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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
INCREASE OF 15% OF GROSS GAMING REVENUE
INCREASE OF 25% OF VIP MARKET REVENUE
FOR THE THREE MONTHS ENDED 31 MARCH 2020**

The Board is pleased to announce the unaudited operational highlights of the gaming branch of the Group for the three months ended 31 March 2020. 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

On 11 March 2020, World Health Organization (“**WHO**”) has declared Covid-19 coronavirus (“**Covid-19**”) as a pandemic, and the outbreak has recently shaken the global economy. Such uncertainty has disrupted worldwide trade and supply chains, affected asset prices, and forced many companies to adapt to such abrupt circumstances and charter future directions without knowing outcome of the Covid-19 carnage.

Despite such challenging times, the Group’s 1Q2020 financial result is relatively stable and has delivered an increase of 15% in the Gross Gaming Revenue (“**GGR**”). This is mainly due to the fact that, the Group has been operating without interruption of business despite the Covid-19 outbreak. As per the latest report from the Cambodian Ministry of Health, there are 109 diagnosed cases in Cambodia as at 31 March 2020, most of which were imported and diagnosed in the last two weeks of March 2020.

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 2020 (the “**Current Period**”) as tabulated in the following table:

	Unaudited figures for the 3 months ended 31 March 2020 (US\$’000)	Unaudited figures for the 3 months ended 31 March 2019 (US\$’000)	Increase/ (Decrease) (US\$’000)	Increase/ (Decrease) (%)
Gross Gaming Revenue	368,854	321,165	47,689	15%
Net Gaming Revenue	167,619	160,747	6,872	4%
Mass Market Table Buy-ins	342,355	344,399	(2,044)	(1%)
Mass Market Table Gross Gaming Revenue	67,976	68,669	(693)	(1%)
Mass Market Table Net Gaming Revenue	67,682	68,355	(673)	(1%)
VIP Rollings	9,693,193	8,186,962	1,506,231	18%
VIP Market Gross Gaming Revenue	270,176	216,546	53,630	25%
VIP Market Net Gaming Revenue	69,235	56,442	12,793	23%

Note: Electronic Gaming Machine (“**EGM**”) Gross Revenue and Net Revenue are down 15% due to lower credit in of 25%.

The operational highlights for the three months ended 31 March 2020 show that the Group’s Gross Gaming Revenue increases despite the Covid-19 pandemonium. The increase in GGR was driven by the following factors:

1. Competent International Agencies on Control of Covid-19:

In Cambodia, the Ministry of Health has been working closely with the WHO and technical partners including the US Centres for Disease Control and Prevention (“**US CDC**”) and Institute Pasteur du Cambodge (“**IPC**”) to support public health in response to Covid-19 outbreak. IPC has maintained BLS-3-level biosafety while administering all diagnostic tests in accordance with the WHO interim guidance and had implemented, validated and ensured full diagnostic capacity to identify and respond to Covid-19 (*Source: IPC statement dated 25 February 2020 and Ministry of Health, Cambodia*).

There are several positive factors in the operating environment noted as follows:

a) Covid-19 Incidence Relatively Well Managed:

China's response to Covid-19 pneumonia has set an example for the world to cope with the contagion and offered experiences to the world in advancing public health governance. There is a growing positive momentum in epidemic control nationwide in China because of comprehensively through and rigorous measures that China has taken to control Covid-19. Chinese President has said on several occasions that China's effort to curb the contagion not only to protect the safety and health of the Chinese people but also to contribute to global public health (*Source: China Daily, 10 March 2020*).

Given the close geopolitical relationship between China and Cambodia, Chinese expertise and experience together with the WHO and other experts are here to support the effort of Cambodia in combating this public health problem.

The Chinese government has sent seven medical experts together with a team of medical officers to Cambodia. The Chinese embassy in Cambodia has said that the medical experts were the first team of its kind to be sent to an ASEAN country to aid the Covid-19 fight. The team has brought along 7,000 pairs of disposable latex gloves, over 100,000 medical masks, 5,000 N95 protective masks and 5,000 disposable work hats. The Chinese government has also donated 4,000 disposable boot covers, 1,300 anti-penetration gowns, 1,250 medical protective clothing, 2,080 medical face shields, 50 infrared temperature sensors and 2,280 medical protective goggles (*Source: Ministry of Health, Cambodia*).

b) Still relatively Good Mix of Customer Base:

Although the Company has witnessed less visitation, 1Q2020 has still seen a good number of clientele visiting NagaWorld. We believed many of the Chinese who have businesses in Cambodia continued to stay in Cambodia because of the Covid-19 situation back in China. Hence, our customer mix benefits from this sizable group of expatriate community (mainly Chinese) in Phnom Penh. We believed many of our loyal South East Asian visitors have also visited NagaWorld before the closure of their countries' borders especially within the first two months of 1Q2020.

c) Business Visitation to Cambodia:

In 2019, international business-related travel into Cambodia increased by 100% to 1,371,363 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 city Phnom Penh (*Source: CICC, 19 July 2019*).

d) Cambodia Open Door Policy and China’s Belt-and-Road Initiative (“BRI”):

Amid the ongoing Covid-19 outbreak, countries such as Malaysia, Philippines, Singapore and Vietnam etc. have temporarily imposed travel restrictions to China. However, till 30 March 2020, Cambodia continued to open up to China to promote local businesses and tourism while at the same time vigilant on the control of the Covid-19 from spreading.

Given the close geopolitical relationship between China and Cambodia, the BRI has driven relatively good number of business travellers to Cambodia who have continued to stay in Cambodia because of their businesses already established in Cambodia and fear of Covid-19 back home in China.

Before the Covid-19 outbreak, Cambodia Development Council approved 268 investment projects worth US\$6.8 billion in the first 10 months of 2019, representing an increase of 33% compared to the corresponding period in 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, logistic businesses, property development projects, resulting in a construction boom in the city of Phnom Penh and overall tourism as well as other businesses growth in Cambodia; most of these businesses have been established in the capital city of Phnom Penh.

2. Robust Cash Flow:

As at 31 March 2020, the Group had cash and deposits amounting to about US\$473 million (US\$327 million as at 31 December 2019). The amount of cash demonstrates the Group’s continued ability to retain strong cash position despite the Covid-19 pandemic. The Company is confident that it can meet its obligations, including the retirement of the Company’s US\$300 million Senior Notes (the “**Senior Notes**”) when the Senior Notes matures in May 2021. Upon retirement of the Senior Notes, the Company shall be nil of debt again and yet expectedly steady in cash flow. During the Current Period, as disclosed in the relevant disclosure of interests filings, the controlling shareholder of the Company has purchased about US\$41 million worth of shares of the Company from the secondary market during the downturn in order to provide liquidity and support of the Company in this very difficult circumstance.

3. The Company’s Casinos’ Precautionary Measures against Covid-19:

At the level of the Company’s casinos, all employees and visitors are mandatory to wear masks. All employees and visitors are required to have their body temperatures checked before entering the property. At the entrance of the casinos, the Company has installed infrared body temperature sensors machines similar to the ones installed at international airports. Sanitizers are available at every corner of the casinos; every gaming table has sanitizers for dealers and guests. Scheduled disinfection is carried out for all public areas within the property.

Social distancing is also practised to ensure reasonable distancing for employees and visitors. Tables in restaurants are placed at reasonable distance; such arrangement includes staff dining areas. Buffets are replaced with ala-carte orders.

4. Mass Market Table Growth:

The Mass Market, which has been a key focus of the Company's strategy continued to benefit from its monopoly position in the city of Phnom Penh where there is a visible increase in wealth and a sizable number of expatriate community (mainly Chinese). Despite softer tourists arrivals due to the Covid-19 outbreak globally, visitation to NagaWorld is still relatively good. During the Current Period, mass market table buy-ins was steady and flat, with a mere decrease of about 1%.

5. EGM:

During the Current Period, the EGM registered a lower credit in of 25%. The Gross Revenue and the Net Revenue registered a drop of 15%. The drop was clearly affected by Covid-19, lower hotel occupancies due to lower international leisure tourist arrivals and conducted tours.

6. VIP Business Growth:

The results of 1Q2020 are mainly contributed by VIP business. The gross gaming revenue for VIP business increased by 25% and rollings increased by 18%, generated mainly from players coming from North Asia and some from South East Asia. The increase in revenue and rollings is contributed partly by junket operators who have fixed based operations in Naga 2 and who brought in VIP players (mainly from China) especially during the times when casinos are closed in Macau, Philippines and Malaysia at various points of time. NagaWorld is one of the few gaming destinations in the Asia Pacific region for Chinese visitors because Cambodia has not imposed travel restrictions against travellers from China till 30 March 2020. Moreover, with the relatively low incidence of the Covid-19 especially during the first two and half months of the Current Period, VIP players felt more comfortable to visit NagaWorld. The results are also contributed by the sizable group of expatriate community (mainly Chinese businessmen based in Phnom Penh) and our loyal customers from South East Asia (mainly Malaysians) during the first two months of the Current Period.

7. Naga 1 Upgrade:

The first phase of upgrading 250 hotel rooms was completed and reopened at the end of 2019, with no visible disruption to the Group's business volume growth. The newly upgraded hotel rooms have been well-received by customers, as the Group observed increase in average hotel room rate and yield from these upgraded hotel rooms. It is anticipated that the upgrade of the remaining 250 hotel rooms are expected to be completed by the first half of 2020. The Group believes that subject to no further deterioration of the Covid-19, the completion of the Naga 1 upgrade project will contribute positively towards the quality, standard and comfort of Naga 1, driving revenue of the Group.

8. Naga 2's Contribution:

Naga 2 significantly increased the appeal, capacity, quality, range and reach of VIP and mass gaming. The increase in rolling was contributed by the junket operators who have fixed based operations in Naga 2 and who brought in VIP players (mainly from East Asia).

9. Naga 3 Update:

Despite the Covid-19, the Group continues the development of Naga 3 and the following is a brief progress update:

- a) **Concept Design** – Skidmore, Owings and Merrill (“**SOM**”) completed the conceptual re-design of Naga 3 for improved skyline, less congestion of tower blocks, improved efficiency. Followed by the Board’s approval on the SOM concept design in December 2019, the project consultant team has been working hard to advance the design development work in preparation for the piling and foundation construction package targeted to commence by 2H2020.
- b) **Soil Investigation** – 33 soil investigation bored holes of varying depth of 47-81m have been fully completed.
- c) **Bored Pile Testing** – 2 bored piles of 800mm diameter with depth of 45-48m and working load capacity of 500 tons each have been fully completed with very satisfactory results, the geotechnical capacity is far better than the soil investigation recommendation, resulting in additional design safety margin of about 2.5 times working load.
- d) There are few **key design improvements** implemented during the design development stage as briefly described below:
 - i. Tower 2 hotel room module gross floor area have been enlarged from 33m² to 50m² catering for 5-star international brand hotel standard.
 - ii. Hotel pools for all three towers have been relocated to column-free tower roof-top for more spacious planning incorporating revenue generating amenities including sky bar etc, affording panoramic view of Phnom Penh City and surroundings.
 - iii. Roof-top mechanical, electrical and plumbing (“**MEP**”) installations have been relocated to combine with break tank floor, resulting in more efficient MEP operation and more revenue generating space.
 - iv. On ground floor, a 2-lane perimeter road has been created to ensure smooth traffic flow around the complex, there is also provision for 2-lane, 130m long coach porte cochere catering for the large groups in additional to the north and east porte cochere.
 - v. To ensure all Naga 3 visitors have a “wow” arrival experience, we have dedicated the ground floor, 13m tall space for an ecology themed attraction, and creating a mezzanine floor for all hotel receptions, lobbies and hotel amenities.
 - vi. The Tower 1 structural framing has also been strengthened by eliminating the mid-tower transfer structure and relocating the all-suite hotel amenities floors to below the 4 top VIP casino floors, easily accessible by both all-suite hotel guests as well as VIP casino visitors.

- e) **Wind Tunnel Testing** – preliminary structural framing design and architectural are targeted to be completed by or around the end of March this year and move on with wind tunnel testing in April-May 2020. The scope of wind tunnel testing is wind induced structural response, facade cladding pressure, human comfort/pedestrian wind comfort study.

Temporary Suspension of Operations

On 30 March 2020, the Company received a notice from the Cambodian Ministry of Economy and Finance (MOEF) that in order to prevent the spread of the Covid-19, all casinos throughout the Kingdom of Cambodia are being issued with the following notices:

1. all casinos must temporarily stop their business activities starting from 24:00 on 1 April 2020 onwards until further notice; and
2. monthly obligation payment shall be exempted from 1 April 2020 onwards until permitted resumption of business operations.

Prospects

We believe the life span of the Covid-19 is shorter than the duration of our monopoly which lasts till 2045. Hence, having considered the uniqueness of a casino monopoly in the heart of a capital city and after having operated successfully for the past almost 25 years amidst a region with political stability, tourism and economic growth, the combined NagaWorld complex of NagaWorld 1 (Naga 1), NagaWorld 2 (Naga 2) and NagaWorld 3 (Naga 3) are expected to position the Group in the future as one of the regional sizable gaming resorts in the Asia Pacific region and is expected to generate steady recurrent revenue for the benefits of the Company and its shareholders as a whole.

Despite the Covid-19 fear, the Group shall continue the development of Naga 3 and the expected successful completion of Naga 3 by 2025 (and/or such mutually agreed extended period) shall increase the capacity of the Group by at least two times. It is currently expected that the combined NagaWorld complex of Naga 1, Naga 2 and Naga 3 shall have about 5,000 hotel rooms, 1,300 gaming tables and 4,500 EGMs and many other non-gaming attractions.

Before 30 March 2020, Cambodia was the only country where its border was relatively porous to Chinese's visitation without much restrictions; NagaWorld was the only casino in the Asia Pacific region where there was relative ease of entry to the casino without much administrative difficulty and yet having all the protective measures against the Covid-19 in place both at the level of Cambodia and at the level of the Company. No doubt the recent Covid-19 outbreak has caused economic and social chaos globally, the Company remains hopeful that near-term business volume growth is not substantially affected in the event that the Covid-19 outbreak in Cambodia is further impacted and unduly prolong. On the other hand, if the Cambodian government is able to contain the spread of Covid-19, the Company is expected to continue its trajectory of growth in the short term especially now the Covid-19 spread is quite well contained in China. Nonetheless, the Company believes the long term prospects and outlook shall remain stable.

DISCLAIMER

Shareholders and potential investors of the Company should note that the above figures represent indication 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.

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

Hong Kong, 1 April 2020

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

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