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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

**VOLUNTARY ANNOUNCEMENT
UNAUDITED OPERATIONAL HIGHLIGHTS (GAMING)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019**

The Board is pleased to announce the unaudited operational highlights of the gaming branch of the Group for the nine months ended 30 September 2019. This is a voluntary announcement made by the Company to provide the shareholders and potential investors of the Company with a business update and 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.

Shareholders and potential investors 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.

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 nine months ended 30 September 2019 as tabulated in the following table:

| | Unaudited figures for the 9 months ended 30 September 2019 (US\$'000) | Unaudited figures for the 9 months ended 30 September 2018 (US\$'000) | Increase (US\$'000) | Increase (%) |
|---------------------------------------|--|--|--------------------------------|-------------------------|
| Gross Gaming Revenue | 1,287,351 | 1,071,268 | 216,083 | 20% |
| Net Gaming Revenue | 616,292 | 479,575 | 136,717 | 29% |
| Mass Market Business: | | | | |
| – Mass Tables Buy-ins | 1,224,153 | 887,631 | 336,522 | 38% |
| – Electronic Gaming Machines Bills-in | 2,050,129 | 1,603,100 | 447,029 | 28% |
| VIP Business (Rollings) | 33,867,719 | 25,034,448 | 8,833,271 | 35% |

The financial results for the nine months ended 30 September 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, increasing FDI, Investment Activities and Business-Related Visitation to Cambodia:** During the Current Period, the official and smooth formation of the new Royal Government of Cambodia for another five-year term from 6 September 2018 leading to political and social stability of the operating environment continues to result in increasing foreign direct investments (“**FDI**”), robust domestic investment activities and visitation to Cambodia. FDI inflow into Cambodia amounted to US\$3.1 billion in 2018, representing an 11% increase from US\$2.8 billion in 2017 (*Source: World Bank*).

A close geopolitical relationship with China and China’s “Belt and Road Initiative” (BRI) drive investment activities and business-related visitation to Cambodia. International business-related travel into Cambodia has increased to 839,112 in the first seven months of 2019, representing a 152% increase compared to corresponding period in 2018, and approximately 78% of such travel originated from China. International business-related travel from South East Asian countries into Cambodia also grew rapidly, with visitation from Malaysia, Thailand, Indonesia and Singapore increasing by 60%, 23%, 86% and 28%, respectively (*Source: Ministry of Tourism, Cambodia*). In the first half of 2019, Cambodia has approved approximately US\$5.2 billion worth of investment, representing a 48.5% increase compared to corresponding period in 2018 (*Source: Council for the Development of Cambodia*).

The increase in FDI, domestic investment activities and business travel (whereby such visitors tend to have higher disposal income and longer average length of stay) have continued to increase visitation to NagaWorld, resulting in improved business volume growth, in particular the Mass Market business.

Furthermore, it is expected that the much-anticipated casino law shall be due to be promulgated by early 2020, which, coupled with the Cambodian government's recent ban of online gaming, will further strengthen the regulatory environment and governance framework which has been improving in recent years.

The Group is confident that it will continue to enjoy the benefits of long-term win-win private-public partnership initiatives which further fuel the economic and tourism growth in Cambodia.

2. **Mass Market Business:** The Mass Market (which has been the key focus) continued to benefit from visitation and tourism growth in Cambodia, and continued to underpin the visitor headcount growth at the combined NagaWorld complex. Cambodia's international visitor arrivals increased by 11% to 3.8 million visitors in the first seven months of 2019, whereby the number of Chinese visitors grew by 37% to over 1.5 million visitors in the same period. The number of visitors from South East Asian countries (with an estimated total population of 648 million) such as Indonesia, Malaysia, Thailand, Vietnam increased by 23%, 7%, 8% and 5%, respectively. Arrivals at Phnom Penh International Airport increased by 17% to 1.3 million visitors (*Source: Ministry of Tourism, Cambodia*). Cambodia also benefits from 877 weekly scheduled direct in-bound international flights (an increase from 738 and 386 of such flights in June 2018 and December 2013, respectively).

As a result, the average daily foot traffic and customer's spending at the combined NagaWorld complex continue to grow in line with the increasing visitation to Phnom Penh city. These have contributed positively towards the business volume growth of the Group's Mass Market Segment.

The Current Period continues to see strong growth of the Mass Market buy-ins which has increased by 38%, and revenue increased by 42%.

3. **VIP Market Business:** The increase in VIP business volume was driven by the continued influx of business visitation, tourists and increased footfall to NagaWorld complex, in particular Naga 2 where there has been customer demand for higher table limits. VIP rollings increased by 35% in the Current Period.

Two reputable Macau-based junket operators have set up fixed-based operations and commenced bringing in VIP players to NagaWorld in the Current Period. VIP customers remain well diversified coming from South East Asia and North Asia, with increasing headcounts and check-ins originating from Chinese business visitation.

For the business of the incentive market, the management of the Group continues to adopt a more conservative gaming policy of adopting a more balanced profit-formula with overseas operators.

4. **Gross Gaming Revenue (GGR) and Net Gaming Revenue:** The disclosure of Net Gaming Revenue in addition to GGR in the Current Period is due to the fact that the Mass Market continued to pick up speed and contributed to the composition of gaming revenue. As the Mass Market has high margins, lower costs and lesser volatility, the Net Gaming Revenue grows faster than GGR and is more reflective of the Group's more efficient way of managing its gaming business in the Current Period.
5. **Naga 1 Upgrade:** The Current Period sees savings in the renovation of Naga 1 as refurbishment of 500 hotel rooms out of a total of 750 hotel rooms proceeded smoothly without much interruption. The current actual capital expenditure (CAPEX) incurred is less than the budgeted capital expenditure. This is due to careful control of the renovation costs without compromising quality. It is anticipated that the Naga 1 upgrade project shall be completed with savings and in addition, it is expected that its completion shall contribute positively to the quality, standard and comfort of Naga 1 and hence business of the Group.
6. **Naga 2 Contribution:** During the Current Period, Naga 2 continued to increase the appeal, capacity, quality, range and reach of VIP, mass gaming and non-gaming offerings, such as up market gaming and complementary entertainment facilities and equally attractive non-gaming products/facilities including spa, 2,000 seats theatre, shopping, competitive rooms and food & beverage ("F&B"). As a result, Naga 2 continues the momentum to ramp up, further gaining a foothold of NagaWorld as a competitive and comprehensive integrated resort and entertainment destination comparable to integrated resorts in other established gaming destinations in Asia.

For the nine months ended 30 September 2019, Naga 2's average hotel room occupancy rate was approximately 85%, while the average daily mass market gaming table yield increased to US\$7,681 (FY2018: US\$5,744). The Group will continue to improve both the gaming and non-gaming offerings of the combined NagaWorld complex to suit customers' needs, which is expected to support the stable business volume growth of the Group.

7. **US-China Trade War:** The effects of the current US-China trade war have not eroded the financial performance of the Current Period during the period of which several positive factors in the operating environment are noted as follows:

a) Customer base from SEA and North Asia:

The Group's past performance was derived from customers originating mainly from South East Asia (SEA), with recent years performance seeing more influx of customers coming from North Asia.

The financial performance of the Group's Mass and VIP Businesses was contributed from this more diversified customers base.

b) Business visitation to Cambodia:

During the first seven months ended 31 July 2019, international business-related travel into Cambodia increased by 152% to 839,112 visitors. The US-China trade war has driven some Chinese companies in the manufacturing sector to relocate to lower cost countries such as Cambodia, which is consistent with the influx of foreign capital and expatriates into Cambodia, especially its capital Phnom Penh (*Source: CICC, 19 July 2019*).

c) One belt one road impact:

Given the close geopolitical relationship between China and Cambodia, the “Belt and Road Initiative” (BRI) keeps on driving relatively large number of business travellers to Cambodia, a location which is still virginal and untapped in many aspects of economic developments. Flights are coming from most provinces of China, with about 413 weekly flights from China alone. The Cambodian Ministry of Commerce reported that foreign businesses that registered with the Ministry increased by 63% to 142 companies during the first eleven months of 2018. Furthermore, approved investment from China amounted to US\$1.32 billion during the first half of 2019 (*Source: Council for the Development of Cambodia*). There are more factories, restaurants, logistics businesses, property developments projects, resulting in a construction boom in the city of Phnom Penh and overall tourism and other business growth in Cambodia in recent years.

d) Licensing strength:

With no restrictions on the types of games, number of tables and the electronic gaming machines, gaming space, gaming promoter commission and rebates, the Group has great flexibility to optimise its operations over time, including the ability to react robustly to changes in market demand and alter its operations to best suit customers’ needs. For example, the Group has introduced more leisurely games like Mahjong and hybrid baccarat games to cater for customers originating from certain areas of China for the comfort and enjoyment of our wide customer base.

8. Financial prudence maintained:

The Current Period has seen the market capitalisation of the Group to reach an unprecedented all-time high of approximately US\$7 billion (as at 11 September 2019), representing a growth of over 15 times of US\$441 million from the Group’s initial public offering in October 2006.

The Group has also seen its US\$300 million Senior Notes being rated “B1” by Moody’s Investors (one notch above Cambodia’s sovereign rating) and “B+” by S&P Global Ratings, reaching a yield to maturity of 5.64% as at 30 September 2019, which was 9.375% on issuance in May 2018 (*Source: Bloomberg*).

The Group’s continued prudent finance policy of nil to low gearing ratio is also maintained; as at 30 June 2019, the Group’s net cash position was 0.5x debt to EBITDA ratio. The increasing market capitalisation of the Company is a testimony of the market confidence towards the Group’s financial strength, corporate governance and ability to provide world class entertainment and hospitality products and services.

Update on Naga 3 Development

The Board is pleased to announce that the ordinary resolutions (the “**Ordinary Resolutions**”) proposed at the extraordinary general meeting (the “**EGM**”) held on Thursday, 8 August 2019 as set out in the notice of the EGM were duly passed by way of poll at the EGM. The poll results in favour of the Ordinary Resolutions to approve, confirm and ratify the Guaranteed Maximum Sum Design and Build Agreement and all the transaction(s) contemplated thereunder was about 98.2053% and the Subscription Agreement and all the transaction(s) contemplated thereunder was about 98.0799% respectively. The controlling shareholder of the Company and his associates had abstained from voting on the Ordinary Resolutions at the EGM.

The Board is also pleased to announce that the Company has appointed Chicago-based Skidmore, Owings & Merrill LLP (SOM) in addition to the current Las Vegas-based architect planner Steelman Partners, both of these companies are evaluating and refining the existing conceptual designs to truly create a regional world-class comprehensive integrated entertainment complex which shall compete with regional peers in the Asia Pacific areas.

In compliance with the terms of the Guaranteed Maximum Sum Design and Build Agreement, the Company’s contractor, CCAG Asia Co., Ltd. (“**CCAG**”) has notified the Project Architect (as defined in the Naga 3 Circular to the shareholders of the Company dated 22 July 2019) of the Company of the recent overwhelming response of regional construction companies to the development of Naga 3; these construction companies include Chinese state-owned enterprises such as China Construction and Metallurgical Corporation of China. CCAG has indicated its intention to appoint and work with such Selected Sub-Contractors (as defined in the Naga 3 Circular to the shareholders of the Company dated 22 July 2019) who have capital, experience and expertise to fast tracking the developments and completion of Naga 3. Having secured good response from the minority shareholders of the Company at the EGM held on 8 August 2019, the Company has started soil tests and the selection of suitably qualified regional piling contractors which shall be appointed soon. The duration of this piling works is expected to last between 18 to 24 months.

In response to the reinvestment program of the Company, the Royal Government of Cambodia has also responded with recent approval in principle of a garden in front of the Naga 3 property, allowing the Company to build a 3-storey underground car park cum a world-class garden through which Naga 3 shall be connected to current NagaCity Walk, Naga 1 and Naga 2.

Shareholders and potential investors 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 with a business update and 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.

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

Hong Kong, 2 October 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

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

This announcement is published on the Company's website at www.nagacorp.com and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk.