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Contrary indicators

Cambodia

Cambodia's insatiable demand to revitalise its casino market is akin to a hornet's nest precariously balanced on a rotten branch with a storm approaching. And you've dropped a smoothie down your front.

Since the law on IRs and casinos was passed at the end of 2020 there have been huge scandals and stories of corruption, human trafficking, and a rise in crime. Concerns are that unless Cambodia tidies up its act it could see its new gambling industry shut down before it really takes off.

The reports surrounding the casino industry have been hitting Cambodian news headlines over the last few years, and not in a good way.

In August last year, video footage showed dozens of Vietnamese nationals fleeing from a Kandal province casino called Rich World Casino where they had reportedly been held against their will and tortured. They tried to swim across the border via the Binh Di River back to Vietnam with one youngster drowning.

Then a group of around 60 Vietnamese workers fled from a casino in Bavet City in the Svay Rieng

province just a month later and were caught heading to the Moc Bai border gate claiming casino owners had run off with their wages. Many were chased by security guards with video footage showing them being beaten when caught. These are just two horror stories linked to mainly Chinese-owned casinos in the country which are reportedly using forced labour with overwork and unpaid jobs issues.

The US has added Cambodia to its people trafficking blacklist whilst Taiwanese authorities say they know of 5,000 citizens to date who have travelled to Cambodia and not returned.

The Ministry of Foreign Affairs in Vietnam has joined hands with the Cambodian authorities and the agency says more than 600 citizens duped by human traffickers to work in Cambodia had been repatriated by the summer of last year.

Meanwhile, crime has apparently spiked in

Cambodia's coastal city of Sihanoukville after rapid investment into the casino sector has caused a multitude of issues.

Prime Minister Hun Sen issued a warning in September last year with a strict crackdown on all forms of illegal gambling with consequences for any officials who did not act on any illegal gambling and the closure of any business, such as cafes, which allowed gambling on their premises.

Since this announcement, the authorities have shut down 230 illegal gambling businesses and arrested more than 600 people.

CAMBODIA'S LEGACY

Cambodia has been ruled with an iron fist for the last 38 years by Prime Minister Hun Sen, a former military commander who is the longest serving head of government in Cambodia.



Prior to Covid Cambodia enjoyed decades of strong growth, which averaged 7.6 per cent between 1994 and 2015. The World Bank said the country was one of the top 10 fastest growing economies in the world over the last 20 years moving from a low-income to middle-income country in 2016. But recovery post-Covid has been slow.

Hun Sen first became Prime Minister in 1985 and remained in office until 1993 when he was named second Prime Minister under a coalition government. However, in a coup in 1997, Hun Sen removed Prime Minister Prince Ranariddh from office and won the elections to take office again in 1998.

Elections were held in July and as expected, it was a landslide for Hun Sen, who has chosen to retire having ensured that the ruling party was all but guaranteed an outright victory. Hun Sen also secured his succession plan, with his eldest son, Hun Manet, who won his first seat during the election to replace him as prime minister. Hun Manet was the Commander of the Royal Cambodian Army and trained in the US.

The Cambodia People's Party is the sole dominant party in Cambodia and since 2018 has commanded all but four seats in parliament. His government is listed as one of the most corrupt governments in the world and Sen has been accused of ignoring human rights and instigating political oppression.

Hun Sen recently shut down one of the country's last independent media outlets ahead of the country's election. The Voice of Democracy radio had published a story which

Hun Sen disagreed with and the police revoked the online media outlet's operating licence in February. It was the last major news organisation in the country after a major crackdown on civil expression in 2017 and 2018.

During this time around 15 radio stations were banned from broadcasting the Voice of America and Radio Free Asia programmes in 2017 and the Cambodia Daily newspaper was forced to close down that same year with unpaid tax allegations.

Cambodia has a huge reputation as a corrupt nation and the country still suffers from widespread corruption, human rights violation issues and a weak legal system.

There has recently been a large influx of migrant Bangladesh workers travelling into Cambodia in search of work. This is mostly due to the blow Bangladesh suffered during and post-Covid, coupled with the Russian-Ukrainian war, resulting in high inflation and low purchasing power.

Prior to Covid, Cambodia enjoyed decades of strong growth, which averaged 7.6 per cent between 1994 and 2015. The World Bank said the country was one of the top 10 fastest

growing economies in the world in the last 20 years, moving from a low-income to middle-income country in 2016.

However, recovery post-Covid has been slow. And as Cambodia opened its doors to foreign workers the country is now said to be one of the most corrupt countries in Asia with a huge cybercrime industry and reports of surges in human trafficking.

In 2021, the Justice Minister in Cambodia pledged to crack down on corruption in the judicial system.

The country is still one of the world's poorest countries, with much of the workforce employed in subsistence farming.

It is forecast that Cambodia's real GDP growth will be 5.6 per cent this year and will benefit from new trade agreements aimed at continued investment and exports.

The unemployment rate for 2023 was expected to be around two per cent. In 2021, the rate was 0.61 per cent. The low rate is due to the government's policy that focuses on sustained economic growth and the creation of job opportunities for the youth.

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CAMBODIA MARKET REPORT

Tourism is one of the four pillars supporting the Cambodian economy. After a difficult couple of years the sector is beginning to show signs of recovery. Hotels and restaurants saw a 30 per cent growth after a decline over the previous two years due to Covid restrictions. The tourism industry saw some 3,000 related businesses closed or suspended during the pandemic and huge job losses.

Cambodia is one of the least developed countries, which consistently creates jobs in various sectors from production to domestic trade and export along with governmental efforts to build relations with different partners regionally and internationally.

Cambodia generated more than \$2.2bn of revenue from international trade during the first five months of 2022 showing a rise in domestic production.

Local and foreign investors have pumped money into many sectors in the country such as agriculture, industry and tourism. This in turn has created jobs.

CAMBODIA TOURISM

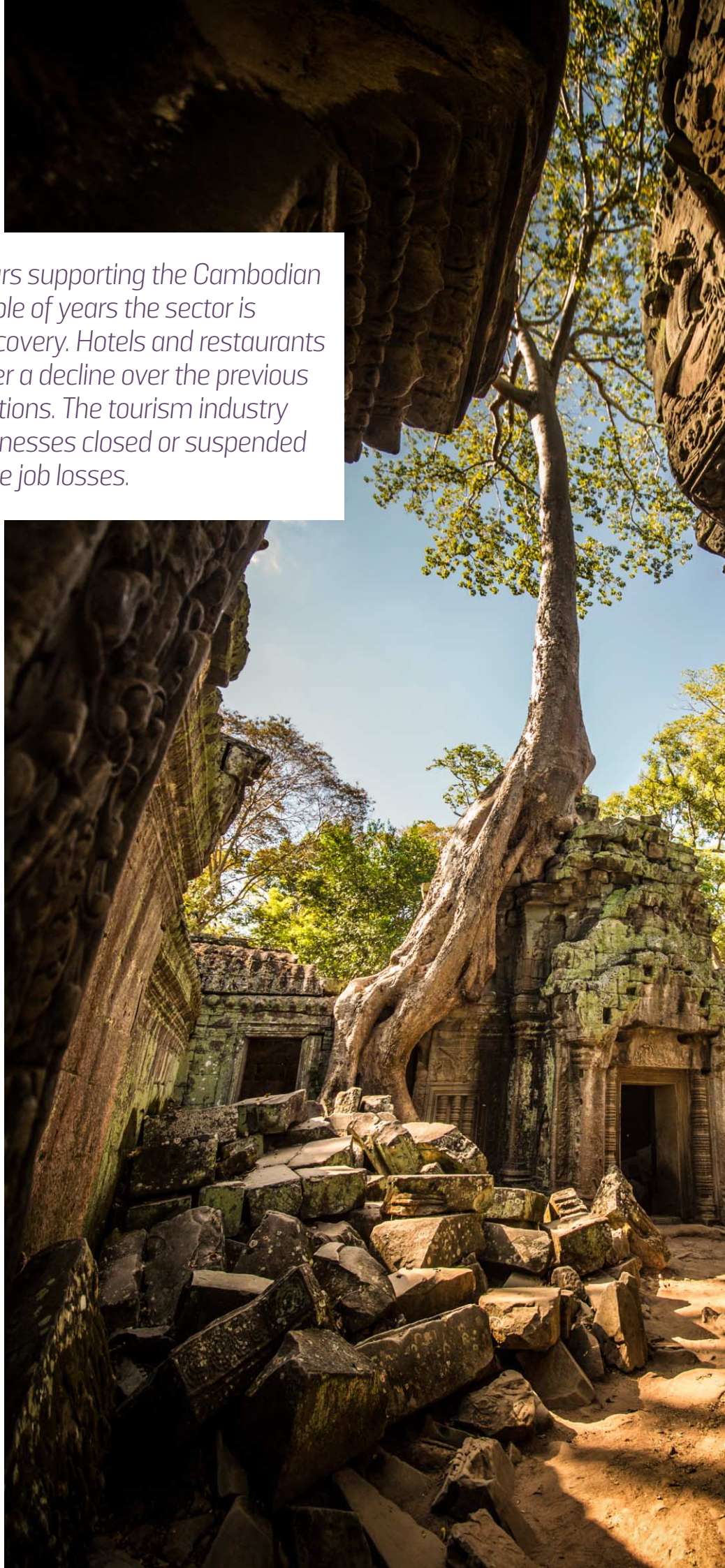
Tourism is one of the four pillars supporting the Cambodian economy. After a difficult couple of years the sector is beginning to show signs of recovery. Hotels and restaurants saw a 30 per cent growth after a decline over the previous two years due to Covid restrictions. The tourism industry saw some 3,000 related businesses closed or suspended during the pandemic and huge job losses.

A total of 2.28 million international tourists travelled to Cambodia in 2022 with domestic tourism at 13.93 million last year compared to 4.6 million in 2021.

This year is anticipated to see 4.3 million international tourists and 14 million domestic tourists. This is mainly down to the easing of restrictions in China coupled with the Southeast Asian Games (SEA Games), which were held in May.

It is hoped the number of international tourists will see seven million by 2026. Pre-Covid the region welcomed 6.6 million international visitors in 2019, generating \$4.9bn in revenue compared to just over 1.3 million visitors and \$1bn in revenue in 2020.

By February of this year weekly international direct flights to Phnom Penh stood at 281 of which 94 were coming from Thailand, with a further 69 from China, 31 from Singapore and 28 from Malaysia.





Derelict casino buildings litter Sihanoukville. The area has more than 1,000 high-rise buildings of which 400 have been left unfinished and abandoned, mostly during the Covid lockdowns, whilst a crackdown on illegal gambling has also led to many projects being suspended.



International tourism revenue was worth around 10 per cent of GDP (2019) and one in 10 Cambodians worked in tourism. The sector is second only to the garment industry.

There are around 1,000 hotels providing 44,500 rooms across Cambodia plus 2,750 guest houses and 3,350 restaurants. Chinese visitors account for the highest number of visitors (30 per cent) followed by tourists from the US, Korea, Japan and France.

The government initiated various recovery responses for the tourism industry during the pandemic, including industry tax and fee exemptions and support for local businesses. The Roadmap for Recovery of Cambodia was also launched, which aims to strengthen the tourism sector and promote it as a safe destination post-pandemic.

by Malaysian-Chinese businessman Chen Lip Keong and publicly listed on the Hong Kong stock exchange since 2006.

Although only foreigners can gamble in Cambodian casinos, Hun Sen claimed the \$1bn foreign investment funnelled into Sihanoukville meant everyone would benefit.

But that was before Hun Sen banned online gambling in 2019 and then Covid hit the following year.

Online gambling was the source of a quarter of the taxes the country saw from the casinos. The move was seen as political but saw the casino industry fizzle within just a few months and almost die, with half of the casinos in Sihanoukville closed down whilst some 8,000 Cambodian workers were laid off and there was

Gambling and foreign backed casinos are rife in Cambodia. The sector exploded in 2017 when Chinese backed casinos took over the once sleepy beach town of Sihanoukville and saw the arrival of Chinese tourists eager to gamble abroad. The city was transformed into a gambling mecca by the influx of casinos and the development of hotels, clubs and restaurants and it was said 90 per cent of businesses in the city were owned by Chinese.

RAPID GROWTH OF GAMBLING

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Chinese visitors also boosted profits at Naga World, which since 2000 has enjoyed the exclusive licence to run casinos within a 200km radius of Phnom Penh. The company is owned

a mass exodus as some 200,000 Chinese nationals who left the country.

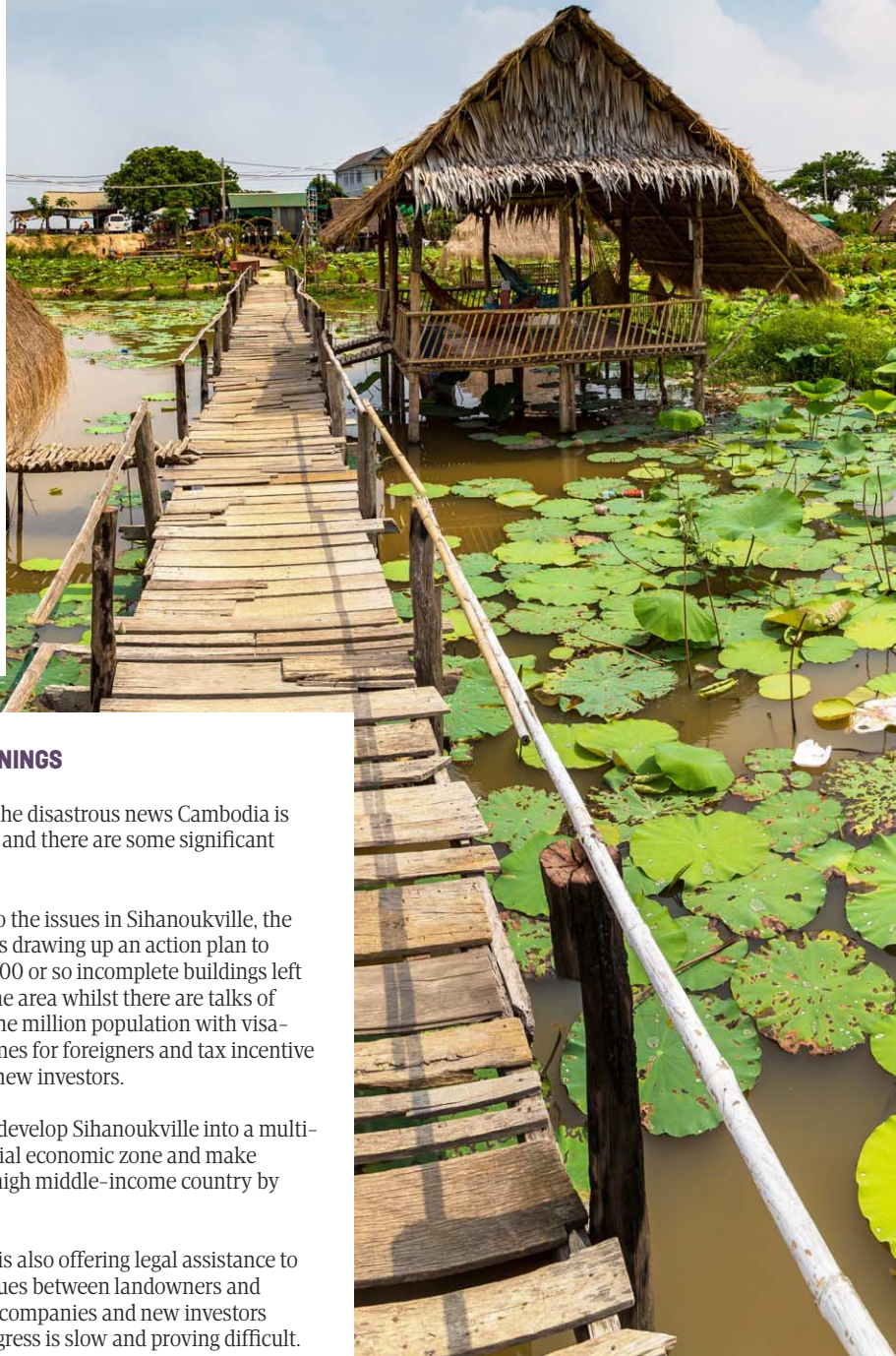
This coupled with the arrival of the pandemic saw a devastating effect on foreign tourism and domestic revenue in the gambling industry which collapsed by 90 per cent.

As a knock-on effect, revenue losses have caused huge labour condition problems such as insufficient wages and poor working conditions. Land prices in Sihanoukville have also collapsed by around 25 to 30 per cent and partially built resorts and projects have been left abandoned.

Fast forward to this year and Cambodia had been waiting for Beijing to end its 'zero Covid'

Essential information and facts about Cambodia:

Capital	Phnom Penh
Total Area	181,035sq.km
Population	16.89 million
Median age	26.4 years
Religion	Buddhist (official)
Ethnic Groups	Khmer (95%), Cham, Chinese
Languages	Khmer (official)
Currency	Riels (KHR)
Government type	Parliamentary Constitutional Monarchy
Chief of State	King Norodom Sihamoni (2004)
Head of Government	Prime Minister Hun Sen (since 1985)
Elections	Monarch chosen by nine member Royal Council of the Throne among eligible males of royal descent. Following elections member of the majority party of majority coalition named Prime Minister
Unemployment	2 per cent
Tourism	6.6m (2019)



policy and allow Chinese tourists back into Cambodia. Prior to Covid, Cambodia had more than 200 licensed casinos. Almost all casinos closed down during the pandemic whilst last year 143 of these reapplied for their annual licence – under the new law casinos must renew their licence each year.

Since then the country has been battling with a series of problems and issues. There are reports that local workers apparently earn 4.5 times less than their Chinese colleagues. Rising costs of living is making it difficult for locals to survive, whilst there are reports of forced labour, human trafficking and poor working conditions.

There are also violations and allegations of forcing builders to work within the construction industry during the Covid outbreak. In 2019, a hotel development in conjunction with a new casino in Sihanoukville collapsed, due to poor construction, killing 28 Cambodians.

In Phnom Penh there have been repeated protests from employees at Naga World over pay, working conditions and redundancies. Laid off workers at the Naga World casino have been protesting since December 2021 over layoffs. They claim the Malaysian owned firm is trying to destroy their trade union (the only casino in the country to have union representation).

Many strikes have resulted in police brutality or arrests and court proceedings, whilst a union leader, Chhim Sithar, who had led the strikes for two years, was jailed recently and charged with incitement.

Before mass layoffs in 2020, Naga World employed around 8,300 workers with 1,300 workers selected for termination in 2021 of which 1,100 were union members.

NEW BEGINNINGS

But amid all the disastrous news Cambodia is fighting back and there are some significant changes.

In response to the issues in Sihanoukville, the government is drawing up an action plan to address the 400 or so incomplete buildings left deserted in the area whilst there are talks of tripling the one million population with visa-friendly regimes for foreigners and tax incentive schemes for new investors.

The aim is to develop Sihanoukville into a multi-purpose special economic zone and make Cambodia a high middle-income country by 2030.

The ministry is also offering legal assistance to settle any issues between landowners and construction companies and new investors although progress is slow and proving difficult.

The area has more than 1,000 high-rise buildings of which 400 have been left unfinished and abandoned mostly during the Covid lockdowns, whilst a crackdown on illegal gambling has also led to many projects being suspended.

It has been said there were more than 1,600 construction projects in Sihanoukville between 2017 and November 2021 of which 600 were high-rise mostly with Chinese investment.

The Ministry of Economy and Finance has been instructed to fix the issue and a special committee has now been set up to look at Sihanoukville's real estate sector.

The International Monetary Fund predicts a

robust expansion in certain sectors such as export, services, and tourism during the second half of this year. The World Bank predicts that Cambodia's economic growth will rank third among the other ASEAN countries with a forecasted growth rate of 5.2 per cent for 2023.

Chinese tourists numbered 2.36 million in 2019 generating \$1.8m in revenue whilst Chinese investment in tourism related sectors accounted for 50 per cent of total foreign direct investment. Cambodia wants economic growth to return to pre-Covid levels with investment and tourism from China with plans for infrastructure development too.

Real estate is poised for a surge presenting an ideal opportunity for investors. However, there



The Bay of Lights project in Sihanoukville is an 834 hectare project in Ream City forecast to boost tourism by three million visitors by 2030, create 330,000 new jobs by 2040 and with new dwellings boost population growth by 160,000 by 2050. The project is costing \$20bn and involves a golf and villa resort, theme park, wellness resort, yacht and marina club, shopping malls, offices, and luxury villas.



The Coastal City project, Dara Sakor resort.



The Bay of Lights project in Sihanoukville

are some concerns over the level of Chinese investment.

One such project is the Bay of Lights in Sihanoukville by Canopy Sands Development, a member of the Prince Holding Group, led by Chinese developer Chen Zhi. This 834 hectare project in Ream City is forecast to boost tourism by three million visitors by 2030, create 330,000 new jobs by 2040 and with new dwellings boost population growth by 160,000 by 2050.

The project is costing \$20bn and involves a golf and villa resort, theme park, wellness resort, yacht and marina club, shopping malls, offices, and luxury villas. The project broke ground at the end of last year and phase one includes

hotels and MICE facilities and is due to be completed by 2028.

Other infrastructure plans include a \$4bn high-speed rail plan to modernise a 382km section between Phnom Penh and Poipet plus a \$1.4bn expressway to be built by China Road and Bridge Construction from the capital to Bavet. This company completed a \$2bn 190km expressway linking the capital to Sihanoukville last year.

Meanwhile, a new airport in Phnom Penh is being constructed at the formally known Techo International Airport and is expected to be completed in 2025. The \$1.5bn project began in 2019 and will be capable of handling 13 million passengers a year in the first phase, 30 million



The Coastal City project, Dara Sakor resort, is carved out of the Botum Sakor National Park on the Koh Kong province coastline. The \$3.8bn resort consumes roughly 20 per cent of Cambodia's coastline. The huge resort project will include hotels, villas and apartments, golf course, casino, retail, marine terminals and new airport. Much of which is completed.

in second phase and 50 million by third phase (2050). A new airport for Siem Reap is also on target to open later this year plus an airport on the island of Koh Rong.

Meanwhile, there are reports of casinos springing up around the country with little regard for the environment or communities.

One such development is the Coastal City project, Dara Sakor resort, carved out of the Botum Sakor National Park on the Koh Kong province coastline. The project has come under huge scrutiny and conflict and apparently violates deforestation regulations and saw more than 1,000 families evicted and forced to relocate due to construction without appropriate compensation.

The development was undertaken by Union Development Group, a Chinese company that was granted a 99-year lease for a 36,000 hectare concession in the national park in 2008 followed by a further 9,100 hectares in 2011.

In 2020, the US Treasury Department sanctioned UDG for 'serious human rights abuses and corruption' after UDG evicted and harassed residents from the area using the Royal Cambodian Armed Forces. Forests have been cleared whilst there have been reports of human trafficking victims used in the project.

The \$3.8bn resort consumes roughly 20 per cent of Cambodia's coastline and means residents

who were forced to move have also lost their livelihood fishing in the area. The huge resort project will include hotels, villas and apartments, golf course, casino, retail, marine terminals and new airport. Much of which is completed.

Hong Kong-listed Century Entertainment runs the casino via an agreement with Victor Mind Global Ltd (a wholly owned subsidiary of the company) and Lion King Entertainment (owned by Century's CEO Man Sun Ng). Originally the casino was located at the Sunshine Bay Hotel in Sihanoukville, but was relocated to Dara Sakor resort and has been fully operational since February 2022 and will eventually include 20 mass gaming table, 25 VIP tables and 50 slots.

In 2021, Hun Sen signed a sub-decree which transformed 127,000 hectares of protected land in Koh Kong province into state private land and conservationists fear this means many other parts of the province will now also be sold for development.



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Naga World is Phnom Penh's only integrated hotel and entertainment complex and operators Naga Corp Ltd have a 70-year casino licence which runs until 2065 and the exclusive right to operate a casino within a 200km radius of Phnom Penh which expires in 2045. This doesn't include the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville.

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Naga Corp reported revenues of US\$460.6m for the year 2022, double its \$225.8m revenue in 2021, but a far cry from the \$1.75bn revenue in 2019.

Total revenue from gaming tables last year was \$321.5m whilst slots hit \$124.3m. Hotel, food and beverage revenues reached \$14.8m. This all brought the company a gross profit for the year of \$375.9m (up 162 per cent on 2021) and net profit of \$107.3m, reversing a loss of \$47m in 2021.

Chairman Timothy McNally said in the company's 2022 annual report: "During 2022 we continued to see a steady growth trend in the Mass Market business, attributable to the reasonably sized expatriate community and

THE CASINO MARKET

Gambling was prohibited during the Khmer Rouge dictatorship during the 1970s, although it was legalised again in the 1990s when the first casino licence was granted to Naga World in 1994.

In 1996, the Law on Suppression of Gambling was introduced and several casinos in Phnom Penh, except for Naga World, were closed and it also prohibited almost all forms of gambling for Cambodian residents. Meanwhile, the government allowed the casinos to relocate out to border towns and along the coastal resorts.

At the end of 2019 there were around 133 casinos in operation in Cambodia and, with very little strategy to govern or regulate the gaming industry, the country became one of fastest growing gambling markets in the world.

Naga World is the most high-profile casino in Cambodia. Most other casinos border

neighbouring countries appealing to players whose own countries maintain gambling bans. These casinos are located mostly in the border towns of Poipet (near Thailand) and Bavet (bordering Vietnam) and others in the coastal destinations in Koh Kong and Sihanoukville.

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NAGA WORLD REVENUE AND GROSS PROFIT 2021-2022

SEGMENT	2022 REVENUE	2022 PROFIT	2021 REVENUE	2021 PROFIT
Mass Market	\$328.1m	\$293.7m	\$110.4m	\$100.8m
Non Mass-Premium Market	\$91.4m	\$63.8m	\$48.7m	\$29.6m
Non Mass-Referral VIP	\$26.4m	\$6.2m	\$64.4m	\$11.2m
Non Gaming	\$14.8m	\$12.3m	\$2.4m	\$1.9m
TOTAL	\$460.7m	\$376m	\$225.9m	\$143.5m



It is predicted that Naga World will see a GGR of 43 per cent of its pre-pandemic levels rising this year rising to 60 per cent levels in 2024. The group estimates VIP play will remain 'lacklustre' over the next couple of years but the mass market revenue will rise to 90 per cent to its 2019 levels and make a full recovery next year whilst premium mass will hit 80 per cent this year with a full recovery next.

visitors from ASEAN in search of entertainment. With the region's business environment starting to normalise, our Mass Market was relatively stable, in particular the high-limit gaming area, with public floor tables and electronic gaming machines volumes increasing by 147.2 per cent and 220.7 per cent compared to 2021 respectively.

"This was achieved without additional operational costs, resulting in expanded gross margins. We believe the company's cost control model combined with self-sustaining business in spite of a challenging pandemic environment gives the company a unique advantage and competition position.

"The Naga World rewards loyalty programme continued to enable the company to understand its customers' profile, creating targeting marketing promotions and rollout customer

development initiatives to increase the frequency of visitation and gaming spend.

"Non Mass-Premium Market business volumes also continued to increase primarily due to visitation of both current expatriates in Cambodia as well as short term business visitors and the continued influx of customers from neighbouring countries. The Non-Mass Premium Market segment achieved a 141.7 per cent increase in rollings compared to the previous year.

"During last year Non-Mass Referral VIP business volumes and revenue declined mainly due to the restrictive cross-border travel policies in the Asian region. However Non-Mass Referral VIP business volumes on an average daily basis recorded stable growth during the year, as the number of international direct flights to Phnom Penh continues to recover.

"Non-gaming revenue increased significantly by 528.2 per cent year on year primarily due to the reopening of business operations on 15 September 2021 and the easing of travel policies in Cambodia and other regions and countries, which led to higher hotel occupancy rate and footfall during this period."

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CAMBODIA MARKET REPORT

Naga Corp continues to focus on the development of its Naga 3 project as Naga 1 and Naga 2 reach 80 per cent room occupancy (prior to Covid). Once completed this will mean the entire Naga World will have around 5,000 hotel rooms, 1,300 gaming tables and 4,500 slots. Non-gaming attractions at Naga 3 aim to bring in a more diversified audience.

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GGR for Q1 2023 amounted to \$117m, a 6.8 per cent increase year on year. The casino saw an increase in Chinese visitors after the Chinese government allowed tour groups to Cambodia from February this year. The number of direct weekly flights from China to Cambodia increased from 35 at the beginning of the year to 114 by April. Total weekly flights from Asian countries to Phnom Penh have recovered to almost 69 per cent of pre-Covid levels.

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The \$3.5bn project was due to be finished in 2025 and comprises of three towers, one 75 storeys high, and two 61 storeys high, which will be connected via an Upper Podium on the 13th floor. Work was impacted during Covid and it is now thought the project will be delayed by four years and won't be completed until mid-2029.

The company said recently: "The board of directors of the company wishes to announce that in view of the external geopolitical macroeconomic environment and the stiff global inflationary pressures, the company is carefully and seriously considering options of developing Naga 3 matching revenue generation with capex expenditure and such options shall include the Project Resize. In addition, the board wishes to announce that despite the external factors, the company is confident that it can discharge all of its financial obligations because, up to date, the fundamentals and the directions of the company remain unchanged."

Naga World (now called Naga 1) offers a total of 755 rooms and suites whilst Naga 2 complex, which opened in 2017, provides an additional 900 hotel rooms and suites plus gaming space for 300 tables and 2,500 gaming machines. The development included the Naga City Walk, which became the first downtown duty free shopping mall to open in 2016.

Meanwhile, Donaco International's Star Vegas Club and Casino in Poipet re-opened to full capacity in June last year after being repeatedly closed and reopened, and restricted, since April 2020 due to the pandemic.

The property is located on the border between Cambodia and Thailand and is the closest legal gaming destination to Bangkok area. The resort was opened in 1999 and acquired by Donaco in 2015. It has 100 gaming tables, 800 slots and 385 hotel rooms.

The casino was closed from April to September 2020 and again from April 2021. Limited casino operations led to a 91 per cent decline in gaming revenues at the casino between FY2021 and FY2022.

Revenue from Star Vegas operations amounted to A\$946,416 in FY2022 of which A\$781,629 was gaming revenue. In 2021 revenues amounted to A\$9m of which A\$8.7m was from gaming.

Half year revenues (until end December 2022) were A\$9.27m from Star Vegas. The same period in 2021 saw revenues of A\$73,341.

And this year revenues are returning with the Q1 2023 seeing Star Vegas net revenues of A\$6.29m. This is compared to same quarter 2022 with A\$0.01m and Q4 2022 with A\$5.12m

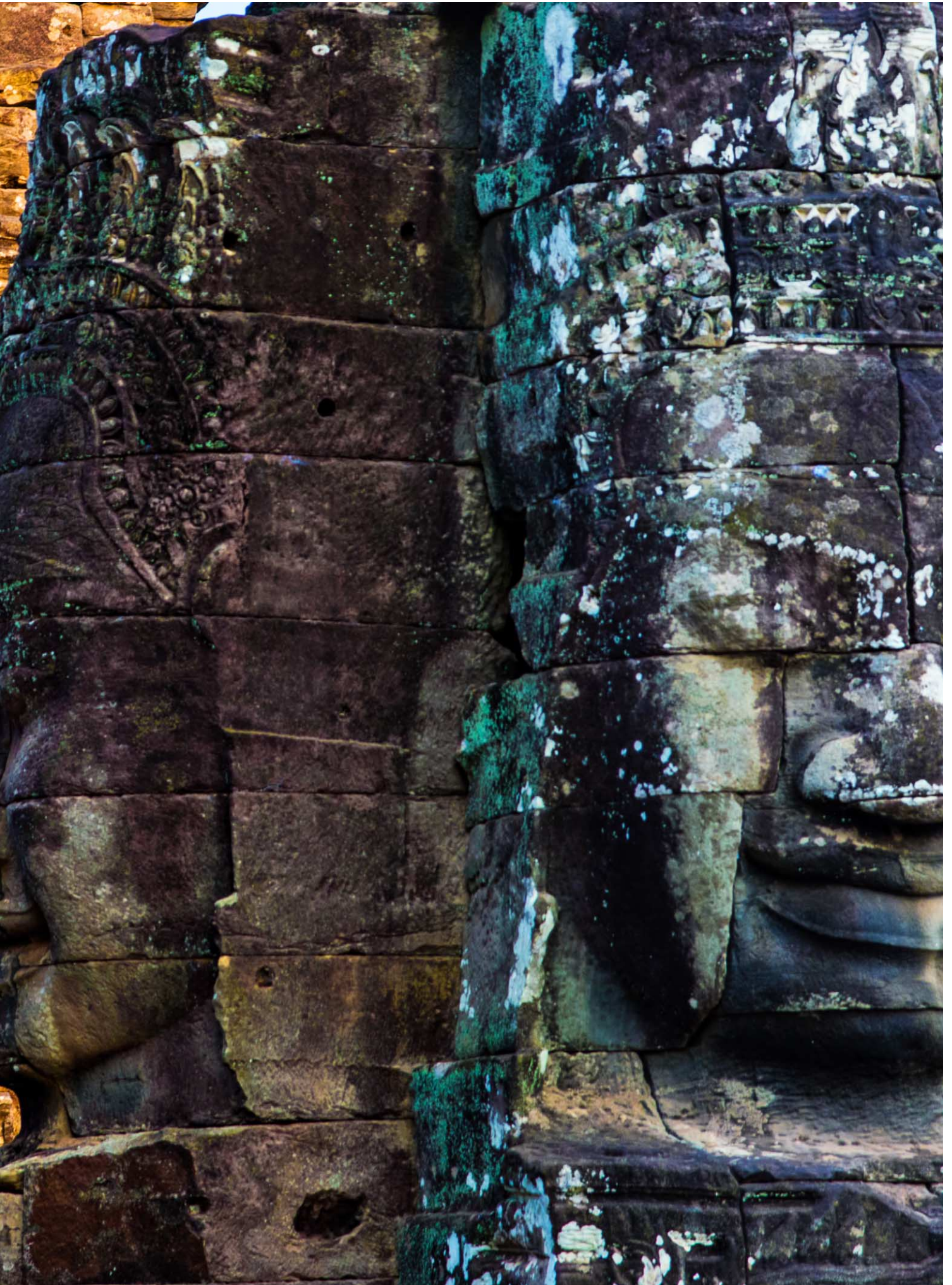
"Donaco anticipates the performance of DNA Star Vegas to continue stabilising, resulting in increased visitor numbers. Moreover the resumption of international travel from China since January 2023 presents a significant opportunity for the Aristo business. With a focus on scaling up while maintaining strict cost control, Aristo aims to resume full scale operations in the coming months" said the company's annual report.

GAMBLING BILL

At the end of 2020 Cambodia passed its Law on the Management of Integrated Resorts and Commercial Gambling (LMCG) with the aim of promoting tourism and fostering economic growth including employment opportunities for Cambodians.

The law contains 12 Chapters and 97 Articles and is Cambodia's first and most comprehensive legislation to date on the gambling industry and







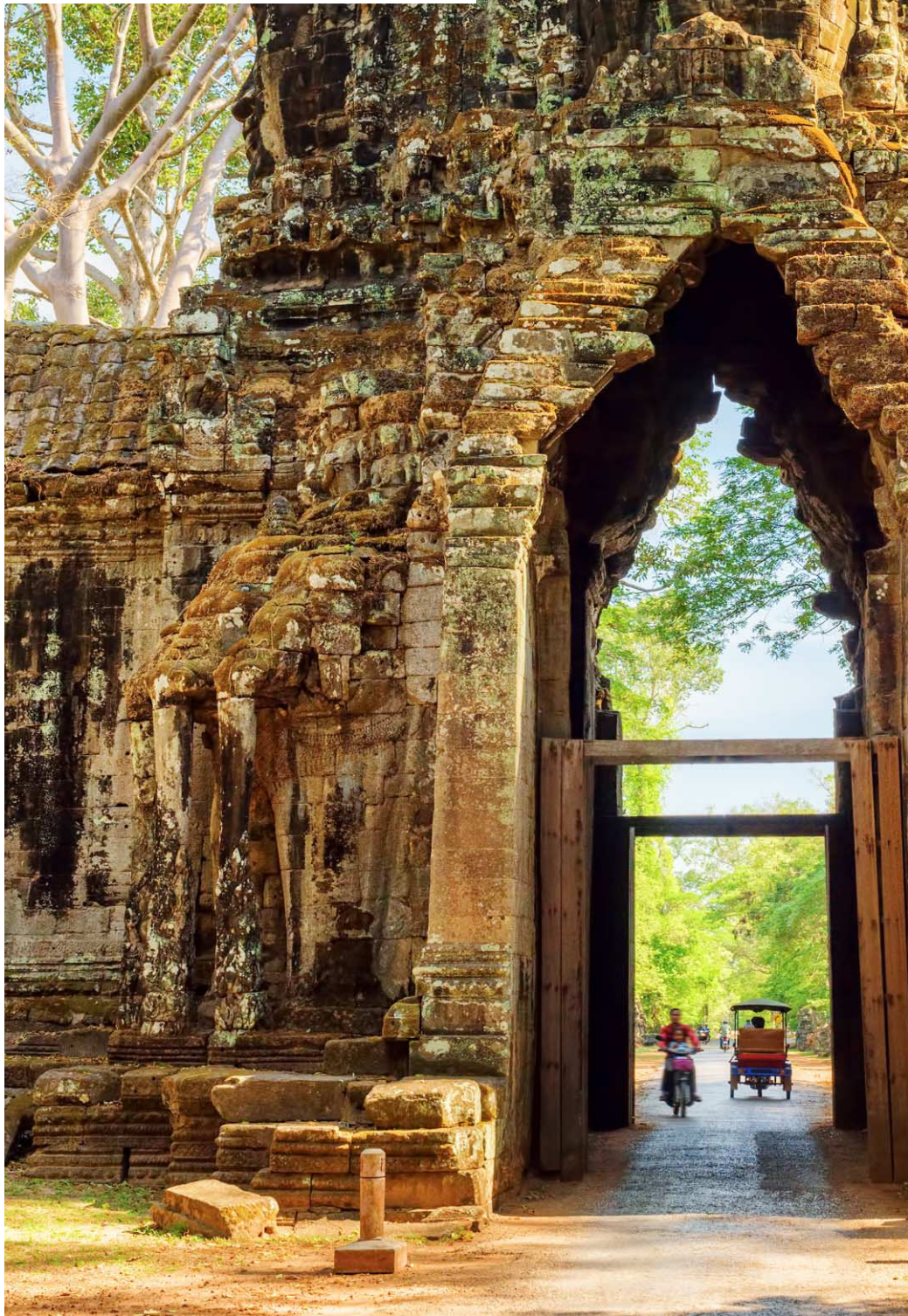
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It took almost 10 years to be approved and provides comprehensive management of IRs and commercial gaming businesses.

Key elements include:

1. Categorising commercial games into three types:
 - a. **Casino games** – Games permitted inside a casino include poker, blackjack, baccarat, roulette, slot machines and other games using cards, dice, mechanical equipment, electromechanical or electronic equipment and/or equipment and/or other games determined by the Commercial Gambling Management Committee of Cambodia. Casino games do not include betting games, luck based games and other commercial games.
 - b. **Luck-based games** – these are games which are operated outside of a casino which rely on luck, combined with player dexterity, such as lotteries. For example lottery and other games determined by the CGMC.
 - c. **Betting games** – games which rely upon prediction or events or competitions.
2. **CGMC as Regulator** – The Commercial Gambling Management Committee of Cambodia is established as a supervising authority for all activities within the commercial gaming industry of Cambodia. It consists of 11 members from relevant ministries and state institutions and operates under the Ministry of Economy and Finance. Any offences are dealt with by the General Commissariat of National Police under the Ministry of Interior. The functions of the CGMC include:
 - a. New regulations proposals and development policy, procedures for public service for IRs and gaming businesses.
 - b. Granting licences for gaming entities and related activities.





STAR VEGAS QUARTERLY REVENUES 2022-2023

	Q1 2023	Q42022	Q12022
Rolling Chip VIP turnover	A\$10.2m	A\$11.44m	n/a
Net Revenue	A\$6.29m	A\$5.12m	A\$0.01m
Operating expenses	A\$2.11m	A\$2.43m	A\$0.44m
Property level EBITDA	A\$4.17m	A\$2.69m	-A\$0.43m
Average daily visitors	1,066 players	841 players	n/a
VIP win rate	4.09%	6.72%	n/a



c. Issuing specific guidelines for the gambling sectors.

d. Dispute resolutions within the law requirements

e. Introduce measures for gambling problems and prevention of money laundering and terrorist financing.

3. Zoning – This divides Cambodia into two zones

a. Prohibited Zone – this refers to any area where gambling is not permitted in any form and generally in areas preserved for culture or religion. For example the Angkor Wat zone. However, any gambling centres which operated in these zones prior to the law are exempt.

b. Permitted Zone – this refers to all other zones. Any gambling activities outside of Integrated Commercial Gambling Centres (ICGC) via article 23, includes free trade zones at the airport, international airports, cruises in permitted zones and those which hold a permit from the CGMC.

4. Integrated Commercial Gambling Centre – ICGC refers to the development of IRs and can include hospitality resorts, restaurants, shopping malls, hotels, sporting centres,

entertainment, convention or exhibition space and one or more casino operators. To apply for a licence a company must incorporate and register as a legal entity in Cambodia. The same procedure exists for casino operation and licences exist for 20 years within the ICGC. Casinos located outside of ICGC are valid for five years.

5. Licensing Regime – This sets out a comprehensive foundation for future activities within the Cambodian gaming industry and introduces licences for:

- a. Casino games
- b. Betting games
- c. Luck-based games
- d. Other commercial games
- e. Commercial gambling promoter (junkets) licence
- f. Gambling equipment installer, manufacturers, importers, distributors..

6. Restrictions for players – this questions player eligibility with restrictions for those:

- a. Who are mentally incompetent, financially incompetent or declared bankrupt.

Casinos also have a five-year transition period from this year to change the wording on their signboards from 'casinos' to 'commercial gambling'. A decision to ensure all casino gaming activities are transparent was also introduced last year and requires all gaming equipment and software as well as types of games and rules to be registered. Equipment and software in casinos must be manufactured by companies licensed by the CGMC.

- b. Who are intoxicated or have drug addictions.
 - c. Who are armed
 - d. Minors under 18 years of age
 - e. Cambodian citizens including armed forces, public officials and elected citizens
 - f. Employees of gaming establishments where gambling takes place
7. Tax Obligations – IRs, casino operators and owners are subject to the following:
- a. Casinos within IRs pay four per cent for the VIP section and seven per cent for mass market guests.
 - b. Casino outside of IRs pay a flat seven per cent fee. This is all based on the GGR (revenue minus winnings.)
 - c. Betting games – Ministry of Economy and Finance to decide.

The Ministry of Economy and Finance began to implement the new revenue-based casino tax system earlier this year after being officially adopted in December 2022, two years after the LMCG was passed into law.

In October last year the General Secretariat of the CGMC issued new guidelines for the operation of commercial casinos focusing on licensing and taxation. The guidelines require all casino owners to pay taxes 'on time and in full' or face legal and regulatory action.

The DGMC had only collected eight per cent of

the expected amount from the new taxes during the first six months of last year and much of that was from lotteries and raffles and only 20 of the country's 200 casinos were open.

Expected revenue for last year was KHRI74.2bn (US\$43.5m). In 2019, casino taxes raked in \$85m falling to \$40m in 2020 during the pandemic. At the end of last year Cambodia had 86 licensed casinos with another 75 licences pending. The guidelines were partly introduced in response to Hun Sen's crackdown on illegal gambling activities and gambling dens after a dramatic increase in high-profile kidnapping cases linked to illegal casino operations.

Previously, casinos paid via a lump sum taxation method which had existed since the 1990s and the new system has been instigated to help the government improve transparency and accountability in tax collection, and implant more anti-money laundering measures.

The CGMC also requires casino owners and operators to apply for new licences or renew their current licences to continue operating. Licence holders will only be allowed to operate in the location on the licence and under strict control and supervision of the CGMC.

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