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**NAGACORP**

金界控股有限公司

**NAGACORP LTD.**

金界控股有限公司

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

**Stock code: 3918**

**UNAUDITED OPERATIONAL HIGHLIGHTS (GAMING)  
FOR THE THREE MONTHS ENDED 31 MARCH 2019  
AND INSIDE INFORMATION ABOUT THE PROPOSED  
DEVELOPMENT OF THE NAGA 3 PROJECT**

This announcement is made by the Company pursuant to Part XIVA of the SFO and Rule 13.09(2)(a) of the Listing Rules.

The Board is pleased to announce the unaudited operational highlights of the gaming branch of the Group for the three months ended 31 March 2019 to provide the shareholders and potential investors of the Company with a business update. The information contained in this announcement is based on a preliminary assessment of the management accounts of the Group and the information currently available to the Company and is not based on any figure or information which has been audited or reviewed by the auditor of the Company.

**Investors, shareholders and holders of securities of the Company are advised to exercise caution and not to place undue reliance on such information when dealing in the securities of the Company.**

In addition, the Board wishes to announce that the Group is in the advanced stages of planning for the development of the Naga 3 Project and as per the report issued by Colliers International (Hong Kong) Ltd dated 28 March 2019, the Group would expect to incur approximately US\$3.8 billion to US\$4.0 billion in capital expenditure for the development of the Naga 3 Project.

As of the date of this announcement, the Company has not ascertained the total development costs and will make further announcements in connection with the final estimated development costs of the Naga 3 Project in accordance with the Listing Rules as and when necessary. The Company is currently considering various options to fund the development cost of the Naga 3 Project, which may include internally generated free cash flow from the Company, funding about 50% of the total development costs provided by the controlling shareholder of the Company, and other funding means or a combination of the foregoing as evaluated by the Financial Advisors. No firm decision has been made on any such options and the financing plan will be announced at an appropriate time.

**At present, no legally binding agreement in relation to the funding options concerning the Naga 3 Project has been entered into. The Company has appointed Morgan Stanley Asia Limited and Credit Suisse (Hong Kong) Limited as the Financial Advisors of the Company to explore and evaluate funding options.**

**Investors, shareholders and holders of securities of the Company should note that the Company may or may not proceed with the funding options currently under consideration (as described above). Accordingly, investors, shareholders and holders of securities of the Company are urged to exercise caution when dealing in the securities of the Company.**

**The Company believes that the statistical information set out in this announcement have been derived from appropriate sources and it has taken reasonable care in extracting and reproducing such information. The statistical information contained in this announcement may not be consistent with such information compiled elsewhere.**

## OPERATIONAL HIGHLIGHTS

The board of directors (the “**Board**”) of NagaCorp Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the unaudited operational highlights of the gaming branch of the Group for the three months ended 31 March 2019 as tabulated below:

	<b>Unaudited figures for the 3 months ended 31 March 2019 (US\$'000)</b>	<b>Unaudited figures for the 3 months ended 31 March 2018 (US\$'000)</b>	<b>Increase (US\$'000)</b>	<b>Increase (%)</b>
Gross Gaming Revenue	321,165	243,185	77,980	32%
Mass Market Business:				
- Mass Tables Buy-ins	344,399	263,769	80,630	31%
- EGM* Bills-in	665,803	515,375	150,428	29%
VIP Business (Rollings)	8,186,962	5,644,059	2,542,903	45%

\* Electronic Gaming Machines

The financial results for the 3 months ended 31 March 2019 (the “**Current Period**”) show that the Group continues its journey of growth. Sustained gaming business volume growth was recorded in NagaWorld during the Current Period. The business volume and revenue growth across all segments of the business were driven by the following factors:

1. **Political Stability:** The smooth and official formation of the new Royal Government of Cambodia on 6 September 2018 contributed to the continued political stability of the operating environment, leading to increasing foreign direct investment (“**FDI**”) and more tourism growth. FDI inflow into Cambodia amounted to US\$1.32 billion during the first half of 2018, representing a 14% increase from US\$1.16 billion in the same period in 2017 (*Source: National Bank of Cambodia, Semi Annual Report 2018*). International business-related travel into Cambodia has increased to 687,138 visitors in 2018, representing an 84% increase from 373,223 visitors in 2017, and 64% of such travel originated from China (*Source: The Ministry of Tourism of Cambodia*). The increase in FDI

and business travel have promoted visitation to NagaWorld resulting in improved volume growth. Furthermore, it is expected that the much-anticipated casino law shall be due to be promulgated within 2019, further strengthening the regulatory environment which has been improving in recent years.

2. **Tourism Growth:** Cambodia is expected to register 7% economic growth in 2019 (*Source: Macroeconomic and Banking Sector Development in 2018 and Outlook for 2019 prepared by the National Bank of Cambodia*). Cambodia's international visitor arrivals increased by 11% to 6.2 million visitors in 2018, whereby Chinese visitation grew by 67% to over 2 million visitors in the same period. Arrivals at Phnom Penh International Airport increased by 36.5% to 1.9 million visitors (*Source: The Ministry of Tourism of Cambodia*). The strong domestic economy and visitation/tourism growth continued to underpin daily foot traffic, average spend, and hotel room occupancy at NagaWorld. Hotel room occupancy of the combined existing NagaWorld complex increased to 86% by March 2019. These factors have contributed positively towards the business volume growth of the Group's mass and premium mass segments.
3. **Naga 2's Contribution:** With the addition of Naga 2, NagaWorld has enhanced its supply and quality of services and has become a truly integrated resort. With facilities including a spa, 2,000-seat theatre, shopping facilities, world-class quality hotel rooms and suites, and an abundance of food and beverage and entertainment offerings, Naga 2 has increased the appeal, capacities and quality of NagaWorld to reach a wider and broader range of VIP, mass gaming and non-gaming visitors. This has established NagaWorld as a truly integrated resort and strengthened its competitive position vis-à-vis integrated resorts in other established gaming destinations in Asia.
4. **VIP Business Growth:** VIP business growth in the first quarter of 2019 was driven by the continued influx of tourists, especially visitation from China, and increased footfall to NagaWorld. In particular, the Group would like to report the following:
  - a. SunCity Group has moved its operation in Naga 2 to a dedicated larger space that accommodates more VIP tables and other supportive entertainment related facilities;
  - b. Tak Chun, one of the largest Macau-based operators has set up a fixed base operation and officially commenced its business operations in NagaWorld;
  - c. Guangdong Group, another major Macau-based operator, has commenced bringing in VIP players to NagaWorld; and

- d. Overall both South East Asian and Macau-based operators have contributed encouraging VIP rollings during the Current Period.

VIP customer composition remains well diversified between South East Asia and North Asia. The management of the Group continues to adopt a conservative gaming policy.

5. **Financial Soundness:** The market capitalisation of the Group was about US\$6 billion during the Current Period. Yield to maturity of the Group's US\$300 million Senior Notes (rated B1 by Moody's Investors and B+ by S&P Global Ratings) compressed further to 6.724% as at 2 April 2019 from 9.375% on issuance in May 2018 (*Source: Bloomberg*). As at 31 December 2018, the Group maintained a net cash position with a relatively low gearing ratio (debt to EBITDA) of 0.6x. This illustrates increased confidence towards the Group's financial strength, corporate governance and ability to provide world-class entertainment and hospitality products and services.
6. **Naga 1 Upgrade:** The renovation for Naga 1 commenced in late 2018 and is expected to complete by the end of 2019 with the renovation of 500 hotel rooms out of a total of 750 hotel rooms. The Naga 1 renovation caused minimum disruption to the Group's business volume growth during the Current Period. The Group believes that the completion of the Naga 1 upgrade project is expected to contribute positively to the Group's business volume growth.

Investors, shareholders and holders of securities of the Company should note that the above figures represent indications of business volumes (from which revenues are derived based on the actual daily percentage win-rates recorded by the Group) and do not constitute profit numbers. These business volumes are shown on a basis that is consistent with the presentation of such information in the Company's annual and interim reports.

The Company wishes to provide these business volumes to provide shareholders and potential investors of the Company with a business update. The information contained in this announcement is based on a preliminary assessment of the management accounts of the Group and the information currently available to the Company and is not based on any figures or information which has been audited or reviewed by the auditor of the Company.

**Investors, shareholders and holders of securities of the Company are advised to exercise caution and not to place undue reliance on such information when dealing in the securities of the Company.**

## PROPOSED DEVELOPMENT OF THE NAGA 3 PROJECT

This announcement is made by the Company pursuant to Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) and Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

### VISION

The vision of the Group is to build the largest comprehensive, multi-entertainment riverine integrated resort in the world and position the Group as another gaming powerhouse in Asia Pacific, further securing its firm footing on the competitiveness of the Group. The Group operates the largest integrated resort in the Kingdom of Cambodia and in the Mekong Region.

Since its inception in 1994, NagaWorld has been growing steadily with its market capitalisation multiplying more than 12 times from US\$441 million since the listing of the Company in October 2006 to approximately US\$6 billion during the Current Period. Since listing, the Company has paid out more than US\$1 billion in dividends. The Group has raised the international economic profile, attracted FDI, enhanced tourism and contributed to the socio-economic development of Cambodia. In 2018, the Group contributed approximately 23% of local GDP tourism growth and approximately 1.3% of national GDP in Cambodia (*Source: MOEF classification of rooms and F&B compare with the Group’s 2018 Annual Report*).

Cambodia is expected to register 7% of GDP growth in 2019 (*Source: Macroeconomic and Banking Sector Development in 2018 and Outlook for 2019 prepared by the National Bank of Cambodia*). “Following more than two decades of strong economic growth, Cambodia has attained lower middle-income status with gross national income (GNI) per capita reaching US\$1,230 in 2017. Driven by garment exports and tourism, Cambodia sustained an average growth rate of 7.7% between 1995 and 2017, making the country the sixth fastest-growing economy in the world. As global demand peaks in 2018, economic growth is expected to reach 7%, compared to 6.9% in 2017. Growth is expected to remain robust over the medium term.” (*Source: The World Bank*). Cambodia is expected to attract at least 5.5 million Chinese visitors by 2025 with the current growth recording an impressive increase of 67% in 2018 (with 2,024,443 Chinese arrivals) as compared to 2017 (with 1,210,782 Chinese arrivals) (*Source: The Ministry of Tourism of Cambodia*). Close geopolitical relationship with China helps drive Cambodia’s economic and tourism growth. China’s “belt and road” policy drives a large number of business travellers resulting in the construction boom in the city of Phnom Penh and overall tourism and other business growth in Cambodia in recent years.

The smooth and official formation of a new government for another 5-year term from 6 September 2018 provides continued political stability, social security, tourism and economic development in the operating environment. It is expected that the much-anticipated casino law shall be due to be promulgated within 2019, further strengthening the regulatory environment which has been improving in recent years.

The Company, through its wholly-owned subsidiary, is licensed to operate casinos in Cambodia for a period of 70 years, expiring in 2065. During this 70-year period, the Group has exclusive rights up to 2035 to operate casinos within a 200-kilometer radius (except the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville) of Phnom Penh, the capital city of Cambodia, the unique position of which has helped the Group to attain steady growth and to deliver impressive and consistently increasing financial performance. Some of the key features of the casino licence are: no restrictions on the number of tables, electronic gaming machines, gaming space, gaming promoter's commissions and rebates, each of which allows the Company the flexibility to optimize its operations over time.

The Company believes that Phnom Penh is geographically located in the midst of an area which is a corridor of fast economic growth and tourism development. Its favourable location as a tourist destination and its good connectivity and network of international flights enable it to service both South East Asian and North Asian (especially Chinese) markets. In addition, NagaWorld is situated in the heart of the city, in proximity to places of interest such as the Royal Palace, gardens and eateries.

Having considered the uniqueness of a casino monopoly in the heart of a capital city and after having operated successfully for the past 24 years amidst a region with political stability, tourism and economic growth, the Group's vision of building the Naga 3 Project, a complex with 4,720 hotel bays which only satisfy 4.7% of the total estimated additional hotel rooms of 100,000 as required by the Ministry of Tourism of Cambodia by 2028 paves the way for more success for the Group, greatly enhancing its competitiveness and its footing as an Asian gaming powerhouse. As stated in the unaudited operational highlights for the three months ended 31 March 2019 above, the hotel room occupancy of the combined existing NagaWorld complex has already increased to 86% by March 2019. The Company believes that the launch of Naga 3 is not only timely but certainly, also the answer to solve future capacity problems and the surer way to continue the journey of earnings growth, especially after recent rapid successful ramping up of Naga 2.

NagaWorld 1 (Naga 1), NagaWorld 2 (Naga 2) and NagaWorld 3 (Naga 3) being sited in the city of Phnom Penh next to one of Asia's biggest rivers, the romantic and mystic Mekong River inspires and encourages the Company to develop the biggest riverine integrated resort in the world and aims to enhance the competitiveness of the Group as one of the Asian gaming powerhouses.

## **RATIONALE AND BENEFITS OF LAUNCHING THE NAGA 3 PROJECT**

### **Exclusive and long-term gaming licence with no gaming capacity restrictions**

The Company, through its wholly-owned subsidiary, is licensed to operate casinos in Cambodia for a period of 70 years, expiring in 2065. During this 70-year period, the Group has exclusive rights up to 2035 to operate casinos within a 200-kilometer radius (except the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville) of Phnom Penh, the capital city of Cambodia.

The key features of the casino licence include: (i) no restrictions on the number of tables, electronic gaming machines and gaming space; and (ii) no restriction on gaming promoter's commissions and rebates. This allows the Company the flexibility to optimize the design and floor plan of Naga 3 in order to maximize its return on investment based on the Company's assessment of the gaming and non-gaming demand in the region.

Furthermore, reinvestment into Cambodian tourism infrastructure, represented by the development of the Naga 3 Project, will help to boost the Cambodian tourism industry and economy, thus further enhancing a supportive licensing environment for the Group.

### **Well positioned to capitalise on a fast-growing Cambodian economy with a favourable macro environment**

Following more than two decades of strong economic growth, Cambodia has attained lower middle-income status with gross national income (GNI) per capita reaching US\$1,230 in 2017 (*Source: The World Bank*). Current estimates are for Cambodian GDP to grow by 7.2% between 2017-2022 compared with an average estimated GDP growth of other Southeast Asian markets of 5.0%. Growth is expected to remain robust over the medium term. A major driver of growth in the Cambodian economy is the tourism sector, which contributed US\$2.8 billion, or 13%, to the overall GDP of Cambodia in 2017 (*Source: Global Market Advisors, April 2018*). In 2018, there was an 11% growth in the number of visitors to Cambodia reaching 6.2 million visitors. Visitor arrivals via Phnom Penh International Airport increased by 37% during 2018 to 1.9 million visitors. The highest rate of growth was evident in visitors coming to Cambodia from China, which grew by 67% to over 2 million visitors and accounted for 33% of the total number of visitors to Cambodia in 2018 as compared to 22% in 2017. By 2025 it is expected that at least 5.5 million Chinese visitors will come to Cambodia. Cambodia currently benefits from 879 weekly scheduled in-bound international flights (an increase from 386 such flights in December 2013). Of these flights, 328 flights per week originate from Chinese cities such as Shanghai, Guangzhou and Shenzhen. The Ministry of Tourism of Cambodia estimates that by

the end of 2025, Cambodia will receive 12 million annual international arrivals, of which 5.5 million will be arrivals originating from China and 3.9 million will be arrivals at Phnom Penh International Airport (*Source: The Ministry of Tourism of Cambodia*). Cambodia is a key country in China’s “belt and road” initiative and visits by Chinese tourists to Cambodia increased to 33% of total international in-bound visits to Cambodia in 2018 as compared to 22% in 2017 (*Source: The Ministry of Tourism of Cambodia*).

The gaming industry in Asia and Cambodia is expected to continue experiencing increasing growth where gross gaming revenue in Asia reached US\$44.6 billion in 2017 and is further expected to grow at 16% compound annual growth rate (CAGR) to US\$59.1 billion by 2020. Growth in Cambodia’s gaming industry is expected to accelerate at a faster pace of 36% CAGR from a gross gaming revenue of US\$0.9 billion in 2017 to US\$2.3 billion by 2020 (*Source: Global Market Advisors, April 2018*).

The Company believes that it is well-positioned to capture the aforementioned continued tourism and economic growth in Cambodia through the development of the Naga 3 Project.

### **Reinvestment into the Cambodian economy to continue to generate “win-win” private public solutions**

The Cambodian Government is committed to further growth in the tourism sector. One of the Cambodian Government’s recent key policy goals relating to tourism, is to further boost the hotel supply in Cambodia. The Cambodian Minister of Tourism (His Excellency Thong Khon) is on record as estimating that Cambodia will require 100,000 extra hotel rooms by 2028, of which 60,000 is required for the luxury high-end segment (*Source: Khmer Times, 6 September 2018*).

As one of the largest private sector employers and investors in Cambodia, the Company is well-positioned to provide “win-win” solutions to the Cambodian Government. As a result, the Company benefits from certain favourable policies such as, among others, the exclusive casino licence, no restrictions on the number of tables and a low gaming tax environment.

To further develop on this “win-win” solution, the Company intends to address the Cambodian Government’s requirement of increasing hotel supply, by leading the private sector in reinvestment through the development of the Naga 3 Project. The Naga 3 Project is intended to add 4,720 hotel bays in total, representing 4.7% of the additional room capacity required by the Ministry of Tourism of Cambodia by 2028. Occupancy rates at NagaWorld have steadily increased since the opening of Naga 2 and stood at 86% by March 2019.

The Company believes that the reinvestment in the Cambodian tourism industry represented by the Naga 3 Project will be advantageous in strengthening the Group's unique licensing position with the Cambodian Government in the period after its current arrangements expire in 2035.

In support of the Naga 3 Project, the Royal Government of Cambodia has already granted approvals in principle for the Naga 3 Project (see “**Information about The Naga 3 Project**” below) and given the necessary government permits for construction on favourable terms, including the high plot ratio for construction.

### **Enhance the Group's competitive position and existing operations**

The Group owns, manages and operates NagaWorld (comprising Naga 1, Naga 2 and NagaCity Walk), the largest integrated gaming and entertainment hotel complex in the Mekong Region in Southeast Asia, which is a one-stop leisure destination for visitors and tourists. Naga 3 will be located adjacent to and connected to the existing NagaWorld, which is located within the developed and centralised zone of Phnom Penh. The Group owns and operates the only casino of significant scale in the Mekong Region and has a long-term right of exclusivity within a 200-kilometer radius around in Phnom Penh (excluding the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville).

The development of the Naga 3 Project allows the Group to capitalise further on its favourable competitive position. Upon completion, Naga 3 is expected to comprise of two 66-storey hotels, two 53-storey hotels, one 55-storey condotel, one three-level basement and one 12-level multi-entertainment podium. The Company expects that NagaWorld will be the largest riverine integrated resort in the Mekong Region, further enhancing the Company's position as an integrated gaming and entertainment resort powerhouse in Asia. The development of Naga 3 is expected to enhance growth at the existing NagaWorld complex, where the Company has also successfully ramped up Naga 2, its state-of-the-art hotel casino in Cambodia, and consolidated the operational strength of Naga 1, the first integrated hotel-casino in Cambodia, and NagaCity Walk, the first underground shopping centre in Cambodia.

### **Favourable location of Naga 3**

The Company believes that Phnom Penh is a favourable location as a gaming destination, given that its geographic position and network of international flights enable it to service both South East Asian and North Asian (Chinese) markets. In addition, the Company believes that the strong earnings potential of NagaWorld as enhanced by the Naga 3 Project will deliver a favourable return on its investment.

Subject to the governmental approvals, it is expected that Naga 3 shall be connected to the existing NagaWorld, which is located within the developed and centralised zone of Phnom Penh. In particular, the property's strategic location provides patrons with convenient access because it is located approximately 12 kilometers away from the current international airport and will be approximately 24 kilometers away from the new international airport currently under development. Naga 3 is also surrounded by many landmarks including Wat Phnom, Royal Palace, Phnom Penh Independence Monument and places of interest in Phnom Penh, allowing it to be well positioned to capture international tourist arrivals.

The Company has a successful track record having developed Naga 1, the first integrated hotel-casino in Cambodia, NagaCity Walk, the first underground shopping centre in Cambodia, and Naga 2 a state-of-the-art hotel-casino in Cambodia. NagaWorld is strategically located in the capital city of Cambodia, Phnom Penh, which is centrally located in the midst of Asia, and it is the only casino located in Phnom Penh. The development of the Naga 3 Project allows the Group to capitalise further on its favourable competitive position created by the gaming licence held by the Group on an exclusive basis until 2035. Upon completion of the Naga 3 Project, Naga 1, Naga 2 and Naga 3 (collectively referred to as “**NagaWorld Complex**”) are expected to comprise the largest riverine integrated resort in the world, further enhancing the Company's position as an integrated gaming and entertainment resort powerhouse in Asia.

### **Contribution to operational success and earnings growth**

The Company believes in the long-term growth prospects of Naga 3 and the continuous operational success of the existing NagaWorld. It is worth noting that, between 2013 and 2018, as tourism in Cambodia grew significantly with an increasing number of visitations (particularly from Chinese visitors) and also an increased number of direct flights into Phnom Penh, NagaWorld was able to achieve a high EBITDA CAGR of 24.4%. The Company expects that it can build on the growth momentum in the revenues and cashflows of NagaWorld, through the development of Naga 3, by virtue of its exclusive gaming licence, win-win solutions, strong competitive position and favourable location, among other strengths. Naga 3 will greatly increase the gaming and non-gaming capacity of NagaWorld as a whole; NagaWorld has no restriction as to supply of gaming tables and gaming machines and is in a position to add up to 800 gaming tables (mass and VIP), 2,500 EGMs, in addition to the already planned 4,720 hotel bays and 12-storey multi-entertainment podium (including casinos, restaurant and KTV, an indoor Hi Tech Digital theme park, spa and MICE facilities). With the favourable market backdrop and our exclusive gaming licence, the expected growth in revenue and cashflow will also enable the Company to consistently deliver stable and growing dividends to its shareholders.

## INFORMATION ABOUT THE NAGA 3 PROJECT

### Approvals by Royal Government of Cambodia

Naga 3 Company Limited, a private company incorporated in Cambodia and wholly and beneficially owned by the Company, is the beneficial owner of the following properties:

1. land parcel of 7,757 square meters with Title Deed of Immovable Property No. 12010101-0057 Village 1, Sangkat Tonle Bassac, Khan Chamkar Morn, Phnom Penh (the “**former White Building land**”); and
2. land parcel of 9,080 square meters with Title Deed of Immovable Property No. 12010115-0003 Village 15, Sangkat Tonle Bassac, Khan Chamkar Morn, Phnom Penh, sited boundary to boundary to the former White Building land.

Via Sub-Decree No. 42 Or No Kror. Bor Kor dated 3 April 2015 on Urbanization of the Capital City, Towns and Urban Areas and Letter No. 655 Sor Cho Kho Sor dated 7 June 2018 of the Office of the Council of Ministers, the Royal Government of Cambodia granted approval in principle for Naga 3 Company Limited to build the Naga 3 integrated entertainment complex of four blocks of buildings of 42 storeys high on the former White Building land.

Since the development approval in principle above, Naga 3 Company Limited has recently bought additional land of 9,080 square meters, sited boundary to boundary to the former White Building land and has submitted an application for approval for amendment of the plan of the Naga 3 Project by building five blocks of buildings of maximum height of 66 storeys equaling 285.65 meters high with functions, entertainment places, hotels, and apartments on the former White Building land and the additional land of 9,080 square meters, sited boundary to boundary to the former White Building land with a combined land area of 16,837 square meters.

Via Letter No. 441 Sor Chor Nor dated 2 April 2019 of the Office of the Council of Ministers, the Royal Government of Cambodia has granted approval in principle for Naga 3 Company Limited to build the Naga 3 integrated entertainment complex consisting of five blocks of buildings of maximum height of 66 storeys equaling 285.65 meters high on the combined land area of 16,837 square meters which consist of the lands having Title Deed of Immovable Property No. 12010101-0057 and Title Deed of Immovable Property No. 12010115-0003.



*Please note that the artist's impressions and computer-generated images contained in this announcement are for illustration purposes only and are subject to change during the further planning or development stages.*

## **Conceptual Design by Steelman Partners**

The Naga 3 Project will showcase a life-style product consisting of gaming and non-gaming spaces and comprise amenities and facilities which are not available at Naga 1 and Naga 2, notably hi-tech virtual reality interactive indoor theme parks, more shopping and MICE facilities and family recreational areas etc. to impart a more satisfying, penetrating and complete visitation experience.

## **Building the biggest riverine integrated resort in the world**

Based on the latest development plan from Steelman Partners, the project architect, the Naga 3 Project will comprise:

- two 66-storey hotel towers;
- two 53-storey hotel towers;
- a three level basement;
- a 12-storey podium; and
- a 55-storey condotel tower.

The concept architect planners, Steelman Partners, have designed Naga 3 with the intention and purpose that upon completion, NagaWorld Complex shall suitably be referred to the “biggest Riverine Integrated Resort in the World” with total statistics indicated as follows:

1. Naga 1 Gross Floor Area (GFA) 113,307 square meters; 755 keys
2. Naga 2 Gross Floor Area (GFA) 108,764 square meters; 903 keys
3. Naga 3 Gross Floor Area (GFA) 544,801 square meters; 4,720 bays

The Naga 3 Project design features many activities and attractions for children and adults. Its 4,720 bays in five distinctive towers feature many different types of hotels. In addition to NagaWorld managed resorts, several of the hotels are intended to be managed by one or more well-known international hotel brands. The views of the park and the Mekong River, together with the management excellence of one or more international hotel brands will anchor and define this resort. The Company anticipates that these branded resorts will feature the finest quality of any hotels in Asia.

The hotels are designed for tourist travelers, business travelers, convention delegates, health spa connoisseurs and budget-oriented travelers. The hotel will feature affordable rooms and the most luxurious suites, penthouses and lanai pool suites. Several villas will be constructed within the towers to provide Phnom Penh with a standard of luxury among the best in South East Asia.

The condo-hotel is designed as luxury serviced suite living at a prime location adorned with magnificent views in the heart of Phnom Penh. The condo-hotel will create a semi-permanent community within NagaWorld Complex which allow units to access all the facilities in NagaWorld as well as the full range of NagaWorld's VIP services.

### **Some of Steelman Partners' design concepts for Naga 3**

- 1. Lobby Zip Line Ride:** Above the Porte Cochere there will be a digital ceiling showing many types of artwork and fantasy scenes. High above the Porte Cochere which will be accessible through the indoor theme park, guests will be able to take a zip line ride through the fantasy video. The new digital street will be a first in Phnom Penh and in Asia. Steelman Partners envisage that this street will become one of the most "Instagrammed" sites in the region.
- 2. Connecting Naga 1 and Naga 2 to Naga 3:** Subject to governmental approval, the plan is to connect the underground NagaCity Walk linking Naga 1 and Naga 2 to Naga 3. This underground linkway retail mall shall feature entertainment attractions and fashion shows.
- 3. Casino Cell Concept:** The entire 12-storey podium block is designed as a life-style product utilizing the casino cell concept. From a design perspective, the Naga 3 entertainment complex will have more than 90% of non-gaming space interspersed with the gaming space, a life-style product which will feature many unique entertainment related features and attractions and shall carry the signature of the founder and the controlling shareholder of the Company, Tan Sri Dr Chen Lip Keong who has made the casino cell gaming concept a very financially successful innovation in the region. The controlling shareholder of the Company has pioneered a life-style product called the "cell" casino. Large casino spaces are broken down into smaller spaces, each with its own entertainment, food and beverage and other integrated services. It is envisioned that the Naga 3 Project shall take its place among other sought-after casino destinations in the world, such as Macau, Singapore, Las Vegas and Monte Carlo as a world-class integrated resort destination offering.

4. **Hi-Tech Digital Theme Park:** The hi-tech theme park is a very important addition to the entertainment offering in Phnom Penh. The design envisages three floors dedicated to a digital indoor family entertainment center. This theme park is designed to occupy over 28,000 sqm over three levels. The design features 30 of the latest digital attractions, retail, food and beverage and “must-see” features. Expected attendance is over 1.65 million people per year. The attractions are to be focused on the digital future as well as showing a digital representation of the glorious past of Cambodia’s Age of Angkor Wat. Several of the digital attractions like “fly over Cambodia or Angkor Wat” will also be showcased. The digital rides will be constantly updated enticing audiences to visit for new experiences several times per year.
5. **MICE Facilities:** at least two floors of the podium block will feature a comprehensive meeting and conference center. The facility is designed to be capable of hosting four convention events simultaneously. The ballroom is also expected to hold entertainment events in excess of 2,000 people and will also be designed for events, production shows and product launches. This center will be easily accessible to the 4,720 bays in Naga 3. All of the pre-function areas feature extensive views of the city and rivers beyond.
6. **Outlet Mall:** at least three floors will be dedicated to the promotion and sale of off-season high-end fashion products and the specialists operators shall be invited to manage the outlet mall.
7. **Pool Areas:** The design includes three pool areas, one pool on each of the 42-level towers. These sky pools will feature great views of the Mekong River and Phnom Penh. Each of the Sky Pools features food and beverage areas and will be a look-out point to see Phnom Penh and the Mekong River.
8. **Sky Lounges:** The two upper floors of each of the four hotel towers will be organised to include entertainment features such as nightclubs, restaurants, VIP gaming, hotel business clubs and conference centers. These penthouse public spaces will promote activities looking at the beautiful city and scenery. The design of these facilities aims to gain a reputation like the Rainbow Room in the Rockefeller Center in New York or the Ozone Bar in Hong Kong. The Penthouse floors will become a “must see” in Phnom Penh.

It is expected that Naga 3 will be a fully integrated resort that can promote competition on a worldwide scale and increase tourists to visit Phnom Penh. The vision of the Group is to make Naga 3 as a “must see” destination in Asia and to contribute to the business growth and leisure tourism in Cambodia.

## **NAGA 3 PROJECT ARCHITECT AND CONSULTANTS**

The Company has appointed a team of consultants all of whom have successfully completed Naga 2 and have been re-engaged to ensure lessons learned from Naga 2 can be applied towards the development and further success of Naga 3. Details of the Naga 3 Project Consultant Team are briefly summarised as follows:

### **Steelman Partners (design architect/planner, interior designer)**

Steelman Partners is a Las Vegas, Nevada based international architectural firm specialising in entertainment architecture, interior design and master planning. The firm has designed casinos and integrated resorts around the world, and is well known within the gaming industry with a client list that includes MGM, Harrah's, Wynn, Venetian, Lady Luck, Swiss Casinos, Sheraton, Hyatt, Plaza/El-Ad, Crown SDJM, Melco, Caesar, NagaWorld and many others, with over 3,000 projects worldwide. The firm is consistently ranked as one of the top 300 largest architectural firms by Architectural Record Magazine and is on Engineering News-Record's Top 500 Design Firm list. The firm was the design architect and interior designer for Naga 2, including the interior designer for NagaWorld's continuous interior renovation.

### **DrTanLM Architect (architect-of-record)**

DrTanLM Architect is an award-winning architectural firm from Malaysia. The firm is the architect-of-record for the Naga 2 project, and leads a team of consultants (JACOBS, KWA, ELP and SP) who successfully completed the Naga 2 project within a tight schedule and strict budget. The firm's principal is Dr. Tan Loke Mun, who is a prominent award winning architect and interior designer from Malaysia; his works are widely published and his firm is amongst the most awarded in Malaysia; he served as Pertubuhan Akitek Malaysia (PAM) President from 2005 to 2007, and is a current Board Member of Lembaga Arkitek Malaysia (LAM), and serves as adjunct professor and on industry expert advisory panels of several local universities/colleges. The firm has extensive experience in township master planning, commercial and residential projects regionally.

### **JACOBS Engineering Services Sdn Bhd (civil and structural engineers)**

JACOBS Engineering Services Sdn Bhd is a subsidiary of JACOBS Engineering Group Inc., an international technical professional services firm listed on the New York Stock Exchange with an annual revenue of approximately US\$15 billion. JACOBS is ranked No. 1 on Engineering News-Record's 2018 Top 500 Design Firms with 70,000 employees worldwide. JACOBS was the civil and structural consultant for Naga 1, Naga 2 and NagaWorld FBO-Hangar, and has been serving NagaWorld since 2000 with extensive knowledge of construction works in Cambodia.

### **KWA Consult Sdn Bhd (mechanical & electrical engineers)**

KWA Consult Sdn Bhd was the mechanical and electrical (“M&E”) consultant for Naga 1, Naga 2, NagaWorld FBO-Hangar and other NagaWorld related projects since its founding in 2007. The partners (Ir. Koh and Ir. Lim) were the M&E consultants for Naga 1 prior to the firm’s founding and have extensive knowledge of Cambodia construction and NagaWorld’s M&E requirements. The firm also has experience in high-rise commercial/residential developments in Malaysia, including hospitality and power generation projects.

### **ELP Quantity Surveyors Sdn Bhd (quantity surveyor)**

ELP Quantity Surveyors Sdn Bhd is a well-established professional quantity surveyor practice from Malaysia, with branch offices in Kuching (East Malaysia) and Ho Chi Minh City (Vietnam). ELP is part of the project consultant team that completed the Naga 2, NagaCity Walk, NEC Building and NagaWorld FBO-Hangar projects. The firm has excellent knowledge of construction works in Cambodia.

### **NAGA 3 PROJECT VALUATION & COMPARABLE COSTS BY COLLIERS INTERNATIONAL HONG KONG**

The Company has appointed Colliers International (Hong Kong) Ltd (“Colliers”) to evaluate the preliminary estimation of the development costs of the Naga 3 Project. A copy of this report is set out in Appendix I to this announcement.

Colliers has reported that upon completion of the Naga 3 Project, Naga 3 will be the largest integrated resort in the country. Set within five modern purpose-built towers, it will complement the existing facilities at Naga 1 and Naga 2, with a quality standard set to rival that of the integrated resorts located in Macau. Proposed facilities will include gaming facilities (tables and slots), three basement levels, a 12-level multi-entertainment podium, five hotel towers (totalling circa 4,720 hotel bays) which includes a 55-storey condotel. Preliminary plans provided by the Company indicate the following development:

<b>Component</b>	<b>Total sq.m.</b>
Basement — 3-storey for BOH and hotel lobby	46,443
Podium — 11-storey for retail, gaming, restaurant, entertainment, spa, conference rooms	124,813
Towers 1 & 4 — 30-storey hotel, gaming, food and beverage, entertainment	134,403
Towers 2 & 3 — 50-storey hotel, gaming, food and beverage, entertainment, Sky Deck	137,216
Tower 5 — 14-storey car parking, 30-storey condominium hotel	101,926
<b>Total</b>	<b>544,801</b>

*Source: NagaCorp*

Colliers also noted that construction of Naga 3 is yet to begin, with plans only at the preliminary stage as at the date of its report.

The Company has provided two recent (2019) development cost estimates for the project (including land), prepared separately by reputable architects and cost consultants. These are set out below:

<b>Firm</b>	<b>Cost estimation (US\$)</b>	<b>Cost per hotel bay (US\$ million rounded)</b>
DRTan LM Architect	3,003,927,000	0.6
Steelman Partners	3,291,685,200	0.7

*Source: NagaCorp*

In addition to the information provided, Colliers has also independently undertaken benchmarking analysis of ‘similar’ integrated resort projects located in Asia. This information has been obtained from publicly available information and as shown in the following table:

<b>Property</b>	<b>Year Completed /Projected Completion Date</b>	<b>CAPEX (US\$ million)</b>	<b># of room/ rooms/ bays</b>	<b>Cost per room/bay (US\$ million)</b>
Wynn Palace Macau	2016	4,400	1,706	2.58
The Parisian Macau	2016	2,700	3,000	0.90
MGM Cotai Macau	2018	3,432	1,427	2.41
Grand Lisboa Palace Macau	2019	4,645	2,000	2.32
Marina Bay Sands Singapore	2010	5,714	2,560	2.23
Resorts World Sentosa Singapore	2010	6,590	1,840	3.58
City of Dreams Manila, Philippines	2014	1,200	981	1.22
Solaire Resort & Casino Manila, Philippines	2013	1,200	800	1.50
Corona Resort and Casino Phu Quoc, Vietnam	2019	2,100	2,000	1.05
Ho Tram Resort Casino, Ho Tram, Vietnam	2021 (est.)	4,200	2,085	2.01
Naga 2, Phnom Penh, Kingdom of Cambodia	2017	700 <sup>(1)</sup>	902	0.78
Naga 3, Phnom Penh, Kingdom of Cambodia (subject property)	<i>Tbc</i>	<i>3,300</i>	<i>4,720</i>	<i>0.70</i>

(1) 2012 contracted development cost

As can be seen from the benchmarks, costs can vary depending on the size and nature of facilities including the extent of non-gaming amenities that is to be provided, the latter of which could be quite costly. Benchmark development costs have ranged from US\$0.97 million per room/bay (i.e. excluding Naga 2) to over US\$2.5 million. Colliers notes that at the higher end of the scale i.e. for properties in Macau and Singapore in particular, the requirement to provide significant non-gaming activities, particularly retail, entertainment and conferencing/exhibition facilities, as part of the integrated resort development has largely driven these substantial amounts. Colliers notes that Naga 3 may not include this scale of non-gaming facilities, and would therefore expect anticipated development costs to fall towards the middle of the range for a comparable property.

It was noted that Naga 2 was completed in 2017 (soft opening) at a cost of US\$700 million (circa US\$0.78 million per room). Colliers is aware this was a fixed fee contract awarded in 2012, and as such the amounts stated are in 2012 values. Considering consumer price inflation between 2012 and 2018 according to the International Monetary Fund, hence this amount would increase to circa US\$854 million (circa US\$0.95 million per room). This may well be a conservative figure given that as per Colliers's experience and given recent development activity in Phnom Penh, the construction price index may well be very much higher.

As such, given the overall market context, industry benchmarks, together with the intended market positioning from the discussions with the Company, Colliers is of the opinion that the estimated costs for Naga 3, whilst reasonable may be up to US\$0.15 million — US\$0.20 million per hotel bay (or circa US\$708 million — US\$944 million) lower than it was anticipated. Colliers' expectation of the anticipated development costs would therefore fall in the range of US\$3.8 billion (or circa US\$0.80 million per hotel bay) and US\$4.0 billion (or circa US\$0.85 million per hotel bay).

Colliers attributes this largely to the lower budgeted costs for furniture, fixtures and fittings (in the context of the intended positioning at the top end of the market) and would also recommend a higher contingency allowance.

As of the date of this announcement, the Company has not ascertained the total development costs and will make further announcements in connection with the final estimated development costs of the Naga 3 Project in accordance with the Listing Rules as and when necessary.

## **PROPOSED FUNDING OF THE NAGA 3 PROJECT**

The Company is currently considering various options to fund the development cost of the Naga 3 Project, which may include a combination of the Company's internally generated free cash flow and additional funding of approximately about 50% of the total development costs provided by the controlling shareholder of the Company, or other funding means which shall be evaluated by Morgan Stanley Asia Limited and Credit Suisse (Hong Kong) Limited as the financial advisors of the Company (the "**Financial Advisors**").

At present stage, no legally binding agreement in relation to the funding options concerning the Naga 3 Project has been entered into. The Company has appointed the Financial Advisors to explore and evaluate such funding options. In determining the funding structure for the Naga 3 Project, the Group's key objectives are as follows:

- (a) to maintain a prudent capital structure with limited additional leverage and minimal financial impact;
- (b) to minimise the overall funding costs to the Group through obtaining the lowest cost of financing;
- (c) to minimize uncertainty on project development funding;
- (d) to maximise cash reserves while maintaining the Company's level of dividend payout, where over the last three financial years, the Company has declared and paid dividends equal to approximately 60% of its net profit attributable to shareholders;
- (e) to minimise dilution to the existing shareholders of the Company; and
- (f) to spread the development risk between the Group and the Company's controlling shareholder.

## **RATIONALE OF FUNDING BY CONTROLLING SHAREHOLDER**

If after considering all funding alternatives available, the Company decides to use funding to be proposed and provided by the controlling shareholder of the Company, for the development of the Naga 3 Project, such funding option should:

- (a) significantly enhance certainty in terms of source of funding for the Naga 3 Project given the development nature and uncertainties associated with project development;

- (b) minimise finance cost to ensure (i) the current strong cash flows of the Company can be sustained and the stable and growing dividends to its shareholders can be maintained, and (ii) prudent balance sheet management, which provides flexibility for future business or financing opportunities. Discussions have been held between its controlling shareholder and the Company and the initial indication of this understanding is that the controlling shareholder of the Company has expressed interest in funding about 50% of the total development costs and carrying zero interest cost over the construction period of the Naga 3 Project if it is in the best interests of the Company and all shareholders of the Company;
- (c) mitigate any construction risks such as cost overruns from the Company;
- (d) minimise any possible cost associated with potential delays, including but not limited to government approvals;
- (e) avoid immediate dilution to the existing shareholders of the Company;
- (f) maximise cash reserves while maintaining the Company's level of dividend payout, where over the last three financial years, the Company has declared and paid dividends equal to approximately 60% of its net profit attributable to the shareholders;
- (g) avoid inherent uncertainties brought by the market in the event of a capital raising activity for additional funding of the scale needed to finance the construction of the Naga 3 Project; and
- (h) reflect the Company's controlling shareholder's strong commitment and confidence towards the successful and timely completion of Naga 3, and the prospects of the Company thereafter.

For the avoidance of doubt, no firm decision has been made on any funding options mentioned above.

The proposed funding provided by the controlling shareholder of the Company, if it materialises, will constitute a connected transaction under Chapter 14A of the Listing Rules, which would be required to be approved by independent shareholders. The Company will make further announcement(s) relating to any further material development of the above as and when appropriate in compliance with the Listing Rules.

**Investors, shareholders and holders of securities of the Company should note that the Company may or may not proceed with the funding options currently under consideration (as described above). Accordingly, investors, shareholders and holders of securities of the Company are urged to exercise caution when dealing in the securities of the Company.**

**The Company believes that the statistical information set out in this announcement have been derived from appropriate sources and it has taken reasonable care in extracting and reproducing such information. The statistical information contained in this announcement may not be consistent with such information compiled elsewhere.**

By Order of the Board  
**NagaCorp Ltd.**  
**Timothy Patrick McNally**  
*Chairman*

Hong Kong, 3 April 2019

As at the date of this announcement, the directors of the Company 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*

Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir, Lim Mun Kee, Michael Lai Kai Jin and Leong Choong Wah

*This announcement is published on the Company's website at [www.nagacorp.com](http://www.nagacorp.com) and the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk).*

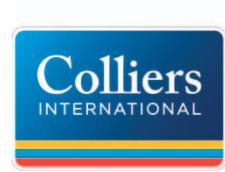
For the purpose of this announcement and for illustration purpose only, amounts denominated in US dollar (“US\$”) have been converted to Hong Kong dollars (“HK\$”) at the exchange rate of US\$1.0 to HK\$7.75.

## APPENDIX I — LETTER FROM COLLIERS



Colliers International (Hong Kong) Ltd    MAIN 852 2822 0530  
**Valuation & Advisory Services**    FAX 852 2107 6017  
Company Licence No: C-006052    EMAIL david.faulkner@colliers.com

Suite 5701 Central Plaza  
18 Harbour Road Wanchai  
Hong Kong



28 March 2019

### **The Board of Directors**

NagaCorp Ltd.  
Samdech Techo Hun Sen Park Phnom Penh  
The Kingdom of Cambodia

Dear Sirs,

### **Re: Proposed Naga 3 Integrated Resort Development (the “Property”)**

We refer to the instruction from NagaCorp. Ltd (the “Client” or the “Company”) dated 13 March 2019 for a cost-based valuation confirmation that the estimated construction costs of the Property are reasonable based on the proposed development scheme.

Located along Sothearos Road in Phnom Penh, Kingdom of Cambodia, Naga 3, upon completion, will be the largest integrated resort in the country. Set within five modern purpose-built towers, it will complement the existing facilities at Naga 1 and 2, with a quality standard set to rival that of the integrated resorts located in Macau.

Proposed facilities will include gaming facilities (tables and slots), three basement levels, a 12-level multi-entertainment podium, five hotel towers (totalling circa 4,720 hotel bays) which includes a 55-storey condotel. Preliminary plans provided by the Company indicate the following development:

<b>Component</b>	<b>Total sq m</b>
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Tower 5 — 14-storey car parking, 30-storey condominium hotel	101,926
<b>Total</b>	<b>544,801</b>

*Source: NagaCorp*

We note that construction is yet to begin, with plans only at the preliminary stage as at the date of this letter.

We have been provided by the Company with two recent (2019) development cost estimates for the project (including land), prepared separately by reputable architects and cost consultants. These are set out below:

<b>Firm</b>	<b>Cost estimation (US\$)</b>	<b>Cost per hotel bay (US\$ m rounded)</b>
DRTan LM Architect	3,003,927,000	0.6
Steelman Partners	3,291,685,200	0.7

*Source: NagaCorp*

Whilst we have largely relied on the above in preparing our opinion, we have also independently undertaken benchmarking analysis of ‘similar’ integrated resort projects located in Asia. This information has been obtained from publicly available information and as shown in the following table:

<b>Property</b>	<b>Year Completed/ Projected Completion Date</b>	<b>CAPEX (US\$ m)</b>	<b># of rooms/ bays</b>	<b>Cost per room/bay (US\$ m)</b>
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The Parisian Macau <sup>2</sup>	2016	2,700	3,000	0.90
MGM Cotai Macau <sup>3</sup>	2018	3,432	1,427	2.41
Grand Lisboa Palace Macau <sup>4</sup>	2019	4,645	2,000	2.32
Marina Bay Sands Singapore <sup>5</sup>	2010	5,714	2,560	2.23
Resorts World Sentosa Singapore <sup>6</sup>	2010	6,590	1,840	3.58
City of Dreams Manila, Philippines <sup>7</sup>	2014	1,200	981	1.22
Solaire Resort & Casino Manila, Philippines <sup>8</sup>	2013	1,200	800	1.50
Corona Resort and Casino Phu Quoc, Vietnam <sup>9</sup>	2019	2,100	2,000	1.05
Ho Tram Resort Casino, Ho Tram, Vietnam <sup>10</sup>	2021(est.)	4,200	2,085	2.01
Naga II, Phnom Penh, Kingdom of Cambodia <sup>11</sup>	2017	700(1)	902	0.78
Naga III, Phnom Penh, Kingdom of Cambodia <sup>12</sup>	Tbc	3,300	4,720	0.70

(1) 2012 contracted development cost

<sup>1</sup> Source: Annual Report

<sup>2</sup> Source: <https://www.scmp.com/destination-macau/article/2014981/first-look-inside-us27-billion-parisian-macao>

<sup>3</sup> Source: Annual Report

<sup>4</sup> Source: Annual Report

<sup>5</sup> Source: <https://www.safdiearchitects.com/projects/marina-bay-sands-integrated-resort>

<sup>6</sup> Source: <https://www.rwsentosa.com/-/media/project/non-gaming/rwsentosa/press-release/pdf/en/2010/20100211-rws-casino.pdf>

<sup>7</sup> Source: <https://business.inquirer.net/179553/1-2-b-city-of-dreams-manila-to-open-in-november>

<sup>8</sup> Source: <https://www.reuters.com/article/philippines-ayala-land-bloomberry-idUSL3N0NZ0C020140513>

<sup>9</sup> Source: <https://e.theleader.vn/vietnam-opens-first-casino-allowing-locals-to-gamble-1548088495596.htm>

<sup>10</sup> Source: <https://www.forbes.com/sites/muhammadcohen/2015/12/11/philip-falcone-doubles-down-on-vietnam-casino-resort/#452645061772>

<sup>11</sup> Source: NagaCorp

<sup>12</sup> Source: NagaCorp

As can be seen from the benchmarks, costs can vary depending on the size and nature of facilities including the extent of non-gaming amenities that is to be provided, the latter of which could be quite costly. Benchmark development costs has ranged from US\$0.97m per room/bay (i.e. excluding Naga 2) to over US\$2.5m. We note that at the higher end of the scale i.e. for properties in Macau and Singapore in particular, the requirement to provide significant non-gaming activities, particularly retail, entertainment and conferencing/exhibition facilities, as part of the integrated resort development has largely driven these substantial amounts. We note that Naga 3 may not include this scale of non-gaming facilities and would therefore expect anticipated development costs to fall towards the middle of the range for a comparable property.

We note that Naga 2 was completed in 2017 (soft opening) at a cost of US\$700m (circa US\$0.78m per room). We are aware this was a fixed fee contract awarded in 2012, and as such the amounts stated are in 2012 values. Considering consumer price inflation between 2012 and 2018 according to the International Monetary Fund, we note that this amount would increase to circa US\$854m (circa US\$0.95m per room). This may well be a conservative figure given that in our experience and given recent development activity in Phnom Penh, that construction price index may well be very much higher.

As such, given the overall market context, industry benchmarks, together with the intended market positioning from our discussions with the Company, we are of the opinion that the estimated costs for Naga 3, whilst reasonable may be up to US\$0.15m — US\$0.20m per hotel bay (or (circa US\$708m — US\$944m) lower than we would anticipate. Our expectation of the anticipated development costs would therefore fall in the range of US\$3.8 billion (or circa US\$0.80m per hotel bay) and US\$4.0 billion (or circa US\$0.85m per hotel bay).

We would largely attribute this largely to the lower budgeted costs for furniture, fixtures and fittings (in the context of the intended positioning at the top end of the market) and would also recommend a higher contingency allowance.

This letter is for your sole use and for the purpose indicated and no liability to any third party can be accepted for the whole or any part of the contents of the document. Neither the whole nor any part of this report nor any reference thereto may be included in any published documents, circular or statement, nor published in any way whatsoever without prior written approval of Colliers International (Hong Kong) Limited as to the form and context in which it may appear.

Should you have any queries, please feel free to contact us.

Yours faithfully,

**Colliers International (Hong Kong) Ltd**



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David Faulkner

*BSc (Hons) FRICS FHKIS RPS (GP) MAE*

Managing Director

Valuation and Advisory Services I Asia

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Govinda Singh

*FCCA FCMA MRICS*

Executive Director

Valuation and Advisory Services I Asia

### **Caveats and Major Assumptions**

1. Our opinion has been made on the assumption that the property interest would be sold in the open market in their existing state after completion, with the benefit of vacant possession, without the benefit of deferred term contract, leaseback, joint venture, management agreement or any similar arrangements which could affect the value of the property interest.
2. No allowance has been made in our opinion for any charges, mortgages or amounts owing on the property interest valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.
3. We have not inspected the property interest in its existing state. However, we have not carried out investigation to determine the suitability of ground conditions and services for any development thereon. Our opinion has been prepared on the assumption that these aspects are satisfactory.
4. We have relied on the information given by the Company and have accepted advice given to us on such matter as tenure, planning approvals, statutory notices, easements, proposed development and all other relevant matters.
5. In the course of our considerations of the property interest, we have relied on the legal opinions provided by the Company's advisors. All dimensions, measurements and areas are approximation. No on-site measurement has been conducted.

6. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We considered that we have been provided with sufficient information to arrive an informed view, and have no reason to suspect that any material information has been withheld.