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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 2020**

The Board is pleased to announce the unaudited operational highlights of the gaming branch of the Group for the nine months ended 30 September 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 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

Since the reopening of casino businesses on 8 July 2020 until 30 September 2020, NagaCorp Ltd. (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) have recorded a relatively good recovery and sustenance of average daily gaming business volumes and average daily net gaming revenues contributed mainly by the patronage of expatriates. For many years, the Group has been promoting the growth of the Mass Market as a more stable gaming segment. It was observed that during 3Q2020, business volume recovery of the Mass Market segment is leading, registering a recovery percentage of about 97%. The more volatile VIP Market is following behind and registered a recovery percentage of about 71%.

Being the only integrated resort in the city of Phnom Penh also helped to drive the operational performance of the Group despite most cross-border travel policy in the Asian region remains restrictive.

The COVID-19 virus has affected and significantly slowed down regional tourism. However, the Group's recovery from the effects of the virus has been relatively good, as indicated in the following two tables highlighting the performance of the average daily volumes and the average daily net gaming revenue:

Average Daily Volumes	Pre-Closure 1Q2020⁽¹⁾ (US\$'000)	Post-Closure Period⁽²⁾ (US\$'000)	Post-Closure Recovery Percentage⁽³⁾
Public Floor Tables Buy-Ins	3,762	3,499	93%
Electronic Gaming Machines ("EGM") Bills-In	5,524	5,536	100%
VIP Rollings	106,519	76,096	71%

Notes:

- (1) Average daily volumes recorded during the pre-closure period of 1Q2020.
- (2) Average daily volumes recorded for the post-closure period (from 1 August 2020 till 30 September 2020).
- (3) Average daily volumes recorded for the post-closure period (from 1 August 2020 till 30 September 2020) as a percentage of the pre-closure period of 1Q2020.

The recovery is further confirmed by examining the average daily net gaming revenue of the various segments of our gaming business, which indicated that net gaming revenue momentum recorded after reopening of casino businesses are favourably sustained till end of September 2020.

Average Daily Net Gaming Revenue	Pre-Closure 1Q2020^(a) (US\$'000)	Post-Closure Period^(b) (US\$'000)	Post-Closure Recovery Percentage^(c)
Public Floor Tables	744	653	88%
EGM	337	316	94%
VIP	761	699	92%
Total	1,842	1,668	91%

Notes:

- (a) Average daily net gaming revenue recorded during the pre-closure period of 1Q2020.
- (b) Average daily net gaming revenue recorded for the post-closure period (from 1 August 2020 till 30 September 2020).
- (c) Average daily net gaming revenue recorded for the post-closure period (from 1 August 2020 till 30 September 2020) as a percentage of the pre-closure period of 1Q2020.

The board of directors (the “**Board**”) of the Company is pleased to announce the unaudited operational highlights of the gaming branch of the Group for the nine months ended 30 September 2020 as tabulated in the following table:

	Unaudited figures for the 9 months ended 30 September 2020 (US\$’000)
Gross Gaming Revenue (“ GGR ”)	609,923
Net Gaming Revenue	293,759
Mass Market Business:	
– Mass Tables Buy-ins	614,065
– Mass Tables GGR	116,004
– EGM Bills-in	960,341
– EGM GGR	56,633
VIP Rollings	15,904,993
VIP GGR	437,286

The operational highlights show that the Group’s business volumes and GGR of the various gaming business segments have registered growth compared with 1Q2020 casino pre-closure period. The satisfactory operational business volumes were driven by the following factors:

1. Promotional Activities of the 25th Anniversary Celebrations

The Group is celebrating its 25th anniversary in 2020 and has launched property-wide marketing and promotion activities (including gaming and non-gaming offerings) which are expected to increase the daily property footfall, hotel occupancy and gaming business volumes.

In conjunction with the 25th anniversary celebration, the Group has rolled-out wide range of incentives and promotion packages targeting different tiers of Mass Market (including premium players) and VIP Market. The incentives and promotion packages include complimentary hotel stay and food and beverage (“**F&B**”) offerings with committed buy-ins in the gaming segments of Mass Market tables and EGM. Multiple tiers incentives for both Mass and VIP Markets are offered to customers, whereby higher committed purchases of chips lead to higher value of incentives offered to customers. The competitive incentives offered are expected to increase gaming business volumes.

Seasonal competitive hotel room rate is offered to increase hotel occupancy and property headcount. The Group has observed satisfactory results, as average daily hotel room sold had increased by 81% (as of 30 September 2020) sequentially as a result of these marketing and promotional initiatives implemented.

2. Good Cash Generation & yet Continued Gaming Policy of Conservatism

As at 30 September 2020, the Group had cash and deposits amounting to about US\$478 million. The Company had completed the issuance of US\$350 million 2024 Senior Notes in July 2020, the completion of which demonstrates the Company's ability to tap funding from global debt market and at the same time helps promote investors' confidence during the COVID-19 pandemic. The Company has sufficient cash reserve set aside to repay the existing 2021 Senior Notes.

The accumulated cash and deposits demonstrate the Group's continued ability to retain reasonably good cash position despite the COVID-19 pandemic. Furthermore, the Group's stable financial strength is reflected on the lower debt financing cost of 7.95% (2024 Senior Notes) incurred to refinance the existing 9.375% 2021 Senior Notes which will mature in May 2021. The yield to maturity of the 2024 Senior Notes has compressed to 7.6% as at 30 September 2020.

The Group has continued to adopt a prudent finance policy of low gearing ratio. As at 30 June 2020, the Group maintained a relatively low debt to EBITDA ratio of 0.7x. This conservative approach of the financial management of the Group is expected to generate confidence to the gaming and investing community and hence stability and growth of businesses of the Group.

3. Cambodia Economic Outlook during COVID-19 Pandemic

The Asian Development Bank (“**ADB**”) expects improved Cambodia economic outlook in 2020 as a result of growth in agricultural sector and non-garment manufacturing sector (mainly bicycle, electronic products etc.) which grew by 30.3% year-on-year in the first half of 2020. With number of COVID-19 cases in Cambodia relatively well contained, government granted social security and financial assistance to small and medium enterprises, ADB expects Cambodia's economy to rebound and grow at 5.9% in 2021 (*Source: Jian Hua Daily, 24 September 2020*).

The International Monetary Fund (“**IMF**”) and Moody's Investors Service (“**Moody's**”) is projecting Cambodia real gross domestic product to recover and grow at 6.1% and 6%, respectively, in 2021 (*Source: IMF – World Economic Outlook Database April 2020; Moody's 22 May 2020*).

4. Improving Regulatory Environment

Council of Ministers of the Royal Government of Cambodia (“**RGC**”) has approved the draft law on the management of commercial gambling (“**Casino Law**”) on 3 July 2020. As disclosed by the RGC, the Casino Law calls for better sector management and measures to protect against money laundering and terrorism financing, and it has been acknowledged that casino sector has contributed towards tourism development and job creation. After receiving the approval from Council of Minister, the Casino Law will be reviewed by the National Assembly and the Senate. The promulgation of this much-anticipated Casino Law shall strengthen the gaming regulatory environment and improve the confidence of promoting investment and tourism in the country.

5. Cambodia Ranked No. 4 World Best on COVID-19 Combat

Based on The Lancet research report dated 14 September 2020, Cambodia ranked No. 4 (top among 91 countries on the list) in terms of outstanding effort on combating against spread of COVID-19 epidemic. The number of COVID-19 cases in Cambodia is relatively well contained and has won positive response. Director General of the World Health Organization (“**WHO**”) has via a letter dated 11 May 2020 commended the efforts of the RGC for successful prevention of the spread of COVID-19 pandemic. Cambodia Ministry of Health (“**MOH**”) has been working closely with the WHO, US Centre for Disease Control and Prevention, Institut Pasteur du Cambodge and China Ministry of Health to support public health in response to COVID-19 global pandemic. As of 30 September 2020, the total number of confirmed COVID-19 cases was 277, of which 253 cases (91.3%) are imported, 275 cases are cured (99.3% recovery rate) and zero death (*Source: MOH*). Globally, Cambodia was ranked 184 in terms of confirmed COVID-19 cases compared to the U.S., India, Brazil etc. which are ranked among top in the list (*Source: Worldometer’s COVID-19 data*). In addition, Chinese Premier mentioned five Southeast Asian countries, including Cambodia, will have priority access to COVID-19 vaccine developed by China (*Source: South China Morning Post, 24 August 2020*).

On the domestic front, the Cambodian government recently allowed the reopening of school, cinema etc., with the requirement of maintaining high hygiene and safety standards in view of COVID-19 incidence being well contained.

6. International Arrivals and Direct Flights into Cambodia during Pandemic Period

Cambodia recorded total international arrivals of 1,203,515 visitors in the first seven months of 2020. Of the top 10 markets, China was the highest (23.5%), followed by Vietnam (14.9%), Thailand (14.3%), U.S. (4.5%), Korea (4.4%), U.K. (3.7%), France (3.5%), Japan (3.3%), Lao PDR (2.8%) and Germany (2.2%). These top 10 markets accounted for 77.2% of the total arrivals. International business-related travel into Cambodia was 212,110 visitors in the first seven months of 2020, whereby 65.5% of such travel originated from China (*Source: Ministry of Tourism, Cambodia*).

In order to facilitate foreign business visitation to Cambodia, the RGC has waived medical deposit and insurance coverage required upon arrival for business travellers, including investors, experts/skilled workers, technicians effective 5 August 2020. Weekly international direct flights to Cambodia had resumed gradually to 32 as of 30 September 2020, which included 21 direct flights from Greater China cities such as Shanghai, Beijing, Guangzhou, Shenzhen, Chengdu, Fuzhou etc. (*Source: Cambodia Airports, related airlines website*). In addition, direct flights between Phnom Penh and Singapore have been resumed since 1 September 2020. The increased resumption of direct flights into Cambodia is a result of increasing demand on business visitation. Monthly international business-related arrival has increased by 236% to 9,325 visitors in July 2020, from 2,776 recorded in April 2020 (*Source: Ministry of Tourism, Cambodia*).

Non-stop business and travel visitation and the expatriate living and working in Phnom Penh account for bulk of visitation to the casinos of the Group; hence new and old faces are being observed in the premises of the casinos.

7. NagaWorld Precautionary and Preventive Measures Against COVID-19

Preventive measures and measures for the protection of safety and health of the employees have been implemented since January 2020, well before the spread of the COVID-19 virus in the country. In compliance with the guidance from the MOH and the WHO, the Group has implemented various preventive measures.

Mask wearing in the casinos is mandatory. All employees and visitors entering the NagaWorld Complex are required to have their body temperatures checked. The Company has installed infrared body temperature sensors machines at the entrance of casinos. Sanitisers are available at every corner of the casinos and every gaming table for dealers and customers. 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 a la carte orders.

The Company received Certificate of Clearance from the MOH on 5 July 2020 confirming its compliance with applicable MOH requirements in the prevention of the spread of COVID-19.

Hence patrons visiting the casinos feel safer to enjoy the premises of the Group.

8. Mass Market Business

The Mass Market, which has been a key focus of the Group's strategy has 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. The Group has observed increasing footfall and new clientele pool on the Mass Market floor, in particular, the premium mass/high limit gaming area. After reopening of casino operations in July 2020, premium mass segment has been the key Mass Market revenue growth driver.

The favourable Mass Market business volume and GGR recorded in August 2020 (being the first full month of business operation since reopening of casino businesses) have been sustained largely through September 2020.

9. VIP Business

Despite most cross-border travel policy in the Asian region remain restrictive, the VIP business volume had recorded satisfactory recovery as average daily VIP Rollings recorded since 1 August 2020 till 30 September 2020 have reached 71% of the average daily volume recorded during the pre-closure period of 1Q2020. The sustained positive results (after the reopening of casino businesses) in VIP business is largely driven by sizable number of expatriates currently living and conducting business in Cambodia. Moreover, with the preventive measures against COVID-19 (as endorsed by the MOH) undertaken, VIP players feel more comfortable to visit NagaWorld. The Group has observed repeating VIP customers and new clientele pool within both the junket hall as well as direct VIP player gaming hall.

10. Non-Gaming Business

The attractive and competitive non-gaming offerings continue to compliment and support the stable gaming business volume generated. Despite most cross-border travel policy in the Asian region remains restrictive, hotel room occupancy was about 30% (as of 30 September 2020). As property average daily footfall has increased (since reopening of casino businesses), about 70% of the F&B outlets within NagaWorld have resumed business operation.

11. Naga 1 Upgrade

The upgrade and renovation of 250 hotel rooms were completed and reopened at the end of 2019. The renovation of remaining 250 rooms was completed and handed over in June 2020.

The completion of Naga 1 upgrade project is expected to contribute positively towards the quality, standard and comfort of Naga 1 hotel room, thus driving revenue of the Group.

Since there is no restriction of provision of gaming space, the Group is constantly reviewing and evaluating the non-gaming floor space with the market demand of floor space at the various gaming segments. During 3Q2020, more conversion of non-gaming space to gaming precinct has been implemented in response to the growth of the gaming business; for example, Garden Buffet Restaurant in Naga 1 has been refurbished into Electronic Table Gaming zone, and gaming operation has already commenced.

12. Update on Naga 3

The Company has appointed Chicago-based Skidmore, Owings and Merrill in addition to Las Vegas-based architect planner, Steelman Partners, to create a truly regional world-class comprehensive integrated entertainment complex which shall compete with regional peers in the Asia Pacific region. The Group will continue the development of Naga 3 and the following are brief progress updates:

- a) **Soil Resistivity Test** – completed 11 points of soil resistivity test throughout Naga 3 development site. Test results passed on to M&E consultants for evaluation and optimization of earthing system design. Faraday Cage Lightning Protection System has been incorporated with the building design to safeguard structural safety and integrity from risk of lightning strike.
- b) **Soil Investigation** – 33 soil investigation bored holes of varying depth of 47-81 meters have been fully completed. Rock samples have been sent for further testing to ascertain rock hardness. Additional soil investigation (3 bored holes to 70-80m deep) has been commissioned to ensure adequate design safety margin.
- c) **Piling and Basement Tender Package** – preparation for piling and basement tender documentation has been fully completed. Tender process has commenced with total of 18 parties expressed interest and invited to participate in the tender process. Consultants have evaluated the tender submissions, and final contract award is targeted by early October 2020, followed by expected mobilisation and construction commencement in 4Q2020. The construction period for piling and basement is expected to take 30 months, allowing 6-12 months head start for super-structure works. The basements of Tower 1, Tower 2 and Podium are designed for top-down construction which is expected to shorten the overall construction period to less than 30 months and to minimize soil settlement risk of surrounding buildings.
- d) **Wind Tunnel Study** – the wind tunnel testing shall be carried out as and when the preliminary structural framing design, architecture and curtain wall are completed, targeted by end of 4Q2020. Structural engineer has completed the 3D building structural framing analysis, whereby structural deflection under wind load is within the required design limit.

- e) **Naga 3 Built to Withstand Earthquake up to Richter 6** – although Cambodia is not sited within the ring of fire and is free from earthquakes, consultants designed Naga 3 to withstand earthquake measuring 6 on the Richter scale as a precautionary measure. In 2016, the central province of Quang Nam Vietnam was hit by two earthquakes measuring between 3.1 and 3.4 on the Richter scale, according to a statement by the Institute of Geophysics Vietnam.

13. Nil Employee Retrenchment During Virus Outbreak

As at 30 September 2020, the Group employed a total work force of 8,450 (31 December 2019: 8,625), stationed in Cambodia, Hong Kong, Macau, Malaysia, Thailand, the U.K., the U.S. and Russia. Being a responsible corporate citizen, the Company believes employees are valuable assets of the business. As such, the Group has not retrenched any employee for the nine months ended 30 September 2020, despite various challenges and impact including temporary casino closure during 2Q2020 and upset caused by global COVID-19 pandemic.

14. Environmental, Social and Governance (ESG) in Pandemic Times

NagaWorld Kind Hearts (being the Company's corporate social responsibility ("CSR") arm) is a grassroot initiative with long term contribution towards the betterment of communities in Cambodia.

In order to support the RGC's effort to prevent the spread of COVID-19, NagaWorld Kind Hearts has donated epidemic prevention supplies including face masks, hand sanitisers, sanitising alcohol, personal protective equipment, Nucleic Acid Extraction System, extraction test and collection kits etc. to various government departments.

NagaWorld Kind Hearts' comprehensive CSR initiatives were given the prestigious Silver Stevie Award in 2019 for driving transformative changes in communities across Cambodia. The award was an endorsement of the Group's continuous effort on improving the social, environmental and economic aspects of Cambodia as well as its people's life.

At the corporate level, the Company has been voted and recognized as an Honored Company by the renowned financial publication Institutional Investor for outstanding leadership and investor relations, including "Best CEO", "Best CFO", "Best IR Team", "Best IR Program" and "Best ESG" in the Gaming & Lodging sector. This recognition is part of Institutional Investor's 2020 All-Asia Executive Team annual rankings that are regarded globally as the financial industry's benchmark for excellence. In addition, the Company has been awarded Asia's Best CEO (Investor Relations), Asia's Best CFO (Investor Relations), Best Investor Relations Professional and Best Investor Relations Company (Hong Kong) at the 10th Asian Excellence Awards 2020, organized by Corporate Governance Asia. These awards recognize the achievements and excellence in corporate governance leadership and investor relations efforts throughout the Asian region.

The Company is committed to creating long term value for all stakeholders and continuously strive to be a good corporate citizen by carrying out its business in a socially responsible manner.

DISCLAIMER

The above figures, including average daily gaming business volumes (from which revenues are derived based on the actual daily percentage win-rates recorded by the Group) and average daily GGR contained in this announcement are for illustrative purposes only, and do not constitute forward looking statements or 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, 4 October 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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