581,000 (approximately HK\$4,000,001 – HK\$4,500,000)	1	–
\$581,001 – \$645,000 (approximately HK\$4,500,001 – HK\$5,000,000)	1	–
\$645,001 – \$710,000 (approximately HK\$5,000,001 – HK\$5,500,000)	–	–
\$710,001 – \$774,000 (approximately HK\$5,500,001 – HK\$6,000,000)	–	–
\$774,001 – \$839,000 (approximately HK\$6,000,001 – HK\$6,500,000)	–	1
	<b>3</b>	<b>2</b>

During the Year, no emoluments were paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office as a director of any member of the Group or in connection with the management of the affairs of any members of the Group.

During the period of temporary closure of NagaWorld casino in Cambodia to prevent the spread of COVID-19,

Dr Chen agreed to receive 50% of his basic salary for the months of April and May 2020, 25% for the month of June 2020 and 83% for the month of July 2020; and

Mr. Philip Lee Wai Tuck agreed to receive approximately 51.67% of his basic salary for the month of April 2020, 50% for the month of May 2020, 25% for the month of June and 83% for the month of July 2020.

## 11 Income tax

Income tax in profit or loss represents:

	2020 \$' 000	2019 \$' 000
Current tax expense – Current year	<b>29,832</b>	30,364

During the Year, the Group recognised an additional Obligation Payment to the Ministry of Economy and Finance (the “MOEF”) of Cambodia of \$21,978,000 (2019: \$20,770,000) which is included in the amounts above.

Reconciliation between tax and accounting profit at applicable tax rate:

	2020 \$' 000	2019 \$' 000
Profit before taxation	<b>132,135</b>	551,642
Profits tax using Cambodian corporation tax rate of 20% (2019: 20%)	<b>26,427</b>	110,328
Tax exempt profits from Cambodian operations (note (a))	<b>(26,427)</b>	(110,328)
Obligation Payments (note (a))	<b>29,832</b>	30,364
	<b>29,832</b>	30,364

Notes:

(a) Income tax in profit or loss

Income tax represents monthly gaming Obligation Payment of \$658,323 (2019: \$585,176) and monthly non-gaming Obligation Payment of \$214,338 (2019: \$214,338) for the Year (except April to June 2020) payable to the MOEF by NWL Gaming Branch and NWL Hotel and Entertainment Branch, branches registered in Cambodia.

# Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

## 11 Income tax (continued)

Notes: (continued)

(a) Income tax in profit or loss (continued)

(i) Casino tax and licence fees

As described in note 5, under the SDA and the SSDA dated 2 January 1995 and 2 February 2000 respectively, the Cambodian Government has granted a casino licence to a subsidiary, Ariston, which in turn assigned the rights to operate gaming activities in Cambodia to NWL.

Pursuant to the SDA, Ariston was granted certain tax incentives in respect of the casino operations which include a profits tax exemption for a period of eight years from commencement of business, and profits thereafter would be subject to a concessionary rate of profits tax of 9% as compared to the normal profits tax rate of 20%. Ariston, in turn, has assigned to NWL all the tax incentives that were granted to Ariston pursuant to the SDA and SSDA relating to the gaming operations. The assignment of these tax incentives was confirmed by the Senior Minister, Minister in charge of the Council of Ministers, in a letter dated 20 November 2000.

It was contemplated by the SSDA that the gaming business of NWL would be regulated by a casino law (the "Casino Law") which may prescribe casino taxes and licence fees. The Casino Law in respect of casino taxes or licence fees has been promulgated in November 2020 and is effective since 1 January 2021. NWL had obtained a legal opinion that no casino taxes and licence fees are payable until the Casino Law becomes effective.

In May 2000, the MOEF levied an Obligation Payment of \$60,000 per month on NWL Gaming Branch payable from January 2000 to December 2003 in respect of the gaming activities. The MOEF has also confirmed that gaming taxes and licence fees are not payable in respect of periods prior to January 2000. Legal opinion was obtained confirming that the Obligation Payment is not payable prior to January 2000. Since December 2003, the MOEF had been revising the Obligation Payment every year up to 2018. Such payments were subject to an annual increase of 12.5% thereafter until 2018. For the year ended 31 December 2018, the Obligation Payment was \$520,157 per month.



## 11 Income tax (continued)

Notes: (continued)

(a) Income tax in profit or loss (continued)

(i) Casino tax and licence fees (continued)

The MOEF has yet to confirm the amount of the Obligation Payment for year 2019 and this Year. Base on all available information, NWL Gaming Branch continued to accrue and pay the Obligation Payment with increment rate of 12.5% on top of the 2019 Obligation Payment (i.e. \$658,323 per month) during the Year in accordance with past practices.

In addition, the MOEF has levied a casino taxation certificate fee amounting to \$30,000 per year payable from year 2004 onwards. However, the MOEF in their letter dated 12 November 2004 acknowledges that under the SDA and SSSA, the Casino Licence is valid for 70 years.

Monthly payments for the Obligation Payment are due on the first week of the following month. In the event of late payment within 7 days from the due date, there will be a penalty of 2% on the late payment and interest 2% per month. In addition, after 15 days when official government notice is issued to NWL for the late payment an additional penalty of 25% will be imposed.

# Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

## 11 Income tax (continued)

Notes: (continued)

(a) Income tax in profit or loss (continued)

(ii) Corporate and other taxes on gaming activities

Current tax expense represents Obligation Payments for NWL Gaming Branch and NWL Hotel and Entertainment Branch, another branch registered in Cambodia by NWL.

NWL Gaming Branch enjoys certain tax incentives relating to gaming activities which were granted by the Cambodian Government as stipulated in the SDA and SSDA, including exemption from corporate tax for eight years. Further tax incentives and extension of the corporate tax exemption period to December 2004 were granted to NWL, as set out in the letters from the MOEF dated 10 May 2000, 15 September 2000 and 30 November 2000. Tax incentives granted to NWL up to December 2005 include exemptions from all categories of taxes in respect of gaming activities including advance profits tax, dividend withholding tax, minimum profits tax, value-added tax and revenue tax, and exemptions from unpaid fringe benefits tax and withholding tax prior to 31 December 1999.

NWL has further obtained a clarification letter from the MOEF dated 24 February 2003 confirming exemption from salary tax for its gaming employees prior to January 2000.

As explained in note 11(a)(i) above in respect of gaming activities, NWL has to pay the Obligation Payment. The MOEF confirmed, in a letter to NWL dated 15 September 2000, to clarify that the Obligation Payment is a fixed gaming tax and with the payment of this fixed gaming tax, NWL will be exempted from all category of taxes on gaming activities including advance profits tax, minimum tax and advance tax on distribution of dividends. NWL, however, is obliged to pay taxes on other non-gaming services and activities payable under the Law on Taxation (the "LoT") of Cambodia.

Furthermore, the Senior Minister of the Council of Ministers of the MOEF in a circular to all casinos dated 7 December 2000 clarified that with the payment of the Obligation Payment on gaming activities, NWL will be exempted from the profits tax, minimum tax, advance tax on dividend distribution and value-added tax.

A legal opinion was obtained confirming that NWL will be exempt from the aforementioned taxes subject to the Obligation Payments being made.

## 11 Income tax (continued)

Notes: (continued)

(a) Income tax in profit or loss (continued)

(ii) Corporate and other taxes on gaming activities (continued)

In July 2002, the MOEF imposed a non-gaming Obligation Payment on NWL in respect of tax on non-gaming activities of a fixed sum of \$30,500 per month for the six months ended 31 December 2002. The monthly rate of non-gaming Obligation Payment will be reviewed annually. For the year ended 31 December 2020, the estimated provision of non-gaming obligation payment is \$214,338 per month (2019: \$214,338 per month).

The above non-gaming Obligation Payment is considered as a composite of various other taxes such as salary tax, fringe benefit tax, withholding tax, value-added tax, patent tax, tax on rental of moveable and unmoveable assets, minimum tax, advance profit tax, advertising tax and specific tax on entertainment services. The non-gaming Obligation Payment is due to be paid monthly and in the event of default in payment, the penalties and interest imposed are similar to those applicable to the gaming Obligation Payment as stated in note 11(a)(i) above.

During the Year, the Group paid an additional Obligation Payment of \$21,978,000 (2019: \$20,770,000) to the MOEF. Additional Obligation Payments other than those paid during the Year or prior years (if any), are subject to the future development in this matter.

(iii) Other jurisdictions

The Group is not subject to Hong Kong, Malaysian, Cayman Islands or Russian income taxes for the current and prior years.

(b) Taxes on other businesses

Profits from NWL's operations in Cambodia, other than NWL Gaming Branch and NWL Hotel and Entertainment Branch, are subject to normal profits tax of 20%. Revenue from other operations of the Group in Cambodia is subject to value-added tax of 10%.

# Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

## 11 Income tax (continued)

Notes: (continued)

### (c) Amendment to the Law on Investment and Law on Taxation

Certain amendments to the existing Law on Investment (“LoI”) and LoT of Cambodia were promulgated in March 2003.

Under the amendments made to the LoI, profits tax exemption would be preserved for the term granted under the original investment incentives, and the concessionary 9% profits tax rate will be restricted to five years from the expiry of the tax exemption period and thereafter profits would be subject to the normal tax rate of 20%.

Under the previous LoT, dividends can be distributed to shareholders without further withholding taxes. For entities that enjoy profits tax exemption or a concessionary profits tax rate of 9%, the amendments to the LoT will impose an additional tax that effectively increases the profits tax rate to 20%, upon the distribution of dividends. In addition, under the amendments made to the LoT, distribution of dividends to non-residents will be subject to a withholding tax on the distribution net of 20% tax at a rate of 14%, resulting in a net distribution tax of 31.2%.

NWL wrote a letter to the MOEF to clarify whether the amendments of the LoI and LoT will apply to their gaming business and has received a reply dated 9 June 2003 that the amendments of the LoI and LoT do not apply to casinos as they will be regulated by the Casino Law. However, the amendments to the LoI and LoT will apply to NWL Hotel and Entertainment Branch.

The Casino Law enacted during the Year has not explicitly prescribed the above matters. A legal opinion has been obtained confirming that the Casino Law has no implication on tax obligations (including but not limited to profits tax or withholding tax on distribution of dividends) of NWL before and after the promulgation of the Casino Law.

### (d) Deferred taxation

No provision for deferred taxation has been recognised as there is no significant temporary difference at the end of the reporting period.

## 12 Dividends payable to owners of the Company attributable to the year

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

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

## 13 Earnings per Share

The calculation of basic earnings per share is based on the consolidated profit attributable to owners of the Company of \$102,303,000 (2019: \$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).

## 14 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 most senior executive management (the "SEM") for the purpose of resource allocation and performance assessment.

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

# Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

## 14 Segment information (continued)

### (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 \$' 000	Hotel and entertainment operations \$' 000	Total \$' 000
<b>Segment revenue:</b>			
Year ended 31 December 2019			
Timing of revenue recognition			
- At point in 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	1,718,138	45,967	1,764,105
Year ended 31 December 2020			
Timing of revenue recognition			
- At point in 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	868,665	14,793	883,458
<b>Segment profit/(loss):</b>			
Year ended 31 December			
2019	707,786	2,630	710,416
2020	316,663	(12,848)	303,815

## 14 Segment information (continued)

### (a) Segment results, assets and liabilities (continued)

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

# Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

## 14 Segment information (continued)

### (a) Segment results, assets and liabilities (continued)

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

	2020 \$'000	2019 \$'000
<b>Revenue</b>		
Reportable segment revenue	883,458	1,764,105
Elimination of inter-segment revenue	(4,777)	(8,639)
<b>Consolidated revenue</b>	<b>878,681</b>	1,755,466
<b>Profit</b>		
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)
<b>Consolidated profit before taxation</b>	<b>132,135</b>	551,642
<b>Assets</b>		
Reportable segment assets	2,670,064	2,573,875
Elimination of inter-segment assets	(378,571)	(322,578)
	<b>2,291,493</b>	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
<b>Consolidated total assets</b>	<b>2,549,330</b>	2,347,021
<b>Liabilities</b>		
Reportable segment liabilities	(615,597)	(579,607)
Elimination of inter-segment payables	378,571	322,578
	<b>(237,026)</b>	(257,029)
Senior notes	(635,649)	(294,813)
Unallocated corporate liabilities	(20,189)	(6,808)
<b>Consolidated total liabilities</b>	<b>(892,684)</b>	(558,650)



## 14 Segment information (continued)

### (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 \$1,713,038,000 (2019: \$1,642,461,000) and \$253,298,000 (2019: \$238,299,000), respectively.

### (c) Information about major customers

During the current and prior year, there was no individual external customer contributing 10% or more of the Group's total 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 \$' 000	2019 \$' 000
<b>Casino operations</b>		
Junket A	<b>419,412</b>	824,658
Junket B	<b>88,208</b>	191,717

# Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

## 15 Property, plant and equipment

	Plant and equipment \$' 000	Buildings \$' 000	Capital work-in- progress \$' 000 (note)	Renovations, furniture and fittings \$' 000	Motor vehicles \$' 000	Aircraft \$' 000	Freehold land \$' 000	Total property, plant and equipment \$' 000
Cost:								
At 1 January 2019	168,470	775,916	129,129	432,077	6,512	55,990	30,000	1,598,094
Additions	10,875	56,064	263,364	485	161	29,462	50,000	410,411
Disposal	-	-	-	-	(419)	-	-	(419)
Written off	(463)	-	-	(13)	-	-	-	(476)
Transfer	396	13,438	(35,961)	22,127	-	-	-	-
At 31 December 2019	179,278	845,418	356,532	454,676	6,254	85,452	80,000	2,007,610
At 1 January 2020	<b>179,278</b>	<b>845,418</b>	<b>356,532</b>	<b>454,676</b>	<b>6,254</b>	<b>85,452</b>	<b>80,000</b>	<b>2,007,610</b>
Additions	3,365	-	170,387	164	4	-	-	173,920
Disposal	-	-	-	-	(65)	(9,002)	-	(9,067)
Written off	(250)	-	-	(1)	-	-	-	(251)
Transfer	35	-	(99,696)	99,661	-	-	-	-
At 31 December 2020	<b>182,428</b>	<b>845,418</b>	<b>427,223</b>	<b>554,500</b>	<b>6,193</b>	<b>76,450</b>	<b>80,000</b>	<b>2,172,212</b>

## 15 Property, plant and equipment (continued)

	Plant and equipment \$' 000	Buildings \$' 000	Capital work-in- progress \$' 000 (note)	Renovations, furniture and fittings \$' 000	Motor vehicles \$' 000	Aircraft \$' 000	Freehold land \$' 000	Total Property, plant and equipment \$' 000
<b>Accumulated depreciation:</b>								
At 1 January 2019	69,403	36,045	-	197,576	5,211	14,263	-	322,498
Charge for the year	27,148	15,783	-	43,900	505	3,800	-	91,136
Disposal	-	-	-	-	(419)	-	-	(419)
Written off	(451)	-	-	(2)	-	-	-	(453)
At 31 December 2019	96,100	51,828	-	241,474	5,297	18,063	-	412,762
At 1 January 2020	96,100	51,828	-	241,474	5,297	18,063	-	412,762
Charge for the year	27,017	17,892	-	40,451	344	5,805	-	91,509
Disposal	-	-	-	-	(65)	(5,462)	-	(5,527)
Written off	(248)	-	-	(1)	-	-	-	(249)
At 31 December 2020	122,869	69,720	-	281,924	5,576	18,406	-	498,495
<b>Net book value:</b>								
At 31 December 2020	59,559	775,698	427,223	272,576	617	58,044	80,000	1,673,717
At 31 December 2019	83,178	793,590	356,532	213,202	957	67,389	80,000	1,594,848

Note:

Capital work-in-progress is mainly incurred on the Group's hotel and casino complex located in Cambodia and Russia.

# Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

## 16 Leases

### (a) The Group as lessee

The Group has five leasehold land with remaining leasehold period expiring on 31 July 2095, 10 January 2037, 31 July 2066, 11 May 2070 and 14 December 2110 respectively. The Group entered into lease agreements in respect of four leasehold land in Phnom Penh, Cambodia which forms the sites for the NagaWorld casino and hotel complex, aircraft ancillary facilities at the airport and development of casino and hotel resorts near Angkor Wat, Cambodia. The lease agreements are for a period of 37 years to 99 years and do not include any provisions for renewal upon expiry or contingent rentals. Provisions for periodic adjustments to reflect market rentals are fixed and included in the lease agreements. The Group also entered into lease agreement in respect of the leasehold land for the construction of NagaCity Walk for a term of 50 years. Under the terms of the lease agreement, upon the expiry of the initial lease term of 50 years, the lease shall be automatically renewed at the option of the Group for another term in accordance with the laws of Cambodia. The Group expected to exercise the renewal option.

Lump sum payments were made upfront to acquire the interests in the leasehold land. For some of them, in addition to the lump sum payments, the Group was obliged to pay annual lease charge subject to increment for every 5 or 10 years. The lease payments are fixed over the lease terms.

Leases for properties, land owned by third parties, car park spaces and equipment have lease terms between 1 to 20 years. The Group has not capitalised leases of car park spaces and equipment with lease terms of 1 year or less by applying the short-term lease recognition exemption. The lease payments of most of these leases are fixed over the lease terms except few leases of equipment comprise solely variable lease payments during the lease terms.

## 16 Leases (continued)

### (a) The Group as lessee (continued)

#### (i) Right-of-use asset

The movements of the carrying amounts of the Group's right-of-use assets during the Year are set out below:

	Leasehold land \$' 000	Buildings \$' 000	Equipment \$' 000	Total \$' 000
As at 1 January 2019	43,789	26,915	12,265	82,969
Additions	8,022	–	–	8,022
Depreciation expense	(2,215)	(2,282)	(736)	(5,233)
As at 31 December 2019	49,596	24,633	11,529	85,758
As at 1 January 2020	<b>49,596</b>	<b>24,633</b>	<b>11,529</b>	<b>85,758</b>
Additions	<b>1,581</b>	<b>1,708</b>	<b>6,789</b>	<b>10,078</b>
Depreciation expense	<b>(2,289)</b>	<b>(2,462)</b>	<b>(891)</b>	<b>(5,642)</b>
As at 31 December 2020	<b>48,888</b>	<b>23,879</b>	<b>17,427</b>	<b>90,194</b>

#### (ii) Lease liabilities

	2020 \$' 000	2019 \$' 000
As at 1 January	<b>51,601</b>	53,993
Additions	<b>10,078</b>	22
Interest expense	<b>6,165</b>	5,384
Payments	<b>(3,930)</b>	(7,821)
Exchange difference	<b>(31)</b>	23
As at 31 December	<b>63,883</b>	51,601
Less: Current portion	<b>(7,809)</b>	(2,761)
Non-current portion	<b>56,074</b>	48,840

# Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

## 16 Leases (continued)

### (a) The Group as lessee (continued)

#### (ii) Lease liabilities (continued)

Future lease payments are due as follows:

	2020			2019		
	Minimum lease payments \$' 000	Interest \$' 000	Present value \$' 000	Minimum lease payments \$' 000	Interest \$' 000	Present value \$' 000
Within 1 year	13,414	5,605	7,809	7,572	4,811	2,761
1 to 5 years	42,214	26,095	16,119	37,382	21,357	16,025
After 5 years	113,103	73,148	39,955	79,170	46,355	32,815
	<b>168,731</b>	<b>104,848</b>	<b>63,883</b>	124,124	72,523	51,601

#### (iii) Variable lease payments

The Group leased a number of electronic gaming machines which contain variable lease payment terms that are based on certain percentage of gross win generated from the electronic gaming machines. There are no minimum base rental arrangements in these leases. The amount of variable lease payments recognised in profit or loss for the Year for these leases is \$6,779,000 (2019: \$15,636,000).

#### (iv) Information in relation to short term leases

	2020 \$' 000	2019 \$' 000
Short term lease expenses	<b>2,838</b>	3,085
Aggregate undiscounted commitments for short term leases	<b>118</b>	449

## 16 Leases (continued)

### (b) The Group as lessor

The Group has leased out the shops in its properties to certain tenants. The lease was negotiated for an original term of 10.5 years. The terms of the lease also provide for periodic rent adjustments according to the then prevailing market conditions. Rent is calculated at the higher of base rent or 8% on turnover generated from the tenant plus 5% on turnover generated from its licences, operator or sub-tenants. Contingent rental of \$462,000 (2019: \$1,247,000) was recognised during the Year.

At the end of the reporting period, the Group's total future minimum lease receivables under non-cancellable operating leases are as follows:

	2020 \$'000	2019 \$'000
Within 1 year	2,724	2,531
1 to 5 years	11,341	13,844
After 5 years	1,958	2,010
	<b>16,023</b>	18,385

## 17 Intangible assets

	2020 \$'000	2019 \$'000
<b><i>Casino licence premium and extended exclusivity premium:</i></b>		
<b>Cost:</b>		
At 1 January	123,002	108,000
Additions for year	–	15,002
At 31 December	<b>123,002</b>	123,002
<b>Accumulated amortisation:</b>		
At 1 January	52,371	48,893
Charge for year	2,717	3,478
At 31 December	<b>55,088</b>	52,371
<b>Net book value</b>	<b>67,914</b>	70,631

# Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

## 17 Intangible assets (continued)

On 12 August 2005, Ariston, a subsidiary of the Company, and the Cambodian Government entered into an Addendum Agreement which extended the exclusivity period of the Casino Licence within the Designated Area for the period to the end of 2035 in consideration for the surrender by Ariston of the rights and concessions granted under the SDA signed on 2 January 1995 and SSDA signed on 2 February 2000, both between Ariston and the Cambodian Government (except for the right to operate the casino within the Designated Area) including, but not limited to, the rights granted in respect of the development in O'Chhoue Teal, Naga Island and Sihanoukville International Airport (the "Assigned Assets"). The Assigned Assets had previously been assigned to Ariston Holdings Sdn. Bhd., a related company that is beneficially owned by the ultimate controlling shareholder of the Company, Dr Chen, on 30 August 2002. In order to fulfill its obligations under the Addendum Agreement, Ariston proposed to enter into an agreement with Ariston Holdings Sdn. Bhd., pursuant to which Ariston Holdings Sdn. Bhd. would surrender all rights, title, benefits and interests in and to the Assigned Assets to the Cambodian Government with an effective date of 12 August 2005 in consideration for \$105 million.

The \$105 million liability in respect of the extended exclusivity period has been settled as follows:

- On 11 May 2006, the Company issued 202,332,411 ordinary shares of \$0.0125 each to Dr Chen pursuant to an agreement with, amongst others, Ariston and Ariston Holdings Sdn. Bhd. The fair value of the 202,332,411 ordinary shares was \$50 million of which \$2,529,155 was the par value of the ordinary shares issued and \$47,470,845 was the premium on the issue of the ordinary shares; and
- On 16 August 2006, the remaining \$55 million due to Ariston Holdings Sdn. Bhd. was settled by way of a capital contribution of \$55 million by the ultimate controlling shareholder of the Company.

On 19 November 2019, the Company entered into the agreement with the Cambodian Government to extend the exclusivity of casino licence for an additional 10 years effective from 1 January 2036 to 31 December 2045 for a consideration of \$10 million paid during the year ended 31 December 2019 and annual fee of \$3 million to be paid on annual basis for a period of 10 years beginning from 1 January 2036 till the end of December 2045.

Please refer to note 5 in respect of the Casino Licence.



## **18 Prepayments for acquisition, construction and fitting-out of property, plant and equipment**

As at the end of the reporting period, prepayments for construction and fitting-out relate to advances made for various construction activities in NagaWorld and elsewhere.

## **19 Promissory notes**

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

In December 2014, in accordance with the terms of the Investment Agreement including the requirement to obtain a bank guarantee, the Company's subsidiary remitted approximately \$8.9 million from its Hong Kong bank account to a Russian bank account of the Company's Russian subsidiary Primorsky Entertainment Resorts City LLC. This amount was deposited in the same Russian bank as fixed deposits against which promissory notes were subsequently issued. In February 2015, Primorsky Entertainment Resorts City LLC purchased these promissory notes in Rubles 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 \$9,196,000) (2019: \$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.

## **20 Consumables**

Consumables comprise food and beverage, diesel and sundry store items.

# Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

## 21 Trade and other receivables

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

Included in trade and other receivables are trade debts (net of impairment losses) with the following ageing analysis as at the end of the reporting period:

	2020 \$' 000	2019 \$' 000
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	1,362	4,112
	<b>72,874</b>	83,366

## 22 Cash and bank balances and other liquid funds

	2020 \$'000	2019 \$'000
Cash and bank balances	437,741	273,377
Restricted bank balance	13,913	–
Fixed deposits	350	350
Short term investment	–	53,003
	<b>452,004</b>	326,730
Less: – Short term investment	–	(53,003)
– Fixed deposits with original maturity of more than three months when acquired	(350)	(350)
– Restricted bank balance	(13,913)	–
	<b>(14,263)</b>	(53,353)
Cash and cash equivalents	<b>437,741</b>	273,377

Cash at bank earns interest at floating rates based on daily bank deposits rates.

Restricted bank balance represents fund transferred to an escrow account for payment of interest for the 2024 Senior Notes (defined in note 25) on 6 January 2021.

As at 31 December 2020, fixed deposits bear interest at 4.00% (2019: 2.00% to 2.80%) per annum and mature at various times up to and including April 2021 (2019: various times up to and including April 2020).

Short term investment represented a listed debt fund which was classified as debt instrument at FVTPL. Details of the investment are set out in note 29(g)(ii).

# Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

## 23 Trade and other payables

	2020 \$' 000	2019 \$' 000
Trade payables (note)	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
	<b>153,338</b>	163,909
Less: current portion	<b>(148,431)</b>	(159,407)
Non-current portion	<b>4,907</b>	4,502

Note:

Included in trade and other payables are trade creditors with the following ageing analysis as at the end of the reporting period:

	2020 \$' 000	2019 \$' 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	<b>20,035</b>	7,548

## 24 Contract liabilities

	2020 \$' 000	2019 \$' 000
Customer loyalty programme	1,081	1,213
Licence fee	35,500	44,146
	<b>36,581</b>	45,359
Less: current portion	<b>(8,581)</b>	(9,963)
Non-current portion	<b>28,000</b>	35,396

Typical payment terms which impact on the amount of contract liabilities are described in notes 4(q)(iv) and 4(q)(v) respectively.

### Movement in contract liabilities

	Customer loyalty programme \$' 000	Licence fee \$' 000
Balance at 1 January 2019	1,273	52,896
Decrease as a result of recognising revenue during the year	(2,307)	(8,750)
Increase as a result of award points earned	2,247	-
Balance as at 1 January 2020	<b>1,213</b>	<b>44,146</b>
Decrease as a result of recognising revenue during the year	<b>(2,344)</b>	<b>(8,646)</b>
Increase as a result of award points earned	<b>2,212</b>	-
Balance as at 31 December 2020	<b>1,081</b>	<b>35,500</b>

The contract liabilities of \$9,859,000 (2019: \$10,023,000) included in the balance at the beginning of the Year has been recognised as revenue during the Year from performance obligations satisfied during the Year.

# Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

## 25 Senior notes

On 14 May 2018, the Company issued senior notes of an aggregate principal amount of \$300,000,000 and mature on 21 May 2021 (the "2021 Senior Notes"). 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 the senior notes of an aggregate principal amount of \$350,000,000 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 Dr Chen, has subscribed the 2024 Senior Notes with principal amount of \$45,000,000 at 98.167%. The interest expenses payable to the related company for the Year amounted to \$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.

## 26 Capital and reserves

### (a) Share capital

#### (i) Authorised:

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

#### (ii) Issued and fully paid:

	2020		2019	
	Number of shares	\$' 000	Number of shares	\$' 000
<b>Issued and fully paid:</b> Ordinary shares of \$0.0125 each At 1 January and 31 December	4,341,008,041	54,263	4,341,008,041	54,263

The holders of Shares 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.

## 26 Capital and reserves (continued)

### (a) Share capital (continued)

#### (iii) Capital management

The Group's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide a return to shareholders by pricing services commensurately with the level of risk.

The capital structure of the Group consists of net debts and equity attributable to owners of the Company, comprising share capital and reserves. The Group sets the amount of capital to reflect the perceived level of risk. The Group manages the capital structure and makes adjustments in the light of changes in economic and business conditions and the risk characteristics of the underlying assets.

The Group monitors the capital structure using a gearing ratio, which is net debt divided by total equity attributable to owners of the Company. Net debt includes the Senior Notes less cash and bank balances and other liquid funds.

The gearing ratio at the end of reporting period was as follows:

	2020 \$' 000	2019 \$' 000
Debt	635,649	294,813
Cash and bank balances and other liquid funds	(452,004)	(326,730)
Net debt	183,645	N/A
Equity	1,656,466	1,788,371
Net debt to equity ratio	11.1%	N/A

# Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

## 26 Capital and reserves (continued)

### (b) Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 146 of the consolidated financial statements.

### (c) Nature and purpose of reserves

#### (i) Share premium

Under the Companies Law of the Cayman Islands, the share premium account of the Company is distributable to the shareholders provided that immediately following that date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts when they fall due in the ordinary course of business.

#### (ii) Merger reserve

The merger reserve relates to the pooling of interests under the share swap agreement between, amongst others, the former shareholders of the combined entities, the Company and the then sole ultimate controlling shareholder dated 6 June 2003. The amount represents the fair value of the share capital of the combined entities and the carrying value of assets and liabilities combined into the Group pursuant to the restructuring aforementioned.

#### (iii) Capital contribution reserve

The capital contribution reserve comprises the fair value of assets contributed to the Company by the ultimate controlling shareholder.

#### (iv) Capital redemption reserve

The capital redemption reserve arose from cancellation of 12,090,000 treasury shares during the year ended 31 December 2015. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, upon the cancellation, the par value of the cancelled treasury shares was transferred from share premium accounts.

#### (v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign entities.



## 26 Capital and reserves (continued)

### (d) Distributable reserves

At 31 December 2020, the aggregate amount of reserves available for distribution to owners of the Company was \$555,174,000 (2019: \$619,230,000) within which \$751,356,000 (2019: \$751,356,000) related to the share premium of the new Shares issued upon conversion of the Convertible Bonds and issued under placement in past years and \$55,000,000 (2019: \$55,000,000) related to the capital contribution reserve, which the Directors have no current intention of distributing.

After the end of the reporting period, the Directors proposed a final dividend for Shareholder of US cent 1.88 per Share amounting to \$81.7 million (2019: final dividend for Shareholder of US cents 5.09 per Share amounting to \$220.9 million). The final dividend has not been recognised as a liability at the end of the reporting period.

## 27 Capital commitments

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

	2020 \$' 000	2019 \$' 000
Hotel and casino complex – contracted but not incurred	3,512,820	3,646,546

## 28 Share option scheme

The Company has adopted a share option scheme on 20 April 2016 (the "Scheme"). Under the Scheme, the Directors are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at nil consideration to subscribe for shares of the Company.

The Company did not grant any share options during the Year (2019: Nil) and there are no outstanding share options at the end of the reporting period (2019: Nil).

## 29 Risk management

### (a) Financial risk management objectives and policies

Exposures to political and economic risks, credit, interest rate and foreign currency risks arise in the normal course of the Group's business. The Group has risk management policies and guidelines which set out its overall business strategies, its tolerance of risk and its general risk management philosophy and has established processes to monitor and control the hedging of transactions in a timely and accurate manner. Such policies are regularly reviewed by the Board and regular reviews are undertaken to ensure that the Group's policy guidelines are adhered to.

# Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

## 29 Risk management (continued)

### (b) Political and economic risks

The Group's activities are carried out in Cambodia, a country which, until recently, has had a history of political instability. While the political climate has been more stable in recent years, its political and legal frameworks are still evolving and the economic and legal environments may change significantly in the event of a change of government. Although the Cambodian Government has been pursuing reform policies in recent years, no assurance can be given that the Cambodian Government will continue to pursue such policies or that such policies may not be significantly altered. There is also no guarantee that the Cambodian Government's pursuit of reforms will be consistent or effective. Changes in LoT and Lol and in policies affecting the industry in which the Group operates could have a significant negative effect on its operating results and financial condition.

### (c) Credit risk

The credit policy on gaming receivables is five to thirty days (2019: five to thirty days) from the end of tour. The credit policy on non-gaming receivables is thirty days from end of month (2019: thirty days from end of month). Trade receivables relate mostly to junket operators. At the end of the reporting period, the Group has a certain concentration of credit risk at 59% (2019: 56%) of the total trade and other receivables that were due from the five largest operators.

The Group recognises impairment losses on trade and other receivables in accordance with the policy in note 4(f)(ii) during the Year. The Group has a credit policy in place and the exposure to credit risk is monitored on a regular basis. The Group grants credit facilities, on an unsecured basis, to selected Junket VIP operators. Credit evaluations are performed on all customers requesting credit facilities.

The Group does not provide any guarantees which would expose the Group to credit risk.

## 29 Risk management (continued)

### (c) Credit risk (continued)

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix which is based on days past due for groupings of various customer segments that have similar loss patterns.

The following tables provide information about the Group's exposure to credit risk and ECLs for trade receivables as at the end of the reporting period:

2020	Expected loss rate %	Gross carrying amount \$'000	Loss allowance \$'000
Current (not past due)	0.09	26,592	23
1 to 3 months past due	0.04	24,704	10
3 to 6 months past due	1.83	13,587	249
6 to 12 months past due	6.40	7,521	481
More than 1 year past due	82.28	6,959	5,726
		<b>79,363</b>	<b>6,489</b>

2019	Expected loss rate %	Gross carrying amount \$'000	Loss allowance \$'000
Current (not past due)	0.07	41,014	28
1 to 3 months past due	1.22	37,711	459
3 to 6 months past due	2.82	767	22
6 to 12 months past due	1.61	275	4
More than 1 year past due	47.11	7,774	3,662
		<b>87,541</b>	<b>4,175</b>

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

# Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

## 29 Risk management (continued)

### (c) Credit risk (continued)

The following table reconciles the impairment loss of trade receivables arising from contracts with customers for the year:

	2020 \$' 000	2019 \$' 000
At 1 January	4,175	7,569
Impairment loss recognised	2,314	2,400
Bad debt written-off	-	(5,794)
At 31 December	6,489	4,175

During the Year, increase in expected loss rate of trade receivable balances in most of the age brackets have resulted in an increase in loss allowance of \$2,314,000. For the year ended 31 December 2019, increase in the gross carrying amounts of trade receivables past due over 1 year net of written off of trade receivable balances in the same age bracket have resulted in a decrease in loss allowance of \$3,765,000.

The Group measures loss allowance for other receivables based on 12-month ECLs. However, when there has been significant increase in credit risk since origination, the allowance will be based on lifetime ECLs. In determining the ECLs for other receivables, the Directors have taken into account the days past due of the receivables, financial position of the counterparties, past repayment records as well as the future prospects of the industry in which the debtor operates and the values of their major assets as appropriate. As at 31 December 2020, the Group assessed ECL of an other receivable with gross carrying amount of \$29,406,000 based on lifetime ECLs. No impairment loss was recognised against the gross carrying amount of the other receivable after considering future repayment, financial position and the value of the underlying assets of the debtor. Except for the abovementioned other receivable, ECLs of other receivables are measured based on 12-month ECLs for which no impairment loss were recognised during the Year.

## 29 Risk management (continued)

### (c) Credit risk (continued)

The Group's short term investment in debt fund was highly liquid and quoted on a recognised stock exchange. The credit risk of the fund was low as the underlying investments were guaranteed by insurance companies with average credit rating of A+ by international credit-rating agencies. The Directors also consider the credit risk on restricted bank balance, fixed deposits and other bank balances are limited because the counterparties are banks with high-credit rating.

### (d) Liquidity risk

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities (except for lease liabilities), based on undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group can be required to pay.

2020	Carrying amount \$'000	Total contractual undiscounted cash flow \$'000	Within 1 year or on demand \$'000	More than 1 year but less than 2 years \$'000	More than 2 years but Less than 5 years \$'000	More than 5 years \$'000
Trade and other payables	153,338	178,431	148,431	-	-	30,000
Senior Notes	635,649	775,363	341,888	27,825	405,650	-
	<b>788,987</b>	<b>953,794</b>	<b>490,319</b>	<b>27,825</b>	<b>405,650</b>	<b>30,000</b>

2019	Carrying amount \$'000	Total contractual undiscounted cash flow \$'000	Within 1 year or on demand \$'000	More than 1 year but less than 2 years \$'000	More than 2 years but Less than 5 years \$'000	More than 5 years \$'000
Trade and other payables	163,909	189,407	159,407	-	-	30,000
Senior Notes	294,813	341,406	28,125	313,281	-	-
	<b>458,722</b>	<b>530,813</b>	<b>187,532</b>	<b>313,281</b>	<b>-</b>	<b>30,000</b>

# Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

## 29 Risk management (continued)

### (e) Interest rate risk

The Group's fair value interest-rate risk mainly arises from the Promissory Notes and the Senior Notes as disclosed in notes 19 and 25 respectively. These financial instruments bear interest at fixed rates which expose the Group to fair value interest-rate risk. The Group has no significant cash flow interest-rate risk as there are no borrowings which bear floating interest rates and the interests from cash and bank balances are insignificant. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

The interest rate and terms of the Promissory Notes and the Senior Notes are disclosed in notes 19 and 25 to the consolidated financial statements respectively.

### (f) Foreign currency risk

The Group's income is principally earned in United States dollars. The Group's expenditure is principally paid in United States dollars and to a lesser extent in Cambodian Riels and Russian Ruble. The Group does not therefore have significant exposure to foreign currency risk. The Group does not enter into currency hedging transactions since it considers that the cost of such instruments outweighs the potential cost of exchange rate fluctuations.

### (g) Fair values

#### (i) *Financial instrument not mentioned at fair value*

Financial instruments not measured at fair value include Promissory Notes, cash and bank balances, trade and other receivables, trade and other payables and the Senior Notes. The carrying values of these financial instruments approximate their fair values.

#### (ii) *Financial instruments measured at fair value*

The debt fund included in the Group's consolidated financial statements required measurement at fair value as details in note 22. The fair value measurement of which utilised market observable inputs and data as far as possible. Inputs used in determining fair value measurements were categorised into different levels based on how observable the inputs used in the valuation technique utilised were (the "Fair Value Hierarchy"):

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

## 29 Risk management (continued)

### (g) Fair values (continued)

#### (ii) Financial instruments measured at fair value (continued)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item.

The fair value of the fund was determined based on quoted market price. The fair value of the fund was a level 1 fair value measurement.

There were no transfers between levels during the Year (2019: Nil).

## 30 Related party transactions

In addition to the information disclosed in the notes 21, 23 and 25 to the consolidated financial statements, significant transactions entered into between the Group and its related parties are as follows:

### (a) Compensation of key management personnel

	2020 \$' 000	2019 \$' 000
Basic salaries, housing and other allowances and benefits in kind	7,581	8,558
Bonus	27,082	31,384
	<b>34,663</b>	39,942

### (b) Balance with related companies

As at 31 December 2020, amounts due from the related companies of \$291,000 (2019: \$390,000) are included in trade and other receivables as disclosed in note 21 to the consolidated financial statements. The maximum balance during the Year was \$390,000 (2019: \$390,000).

As at 31 December 2020, amount due to a director, Dr Chen of \$1,536,000 (2019: \$1,906,000) is included in trade and other payables as disclosed in note 23 to the consolidated financial statements.

The amounts with related companies and the director are unsecured, interest-free and repayable on demand.

# Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

## 31 Ultimate controlling party

At 31 December 2020, Dr Chen owned equity interests in 2,928,472,463 (2019: 2,869,602,463) Shares out of the 4,341,008,041 (2019: 4,341,008,041) issued Shares, of which 1,943,107,166 (2019: 1,917,807,166) Shares were beneficially owned by Dr Chen, 951,795,297 (2019: 951,795,297) Shares were indirectly held by a discretionary trust named ChenLa Foundation. By virtue of being the founder of ChenLa Foundation, Dr Chen was taken to be interested in the 951,795,297 (2019: 951,795,297) Shares held by ChenLa Foundation and the remaining 33,570,000 Shares held by ChenLipKeong Capital Limited, a company wholly-owned by Dr Chen.

## 32 Possible impact of amendments and new or revised standards issued but not yet effective for the Year

Up to the date of issue of these consolidated financial statements, the IASB has issued the following amendments and new or revised standards which are not yet effective for the Year, potentially relevant to the Group's financial statements, and have not been early adopted in these consolidated financial statements.

Amendments to IAS 1	Classification of Liabilities as Current or Non-current and IFRIC – Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>5</sup>
Amendments to IAS 16	Proceeds before Intended Use <sup>3</sup>
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>3</sup>
Amendments to IFRS 3	Reference to the Conceptual Framework <sup>4</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>6</sup>
Amendment to IFRS 16	COVID-19-Related Rent Concessions <sup>1</sup>
Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>2</sup>
Annual Improvements to IFRS 1, IFRS 9, IFRS 16 and IFRS 41	Annual Improvements to IFRSs 2018-2020 <sup>3</sup>

1 Effective for annual periods beginning on or after 1 June 2020.

2 Effective for annual periods beginning on or after 1 January 2021.

3 Effective for annual periods beginning on or after 1 January 2022.

4 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

5 Effective for annual periods beginning on or after 1 January 2023.

6 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.



## 32 Possible impact of amendments and new or revised standards issued but not yet effective for the Year (continued)

### **Amendments to IAS 1, Classification of Liabilities as Current or Non-current and IFRIC – Interpretation 5 (2020) (“IFRIC-Int 5 (2020)”), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause**

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

IFRIC-Int 5 (2020) was revised as a consequence of the Amendments to IAS 1 issued in August 2020. The revision to IFRIC-Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to IAS 1 with no change in conclusion and do not change the existing requirements.

### **Amendments to IAS 16, Proceeds before Intended Use**

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

### **Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract**

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

### **Amendments to IFRS 3, Reference to the Conceptual Framework**

The amendments update IFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC-Interpretation 21 Levies (“IFRIC-Int 21”), the acquirer applies IFRIC-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

# Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

## 32 Possible impact of amendments and new or revised standards issued but not yet effective for the Year (continued)

### Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

### Amendment to IFRS 16, COVID-19-Related Rent Concessions

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

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

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

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

## 32 Possible impact of amendments and new or revised standards issued but not yet effective for the Year (continued)

### Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16, Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

### Annual Improvements to IFRSs 2018-2020

The annual improvements amends a number of standards, including:

- IFRS 1, First-time Adoption of International Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.
- IFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.
- IFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- IAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The Group is in the process of making an assessment of the potential impact of these new pronouncements. The directors so far concluded that the application of these new pronouncements is unlikely to have a significant impact on the Group's financial performance and financial position upon application.

# Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

## 33 Critical accounting judgement and key sources of estimation uncertainty

### Judgement

#### Obligation payments

As mentioned in note 11 to the consolidated financial statements, the Casino Law which is to govern gaming activities in Cambodia is effective from year 2021. Management judgement is therefore required in determining the relevant obligation payment amounts for this Year. The Group has carefully evaluated its exposure to transactions occurred during the Year and observes the development of the Casino Law in exercising such judgement.

### Estimation uncertainty

#### (i) Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECLs for the trade receivables. The expected loss rates are based on actual loss experience over the past 3 years as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECLs is sensitive to changes in estimates. The information about the ECLs and the Group's trade receivables are disclosed in note 29(c).

#### (ii) Provision of ECL for other receivables

The Group assess at the end of the reporting period the ECLs of other receivables in accordance with accounting policy in notes 4(f)(ii) and 29(c) on individual basis. The Group estimates risk of default of the debtors and the ECL rates considering factors such as days past due of the receivables, debtors' financial position, past repayment history and future prospect of the industries in which the debtors operate, as appropriate.

The provision of ECLs is sensitive to changes in estimates. The information about the ECLs and the Group's other receivables are disclosed in note 29(c).

### **34 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 acknowledges and agrees that Dr Chen is entitled to the 2020 Performance Incentive Entitlement of \$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 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 \$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 11, there were no other contingent liabilities as at 31 December 2020.

# Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

## 35 Reconciliation of liabilities arising from financing activities

	Senior Notes (Note 25) \$' 000	Interest payable (Note 23) \$' 000	Lease liabilities (Note 16) \$' 000
At 1 January 2019	291,118	3,125	53,993
<b>Changes from cash flows:</b>			
Interest paid	–	(28,125)	–
Lease payments	–	–	(7,821)
	–	(28,125)	(7,821)
<b>Other changes:</b>			
Finance costs	3,695	28,125	5,384
Additions	–	–	22
Exchange difference	–	–	23
	3,695	28,125	5,429
At 31 December 2019	294,813	3,125	51,601
At 1 January 2020	<b>294,813</b>	<b>3,125</b>	<b>51,601</b>
<b>Changes from cash flows:</b>			
Net proceeds from the 2024 Senior Notes	<b>335,316</b>	–	–
Interest paid	–	(28,125)	–
Lease payments	–	–	(3,930)
	<b>335,316</b>	(28,125)	(3,930)
<b>Other changes:</b>			
Finance costs	<b>5,520</b>	<b>41,651</b>	<b>6,165</b>
Additions	–	–	<b>10,078</b>
Exchange difference	–	–	(31)
	<b>5,520</b>	<b>41,651</b>	<b>16,212</b>
At 31 December 2020	<b>635,649</b>	<b>16,651</b>	<b>63,883</b>

**36 Statement of financial position of the Company**

	2020 \$' 000	2019 \$' 000
<b>Non-current assets</b>		
Property, plant and equipment	13,212	9,650
Right-of-use asset	461	922
Investments in subsidiaries	394,391	394,391
	<b>408,064</b>	404,963
<b>Current assets</b>		
Deposits, prepayments and other receivables	776	612
Amounts due from subsidiaries	602,020	475,924
Restricted bank balance and other liquid funds	13,913	53,003
Cash and cash equivalents	240,108	40,243
	<b>856,817</b>	569,782
<b>Current liabilities</b>		
Accruals and other payables	19,143	5,322
Senior Notes	298,547	–
Amounts due to subsidiaries	8	7
Lease liabilities	493	467
	<b>318,191</b>	5,796
<b>Net current assets</b>	<b>538,626</b>	563,986
<b>Total assets less current liabilities</b>	<b>946,690</b>	968,949
<b>Non-current liabilities</b>		
Senior Notes	337,102	294,813
Lease liabilities	–	492
	<b>337,102</b>	295,305
<b>NET ASSETS</b>	<b>609,588</b>	673,644
<b>CAPITAL AND RESERVES</b>		
Share capital	54,263	54,263
Reserves (Note)	555,325	619,381
<b>TOTAL EQUITY</b>	<b>609,588</b>	673,644

Approved and authorised for issue by the Board on 8 March 2021.

Timothy Patrick McNally  
Chairman

Philip Lee Wai Tuck  
Executive Deputy Chairman

# Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

## 36 Statement of financial position of the Company (continued)

Note:

### Reserves of the Company

	Share premium \$' 000	Capital redemption reserve \$' 000	Capital contribution reserve \$' 000	Accumulated losses \$' 000	Total \$' 000
At 1 January 2019	751,356	151	55,000	(134,809)	671,698
Profit for the year	-	-	-	221,014	221,014
Dividend declared and paid	-	-	-	(273,331)	(273,331)
At 31 December 2019	751,356	151	55,000	(187,126)	619,381
At 1 January 2020	751,356	151	55,000	(187,126)	619,381
Profit for the year	-	-	-	169,258	169,258
Dividend declared and paid	-	-	-	(233,314)	(233,314)
At 31 December 2020	751,356	151	55,000	(251,182)	555,325

## 37 Effect of COVID-19

Since January 2020, the outbreak of COVID-19 has impact on the business environment all over the world. On 30 March 2020, the Cambodian Government has ordered the temporary closure of all casinos nationwide from 1 April 2020 onward to prevent further spread of the pandemic. Having executed a Memorandum of Understanding with the Cambodian Ministry of Health (the "MOH") on the implementation of rules set by the MOH on 30 June 2020 and received a certificate of clearance on 5 July 2020 that the Group has complied with all conditions set by the MOH, the Group reopened all of its casino business on 18 July 2020. Despite the temporary closure, the Group managed to generate steady increase in its gaming revenue after the reopening. In view of the COVID-19 incidence being relatively well managed in Cambodia and surrounding countries started to ease restriction imposed and reopen their respective economy, the Group expects to generate steady recurrent revenue for the benefits of the Company and Shareholders as a whole in the nearest future.

## 38 Events after reporting period

### (i) 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 several COVID-19 cases at the premises of NagaWorld as reported by the MOH, the Group acted swiftly to volunteer to temporarily suspend its business starting from 2 March 2021 for a thorough review of its precautionary and preventive measures which had already been in place and in parallel a wholesome cleansing of the entire property to further protect all employees and visitors of NagaWorld.

### (ii) Share award scheme

On 28 January 2021, the Board has adopted a share award scheme which is valid for a term of 10 years from the adoption date. Pursuant to the share award scheme, award shares may be granted to directors of the Company and its subsidiaries and the employees of the Group. According to the Company's announcement dated 28 January 2021, the Board currently expects to grant award shares up to approximately 55,000,000 Shares to certain Directors and employees over a period of six years from the adoption date or the date on which independent Shareholders approve the grant (if the grantees are connected person of the Company).



# Five-year Financial Summary

(Expressed in United States dollars)

	2016	2017	2018	2019	2020
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Consolidated statement of income</b>					
Revenue	531,558	956,349	1,474,287	1,755,466	<b>878,681</b>
Profit attributable to owners of the Company	184,159	255,186	390,578	521,278	<b>102,303</b>
Basic Earnings per share (US cents)	7.89	7.94	9.00	12.01	<b>2.36</b>
Diluted Earnings per share (US cents)	7.04	5.88	9.00	12.01	<b>2.36</b>
<b>Dividend</b>					
Interim dividend declared	62,938	90,379	108,079	147,063	<b>12,376</b>
Final dividend proposed after the end of reporting period	20,051	62,732	126,268	220,938	<b>81,677</b>
Total dividend attributable to the year	82,989	153,111	234,347	368,001	<b>94,053</b>
Dividend per share (US cents)	3.59	3.53	5.40	8.48	<b>2.17</b>
<b>Consolidated statement of financial position</b>					
Property, plant and equipment and interests in leasehold land held for own use under operating lease (before 2019)	837,415	1,148,687	1,302,230	1,594,848	<b>1,673,717</b>
Right-of-use assets	–	–	–	85,758	<b>90,194</b>
Intangible assets	66,201	62,654	59,107	70,631	<b>67,914</b>
Other non-current assets	102,105	94,927	93,736	139,515	<b>143,707</b>
Net current assets	245,260	76,277	420,060	281,170	<b>107,017</b>
Employment of capital	1,250,981	1,382,545	1,875,133	2,171,922	<b>2,082,549</b>
Represented by:					
Share capital	30,750	54,263	54,263	54,263	<b>54,263</b>
Reserves	1,220,231	1,328,282	1,485,606	1,734,108	<b>1,602,203</b>
Shareholders' funds	1,250,981	1,382,545	1,539,869	1,788,371	<b>1,656,466</b>
Other non-current liabilities	–	–	335,264	383,551	<b>426,083</b>
Capital employed	1,250,981	1,382,545	1,875,133	2,171,922	<b>2,082,549</b>
Net assets per share in open market (US cents)	50.85	31.85	35.47	41.20	<b>38.16</b>

## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the annual general meeting of NagaCorp Ltd. (the “Company”) will be held at Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Thursday, 27 May 2021 at 10:00 a.m. for the following:

1. To consider and adopt the audited consolidated financial statements of the Company and its subsidiaries and the reports of the directors of the Company (the “Directors”) and independent auditor for the year ended 31 December 2020 (the “Year”).
2. To approve the payment of a final dividend in respect of the Year.
3.
  - i. To re-elect Tan Sri Dr Chen Lip Keong as an executive Director.
  - ii. To re-elect Mr. Chen Yiy Fon as an executive Director.
4. To re-elect Mr. Michael Lai Kai Jin, who has served the Company for more than nine years, as an independent non-executive Director.
5. To authorise the board of Directors (the “Board”) to fix the Directors’ remuneration for the year ending 31 December 2021.
6. To re-appoint BDO Limited as the independent auditor of the Company and to authorise the Board to fix its remuneration.
7. To consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions:
  - (A) **“That:**
    - (i) subject to paragraph (A)(iii) and (iv) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all powers of the Company to allot, issue or otherwise deal with additional shares of the Company (the “Shares”) or securities convertible into Shares, or options, warrants or similar rights to subscribe for Shares or such convertible securities of the Company and to make or grant offers, agreements and/or options (including bonds, warrants and debentures convertible into Shares) which may require the exercise of such powers, be and is hereby generally and unconditionally approved;

- (ii) the approval in paragraph (A)(i) above shall be in addition to any other authorisation given to the Directors and shall authorise the Directors during the Relevant Period to make or grant offers, agreements and/or options which may require the exercise of such powers after the end of the Relevant Period;
- (iii) the aggregate number of Shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors during the Relevant Period pursuant to paragraph (A)(i) above, otherwise than pursuant to (1) a Rights Issue (as hereinafter defined) or (2) the grant or exercise of any option under the option scheme of the Company or any other option, scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire Shares; or (3) any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company (the "Articles of Association") in force from time to time; or (4) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any existing convertible notes issued by the Company or any existing securities of the Company which carry rights to subscribe for or are convertible into Shares, shall not exceed 20% of the total number of issued Shares as at the date of passing this resolution and the said approval shall be limited accordingly; and
- (iv) the Company may not issue securities convertible into new Shares for cash consideration unless the initial conversion price of such convertible securities is not lower than the Benchmarked Price (as hereinafter defined) of the Shares at the time of the relevant placing, and the Company may not issue warrants, options or similar rights to subscribe for (i) any new Shares; or (ii) any securities convertible into new Shares, for cash consideration pursuant to the approval in paragraph (A)(i) above; and

## Notice of Annual General Meeting

- (v) for the purpose of this resolution:
  - (a) “Benchmarked Price” means the higher of:
    - (1) the closing price of the Shares as quoted on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on the date of the relevant placing agreement or other agreement involving the proposed issue of securities pursuant to the approval in paragraph (A)(i) above; and
    - (2) the average closing price of the Shares as quoted on the Stock Exchange for the five trading days immediately prior to the earliest of:
      - (i) the date of announcement of the placing or the proposed transaction or arrangement involving the proposed issue of securities pursuant to the approval in paragraph A(i) above;
      - (ii) the date of the placing agreement or other agreement involving the proposed issue of securities pursuant to the approval in paragraph A(i) above; and
      - (iii) the date on which the placing or subscription price of the securities to be issued in paragraph A(i) above is fixed;
  - (b) “Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:
    - (1) the conclusion of the next annual general meeting of the Company;
    - (2) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the Articles of Association to be held; or
    - (3) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company (the “Shareholders”) in general meeting; and

(c) “Rights Issue” means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares whose names appear on the register of members on a fixed record date in proportion to their holdings of Shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or, having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the exercise or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, any recognised regulatory body or any stock exchange applicable to the Company).”

(B) **“That:**

- (i) subject to paragraph (B)(ii) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase the issued Shares on the Stock Exchange or on any other stock exchange on which the Shares may be listed and recognized for this purpose by the Securities and Futures Commission of Hong Kong (the “Commission”) and the Stock Exchange and, subject to and in accordance with all applicable laws, the Code on Share Buy-backs issued by the Commission and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), be and is hereby generally and unconditionally approved;
- (ii) the aggregate number of the Shares, which the Company is authorised to repurchase pursuant to the approval in paragraph (B)(i) above shall not exceed 10% of the total number of issued Shares as at the date of passing of this resolution, and the said approval shall be limited accordingly;
- (iii) subject to the passing of each of the paragraphs (B)(i) and (ii) of this resolution, any prior approvals of the kind referred to in paragraphs (B)(i) and (ii) of this resolution which had been granted to the Directors and which are still in effect be and are hereby revoked; and

## Notice of Annual General Meeting

(iv) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the Articles of Association to be held; or
- (c) the revocation or variation of the authority given under this resolution by ordinary resolution of the Shareholders in general meeting.”

(C) **“That** conditional upon the resolutions numbered 7(A) and 7(B) as set out in the notice convening this meeting being passed, the general mandate granted to the Directors to exercise the powers of the Company to allot, issue and otherwise deal with additional Shares and to make or grant offers, agreements and options which may require the exercise of such powers pursuant to the ordinary resolution numbered 7(A) above be and is hereby extended by the addition to the aggregate number of Shares which may be allotted by the Directors pursuant to such general mandate of the aggregate number of Shares repurchased by the Company under the authority granted pursuant to ordinary resolution numbered 7(B) as set out in the notice convening this meeting, provided that such amount shall not exceed 10% of the total number of issued Shares as at the date of passing of this resolution.”

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

Hong Kong, 20 April 2021

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

Principal Place of Business in Hong Kong:  
Suite 2806, 28/F  
Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

*Notes:*

- (i) A Shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in accordance with the Articles of Association. A proxy need not be a Shareholder.
- (ii) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s); and for this purpose seniority shall be determined as the person so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.
- (iii) In order to be valid, a form of proxy must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) not later than 48 hours before the time appointed for the holding of the meeting (or any adjournment thereof). The completion and return of the form of proxy shall not preclude the Shareholders from attending and voting in person at the meeting (or any adjournment thereof) if they so wish.
- (iv) The Company's register of members will be closed during the following periods for ascertaining the respective entitlements of the Shareholders:
  - (a) from Monday, 24 May 2021 to Thursday, 27 May 2021, both days inclusive, for the purpose of ascertaining the Shareholders' entitlement to attend and vote at the annual general meeting. In order to be eligible to attend and vote at the annual general meeting, all duly completed transfer documents accompanied by the relevant share certificates must be lodged for registration 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 Friday, 21 May 2021; and
  - (b) on Thursday, 3 June 2021, for the purpose of ascertaining Shareholders' entitlement to the final dividend. In order to qualify for the final dividend, all duly completed transfer documents accompanied by the relevant share certificates must be lodged for registration 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. The Shares will be traded ex-entitlement from and including Tuesday, 1 June 2021.
- (v) In respect of the ordinary resolution numbered 7(A) above, the Directors state that they have no immediate plans to issue any new Shares. Approval is being sought from the Shareholders as a general mandate for the purposes of the Listing Rules.

## Notice of Annual General Meeting

- (vi) (a) Subject to paragraph (b) below, if a tropical cyclone warning signal No. 8 or above is expected to be hoisted or a black rainstorm warning signal is expected to be in force at any time between 8:00 a.m. and 5:00 p.m. on the date of the meeting, the meeting will be postponed and Shareholders will be informed of the date, time and venue of the postponed meeting by a supplemental notice posted on the respective websites of the Company and Hong Kong Exchanges and Clearing Limited.
- (b) If a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is lowered or cancelled three hours before the time appointed for holding the meeting and where conditions permit, the meeting will be held as scheduled.
- (c) The meeting will be held as scheduled when a tropical cyclone warning signal No. 3 or below or an amber or red rainstorm warning signal is in force.
- (d) After considering their own situations, Shareholders should decide on their own whether or not they would attend the meeting under any bad weather condition and if they choose to do so, they are advised to exercise care and caution.

As at the date of this notice, 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