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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**

### **EXCLUSIVITY EXTENSION TILL 2045**

The board of directors (the “**Board**”) of NagaCorp Ltd. (“**NagaCorp**” or the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the signing of the Second Addendum Agreement in relation to the further exclusivity extension (the “**Agreement**”) on 19 November 2019 between The Royal Government of Cambodia (the “**RGC**”) and Ariston Sdn. Bhd. (the “**Investor**”), a company incorporated in Malaysia which is a wholly-owned subsidiary of NagaCorp. Under the terms of the Agreement, 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, which has now been extended for an additional 10 years effective from 1 January 2036 until 31 December 2045, to operate casinos in Phnom Penh, Cambodia within a 200-kilometre radius of Phnom Penh (except the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville).

This is a voluntary announcement made by the Company for the purposes of keeping the shareholders and potential investors of the Company informed of the latest business development of the Group.

**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.**

## **INTRODUCTION**

Pursuant to the Sihanoukville Development Agreement dated 2 January 1995 (the “**SDA**”) (as amended by the Supplemental Sihanoukville Development Agreement dated 2 February 2000 (the “**SSDA**”) and the Addendum Agreement dated 12 August 2005 (the “**Addendum Agreement**”)) entered into between the Investor and the RGC, 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 in Phnom Penh, Cambodia within a 200-kilometre radius of Phnom Penh (except the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville).

## THE AGREEMENT

By entering into the Agreement on 19 November 2019, the RGC has granted to the Investor an exclusive rights to operate casino gaming activities in Phnom Penh, Cambodia within a radius of 200-km of Phnom Penh (except the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville) for an additional 10 years effective from 1 January 2036 until 31 December 2045, in consideration of the following:-

1. NagaCorp's recent publicly announced commitment to invest up to approximately US\$3.5 billion to construct and develop the Naga 3 integrated entertainment complex and the resultant economic value of thousands of jobs creation and incremental increase in tourist's visitation generated during and at the end of the Naga 3 Project;
2. US\$10 million (US\$10,000,000) already paid by the Investor to the RGC (by way of making payment to the bank account of the Ministry of Economy and Finance of Cambodia) upon signing of the Agreement; and
3. US\$3 million (US\$3,000,000) will be paid by the Investor to the RGC (by way of making payment to the bank account of the Ministry of Economy and Finance of Cambodia) on an annual basis for a period of 10 years beginning from 1 January 2036 till the end of December 2045.

## ALL AGREEMENTS HAVING LEGAL EFFECTS

The Agreement acknowledged that the RGC and the Investor have signed Sihanoukville Development Agreement dated 2 January 1995 (the "SDA") (as amended by the Supplemental Sihanoukville Development Agreement dated 2 February 2000 (the "SSDA") and the Addendum Agreement dated 12 August 2005 (the "Addendum Agreement")).

## MANAGEMENT DISCUSSION AND ANALYSIS

The Company believes that the signing of the Agreement and exclusivity extension till 2045 may be viewed as a long-term tourism infrastructure project which may generate recurrent revenue to the Company and its shareholders based on the following reasons:

## VISION OF THE GROUP

The vision of the Group (the "Vision") is to build the largest comprehensive, multi-entertainment riverine integrated resort in the world and to position the Group as another gaming powerhouse in Asia Pacific, further securing its firm footing on the competitiveness of the Group.

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 (which has now been extended to 2045 in accordance with the Agreement) to operate casinos in Phnom Penh, Cambodia within a 200-kilometre radius of Phnom Penh (except the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville), the unique position of which has helped the Group to attain steady growth and to deliver consistently increasing financial performance. For the year ended 31 December 2018, the Group recorded gross gaming revenue of US\$1.4 billion, EBITDA of US\$512 million and net profit of US\$391 million. The Group's EBITDA grew at a compound annual growth rate (the "CAGR") of approximately 24.4% for the period from 2013 to 2018 and for the 9 months ended 30 September 2019, and the Group reported a 20% increase in gross gaming revenue.

Some of the key features of the casino licence are: no restrictions on the number of tables, electronic gaming machines (the “EGMs”), gaming space, gaming promoter commissions and rebates, each of which allows the Company with the flexibility to optimise its operations over time.

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 strategically located in Asia, and it is the only casino located in Phnom Penh. The development and targeted completion by 2025 of the Naga 3 Project allows the Group to capitalise further on its favourable competitive position created by the gaming license held by the Group on an exclusive basis until 2045. Upon completion of the Naga 3 Project, Naga 1, Naga 2 and Naga 3 are expected to be the largest riverine integrated resort in the world, further enhancing the Company’s position as an integrated gaming and entertainment resort powerhouse in Asia.

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 combined NagaWorld complex of NagaWorld 1 (Naga 1), NagaWorld 2 (Naga 2) and NagaWorld 3 (Naga 3) are expected to position the Group as one of the Asian gaming powerhouses.

## **PAST FINANCIAL PERFORMANCE**

The Group already 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 17 times from US\$441 million since the listing of the Company in October 2006 to approximately US\$7.85 billion as at 19 November 2019. Since listing, the Company has paid out more than US\$1 billion in dividends. The Group has raised the international economic profile, attracted foreign direct investment (FDI), enhanced tourism and contributed to the socio-economic development of Cambodia. In 2018, the Group contributed approximately 29% of local GDP tourism growth and approximately 1.3% of national GDP in Cambodia (*Source: National Institute of Statistics of Cambodia classification of hotels and restaurants compared with the Group’s 2018 Annual Report*).

## **GROWING CAMBODIAN ECONOMY**

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 877 weekly scheduled in-bound international flights (an increase from 386 such flights in December 2013). Of these flights, 413 flights per week originate from Chinese cities such as Shanghai, Guangzhou, Shenzhen and Hong Kong. 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 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 promulgated in early 2020, further strengthening the regulatory environment that has been improving in recent years.

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.

## **PROSPECTS**

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% 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 Group anticipates the exclusivity extension shall bring about short and long-term benefits indicated as follows:

### **1. Shorter term (2019 – 2025)**

In the past years of its operation, the Company has been very consistent in adopting a prudent finance policy of nil to low debt to equity ratio. For this reason and for illustration purpose only, the Company shall adopt a conservative approach and has illustrated an Illustrative 2019-2025 Cashflow Table based on the most transparent market-based conservative methodology. As stated in the Credit Opinion dated 18 April 2019, Moody's Investor Service estimates, based on the Company's data, the Company's revenue is expected to grow at about 10% until 2020. Barring unforeseen circumstances, the Company is optimistic of the growth prospects of a rate of 10% revenue growth from the period of 2018 until the end of 2025 based on the following reasons:

- i Since its inception in 1994, NagaWorld has been growing steadily with its market capitalization multiplying more than 17 times from US\$441 million since the listing of the Company in October 2006 to approximately US\$7.85 billion as of 19 November 2019. The past yearly improving financial positions and the annual growth rate demonstrated the performance of the Company during difficult and good times;

- ii In 2018, the Group contributed approximately 29% of local GDP tourism growth and approximately 1.3% of national GDP in Cambodia (*Source: National Institute of Statistics of Cambodia classification of hotels and restaurants compared with the Group's 2018 Annual Report*). Cambodia's GDP for the next 6 years can be maintained at 6-6.8% as projected by International Monetary Fund (*Source: IMF World Economic Outlook April 2019*). 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 Cambodia 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;
- iii 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 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 877 weekly scheduled in-bound international flights (an increase from 386 such flights in December 2013). Of these flights, 413 flights per week originate from Chinese cities such as Shanghai, Guangzhou, Shenzhen and Hong Kong. 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*); and
- iv Close geopolitical relationship with China helps drive Cambodia's economic and tourism growth. China's "belt and road" initiative 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.

For illustration purpose only, the following Illustrative 2019-2025 Cashflow Table is self-explanatory. For sake of clarity, this illustration is purely hypothetical and does not reflect the expected performance of the Company in reality and hence should be interpreted as such:

US\$' 000 (if not specific)	Actual		Illustrative cashflow						Total
	2018	2019	2020	2021	2022	2023	2024	2025	2019 to 2025
At Revenue Growth of 10% p.a.:									
Net Cashflow after dividend payment	249,211	64,062	221,353	247,633	276,503	308,222	343,079	381,388	1,842,240
Company's Cash Balance at end of Period	392,977	457,039	678,392	926,025	1,202,528	1,510,750	1,853,829	2,235,217	



The above illustrations are based on key assumptions that during the period of 2019-2025:

- (a) Revenue growth is expected to be maintained at growth rate of 10% per annum;
- (b) Yearly increase of general and administrative expenses is expected to be computed based on 8% per annum;
- (c) Maintenance capital expenditure is expected to be capped at US\$50 million per annum;
- (d) One-time capital expenditure of US\$150 million for the renovation of Naga 1 in the financial year of 2019;
- (e) Dividend payout is computed and based on the past years at 60% of distributable net profits and for illustration purpose this percentage number is assumed to be the same every year during the period 2019-2025;
- (f) Assume to maintain a constant debt amount of US\$300 million per year at interest cost of 9.375% per annum; and
- (g) Returns on investment on the cash amount of US\$300 million borrowed is expected at 2.5% per annum.

Subject to the assumptions set out above, the Company believes that the aggregate net cashflow ending 31 December 2025 may be achieved at US\$1,842 million. The assumptions made herein from (a) to (g) are for illustration purpose and the Company makes no representations to the accuracy and completeness or reliability of these assumptions.

## **2. Longer Term (2025 – 2045)**

- 2.1 Upon the expected successful completion of Naga 3 by 2025, it is anticipated that Naga 3 shall increase the capacity of the Group by at least two times. It is expected that the combined NagaWorld complex of Naga 1, Naga 2 and Naga 3 which shall have about 5,000 hotel rooms, 1,300 gaming tables and 4,500 EGMs and many other non-gaming attractions and which shall continue to dominate the gaming market in Cambodia and expectedly in the entire Mekong region. Based on the illustrative table below, the combined NagaWorld complex is expected to be one of the largest integrated entertainment complex in the world.

## Comparable Global Gaming Peers

	Gaming Tables	Slot Machines	Hotel Rooms
Sands China	1,820	5,080	12,199
<b>Combined NagaWorld complex*</b>	<b>1,300</b>	<b>4,500</b>	<b>5,000</b>
Galaxy Entertainment	1,109	2,040	4,420
Resorts World Genting	742	4,500	10,500
Wynn Macau	649	1,969	2,714
Marina Bay Sands	599	2,500	2,524
Resorts World Sentosa	560	2,500	2,094
Las Vegas Sands	240	1,870	7,092
Wynn Las Vegas	237	1,822	2,716

\* *These are approximation and are subject to change.*

*(Source: Various companies' financial reports, websites, and research reports)*

- 2.2 Expectedly, during this period, the operating environment shall continue to enjoy political stability, increasing GDP and tourism growth, a relatively more prosperous developing nation, a more mature regulatory regime including a working Casino Law which is due to be passed in 2020.
- 2.3 The combined NagaWorld complex shall position the Group as one of the regional sizable gaming resorts in the Asia Pacific area and is expected to generate steady recurrent revenue for the benefits of the Company and its shareholders.

## DISCLAIMER STATEMENT

This announcement contains the words “anticipate”, “believe”, “intend”, “estimate”, “expect”, “plan”, and words of similar meaning as well as projected financial illustrations are related to events of future years. All statements and the Illustrative 2019-2025 Cashflow Table include:

- (a) any financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the Group’s activities, projects and services); and
- (b) the Vision is not forward looking statements and should be interpreted as merely intended corporate intentions and plans which involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Group to be materially different from future results, performance or achievements expressed or implied by such non-forward-looking statements. Such non-forward-looking statements stated herein in this announcement are based on numerous assumptions regarding the Group’s present and future business strategies and the environment in which the Group shall operate in the future. The Group, including the directors collectively and individually expressly disclaim any obligation or responsibilities to any unintended non-forward-looking statements contained herein.

The information contained in this announcement does not constitute or form part of, and should not be construed as, an offer or invitation or inducement to subscribe for or purchase the Company's securities.

This is a voluntary announcement made by the Company for the purposes of keeping the shareholders and potential investors of the Company informed of the latest business development the Group. Shareholders and potential investors of the Company should note that the corporate intentions and plans for future operations are subject to revision and further refinement in response to many factors and other unexpected and uncontrollable factors and are not based on any figure or information 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.**

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

Hong Kong, 19 November 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

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