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)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Financial Highlights for 2019:

* **Gross Gaming Revenue** increased by 20% to US$1.7 billion
* Earnings Before Interest, Tax, Depreciation and Amortization (**EBITDA**) increased by 31% to US$671.7 million
* **Net profit** increased by 33% to US$521.3 million
* VIP rollings increased by 31% to US$46.6 billion
* Mass Market gross gaming revenue increased by 31% to US$476.4 million
* Mass Market table buy-ins increased by 33% to US$1.6 billion
* Mass Market electronic gaming machines bills-in increased by 25% to US$2.8 billion
* Basic earnings per share of US cents 12.01

Coronavirus pandemonium in China has recently strained the global economy. Rarely has such an integral part of global multinational industry and trade faced such an abrupt and open-ended freeze out. We live in uncertain times. Such uncertainty over the virus which has infected about 40,614 people and about 910 people have died (Source: South China Morning Post, 10 February 2020) has disrupted the worldwide trade and supply chains, depressed asset prices, and forced multinational businesses to make hard decisions with limited information.

Despite such challenging times ahead, NagaCorp Ltd. (the "Company", together with its subsidiaries (the "Group")) remains confident that even its financial performance may be impacted by such unexpected event in the next 6 months of operations and beyond, the long-term prospects of the Company remain good. The board of directors of the Company (the "Board") has considered the following circumstances and events: -

1. the Group was founded by the Founder, Tan Sri Dr Chen Lip Keong 25 years ago and the Group shall celebrate its Silver Jubilee this year;

2. at the beginning of the decade 2020, it augurs well that the Company has achieved its all-time high net profit of US$521 million (i.e. above half-a-billion US dollars); and

3. this is the first time after operation of the Group for 25 years that the Company has decided to recommend to declare a special "bonus" to all of its shareholders.

Regardless of the coronavirus outbreaks which the Company is of the opinion that this event will be short-lived, the Company is pleased to decide to recommend a 80% payout of the net profits generated for the second half of 2019 as final dividend and payment. Accordingly, a final dividend for the shareholders of the Company (the "Shareholders") of US cents 5.09 per Share (or equivalent to HK cents 39.45 per Share) (the "Final Dividend") has been proposed. For each sixth monthly period, the Company shall review, assess and where appropriate, revise its dividend declaration policy in reaction to the position of the coronavirus crisis, global business environment and other factors.

Subject to the approval of the Shareholders at the annual general meeting to be held on Friday, 24 April 2020 (the "2020 AGM"), the Company will pay the Final Dividend on or about Monday, 1 June 2020.

The Board is pleased to announce the consolidated financial results of the Group for the financial year ended 31 December 2019 (the "Year"). The financial information for the Year contained in this announcement was prepared based on the audited consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2019

	Notes	2019 US$'000	2018 US$'000
Revenue	2	**1,755,466**	1,474,287
Cost of sales		**(909,162)**	(800,806)
Gross profit		**846,304**	673,481
Other income		**10,806**	10,275
Administrative expenses		**(61,256)**	(79,307)
Other operating expenses		**(224,002)**	(185,588)
Profit from operations		**571,852**	418,861
Finance costs	3	**(20,210)**	(19,469)
Profit before taxation	4	**551,642**	399,392
Income tax	5	**(30,364)**	(8,814)
Profit attributable to owners of the Company		**521,278**	390,578
Earnings per share (US cents)			
Basic	7	**12.01**	9.00
Diluted	7	**12.01**	9.00

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	2018
	US$'000	*US$'000*
Profit for the year	**521,278**	390,578
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss		
- exchange differences from translation of foreign operations	**555**	(797)
Total comprehensive income attributable to the owners of the Company for the year	**521,833**	389,781

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 US$'000	2018 US$'000
Non-current assets			
Property, plant and equipment	9	**1,594,848**	1,275,596
Right-of-use assets		**85,758**	-
Interest in leasehold land held for own use under operating lease		**-**	26,634
Intangible assets	10	**70,631**	59,107
Prepayments for acquisition, construction and fitting-out of property, plant and equipment		**129,523**	84,364
Promissory notes	11	**9,992**	9,372
		1,890,752	1,455,073
Current assets			
Consumables		**2,767**	2,051
Trade and other receivables	12	**126,772**	117,140
Certificates of deposit, fixed deposits and other liquid funds		**53,353**	76,441
Cash and cash equivalents		**273,377**	316,536
		456,269	512,168
Current liabilities			
Trade and other payables	13	**159,407**	79,711
Contract liabilities		**9,963**	10,023
Lease liabilities		**2,761**	-
Current tax liability		**2,968**	2,374
		175,099	92,108
Net current assets		**281,170**	420,060
Total assets less current liabilities		**2,171,922**	1,875,133
Non-current liabilities			
Other payables	13	**4,502**	-
Senior notes	15	**294,813**	291,118
Contract liabilities		**35,396**	44,146
Lease liabilities		**48,840**	-
		383,551	335,264
NET ASSETS		**1,788,371**	1,539,869
CAPITAL AND RESERVES			
Share capital	14	**54,263**	54,263
Reserves		**1,734,108**	1,485,606
TOTAL EQUITY		**1,788,371**	1,539,869

Notes:

1. Basis of preparation and adoption of new or revised International Financial Reporting Standards

The consolidated financial statements for the Year have been prepared in accordance with all applicable International Financial Reporting Standards, International Accounting Standards and Interpretations (hereinafter collectively referred to as "IFRS") issued by the International Accounting Standards Board (the "IASB"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange" and the "Listing Rules", respectively) and the Hong Kong Companies Ordinance (Chapter 622 of The Laws of Hong Kong).

The consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments which are measured at fair values.

In preparing these consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2018 annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 16.

Except as describe below, the consolidated financial statements have been prepared in accordance with the same accounting policies and the method of the computation adopted by the Group in the consolidated financial statements for the year ended 31 December 2018.

<u>Adoption of new or revised standards and interpretations relevant to the Group and effective on 1 January 2019:</u>

IFRS 16	Leases
IFRIC-Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 3, Business Combinations
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 11, Joint Arrangements
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 12, Income Taxes
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 23, Borrowing Costs

Except for IFRS 16 Leases ("IFRS 16"), none of the new or revised standards and interpretations have had a material effect on the Group's accounting policies. The Group has not applied any new standard or interpretation that is not yet effective for the Year. The impact of the adoption of IFRS 16 is summarised below.

IFRS 16

IFRS 16 supersedes IAS 17 Leases ("IAS 17"), IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

The effect of adoption of IFRS 16 is as follows:

Impact on the consolidated statement of financial position as at 31 December 2019 (increase/(decrease)):

	US$'000
Assets	
Non-current assets	
Right-of-use assets	85,758
Interest in leasehold land held for own use under operating lease	(34,198)
Total non-current assets	51,560
Current assets	
Trade and other receivables	(1,948)
Total current assets	(1,948)
Total assets	49,612
Liabilities	
Current liabilities	
Lease liabilities	2,761
Total current liabilities	2,761
Non-current liabilities	
Lease liabilities	48,840
Total non-current liabilities	48,840
Total liabilities	51,601
Equity	
Retained profits	(1,989)
Total Equity	(1,989)

Impact on the consolidated statement of income for the Year (increase/(decrease)):

	US$'000
Operating lease expenses (included in administrative expenses)	(7,867)
Depreciation and amortisation expense (included in other operating expenses)	4,449
Net exchange loss (included in other operating expenses)	23
Profit from operations	3,395
Finance costs	5,384
Income tax	-
Profit attributable to owners of the Company	(1,989)

Impact on the consolidated statement of cash flows for the Year (increase/(decrease)):

	US$'000
Net cash flows from operating activities	7,821
Net cash flows from financing activities	(7,821)

Impact on segment information disclosures for the Year:

	Casino operations *US$'000*	Hotel and entertainment operations *US$'000*
Segment results	3,337	3,972
Segment assets	21,405	27,285
Segment liabilities	22,272	28,369

The adoption of IFRS 16 has no significant impact on earnings per share for the Year.

(a) Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property, plant and equipment and interest in leasehold land. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under trade and other receivables and trade and other payables, respectively. Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for lease contracts with a lease term of 12 months or less and do not contain a purchase option ("short-term leases") and lease contracts for which the underlying asset is of low value ("low-value assets"). The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The weighted average of the incremental borrowing rates used for determination of the remaining lease payments was 10%.

To ease the transition to IFRS 16, the Group applied a practical expedient at the date of initial application of IFRS 16 whereby it elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019.

Based on the foregoing, as at 1 January 2019:

- Right-of-use assets of US$82,969,000 were recognised and presented separately in the consolidated statement of financial position. This includes lease assets of US$26,634,000 which were reclassified from interest in leasehold land held for own use under operating lease.

- Lease liabilities of US$53,993,000 were recognised and presented separately in the consolidated statement of financial position.

- Prepayments included in trade and other receivables of US$2,342,000 related to previous operating leases were derecognised.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	US$'000
Operating lease commitments at 31 December 2018	118,986
Less: commitments relating to leases exempt from capitalisation:	
- short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(879)
	118,107
Less: total future interest expense	(64,114)
Lease liabilities recognised at 1 January 2019	53,993

(b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period during which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(c) Amounts recognised in the consolidated statement of financial position and consolidated statement of income

The movements of the carrying amounts of the Group's right-of-use assets and lease liabilities during the Year are set out below:

	Right-of-use assets			
	Leasehold land *US$'000*	Buildings *US$'000*	Equipment *US$'000*	Lease liabilities *US$'000*
As at 1 January 2019	43,789	26,915	12,265	53,993
Additions	8,022	-	-	22
Depreciation expense	(2,215)	(2,282)	(736)	-
Interest expense	-	-	-	5,384
Payments	-	-	-	(7,821)
Exchange difference	-	-	-	23
As at 31 December 2019	49,596	24,633	11,529	51,601

The Group recognised rental expense from variable lease payments of US$15,637,000 for the Year.

2. Revenue

Revenue represents net house takings arising from casino operations and income from other operations and is recognised from contracts with customers.

	2019 *US$'000*	2018 *US$'000*
Casino operations – gaming tables	**1,561,422**	1,305,138
Casino operations – electronic gaming machines ("EGM")	**158,054**	129,282
Hotel room income, sales of food and beverage and others	**35,990**	39,867
	1,755,466	1,474,287

The following table provides information about trade receivables and contract liabilities from contracts with customers.

	2019 *US$'000*	2018 *US$'000*
Trade receivables	**83,366**	75,136
Contract liabilities	**45,359**	54,169

3. Finance costs

	2019	2018
	US$'000	*US$'000*
Interest expenses and transaction costs relating to senior notes *(Note 15)*	**31,820**	19,469
Interest on lease liabilities	**5,384**	-
	37,204	19,469
Less: Interest expenses capitalised into capital work in progress	**(16,994)**	-
	20,210	19,469

4. Profit before taxation

Profit before taxation is arrived at after (crediting)/charging:

	2019	2018
	US$'000	*US$'000*
Interest income	**(4,282)**	(3,272)
Auditor's remuneration:		
- current year	**746**	959
- over-provision in prior year	**(31)**	(8)
Amortisation of casino licence premium#	**3,478**	3,547
Depreciation and amortisation#		
- Own assets	**91,136**	89,433
- Right-of-use assets	**5,233**	-
Exchange (gain)/loss#	**(1,058)**	189
Impairment loss on trade receivables	**2,400**	2,200
Write-off of property, plant and equipment	**23**	1,003
Gain on disposal of property, plant and equipment	**(50)**	(5)
Operating lease charges for:		
- land lease rental	**-**	2,629
- office and car park rental	**-**	5,135
- hire of equipment	**-**	4,214
Short term lease expenses*	**3,085**	-
Staff costs (including directors' remuneration)#		
- Salaries, wages and other benefits	**125,168**	92,374
- Contributions to defined contribution retirement scheme	**45**	45

* The Group has initially applied IFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information has not been restated. See Note 1 to the audited financial statements.

included in other operating expenses in the consolidated statement of income

5. Income tax

Income tax on the profit or loss represents:

(1) the monthly gaming obligation payment of US$585,176 (2018: US$520,157) and (2) monthly non-gaming obligation payment of US$214,338 (2018: US$214,338) payable to The Ministry of Economy and Finance of Cambodia (the "MOEF") by NagaWorld Limited Gaming Branch and NagaWorld Limited Hotel and Entertainment Branch, the Group's branches registered in Cambodia. The Group was not subject to Hong Kong, Malaysian, Cayman Islands or Russian income taxes for the Year (2018: Nil).

	2019	2018
	US$'000	*US$'000*
Current tax expenses		
- Current year	**30,364**	8,814

During the Year, the Group recognised an additional obligation payment to the MOEF of US$20,770,000 (2018: Nil) which is included in the amounts above.

6. Dividends payable to owners of the Company attributable to the year

	2019	2018
	US$'000	*US$'000*
Interim dividend declared during the year:		
2019: US cents 3.39 per Share	**147,063**	-
2018: US cents 2.49 per Share	**-**	108,079
Final dividend proposed after the end of reporting year:		
2019: US cents 5.09 per Share	**220,938**	-
2018: US cents 2.91 per Share	**-**	126,268
	368,001	234,347

The dividends declared and paid during the Year comprise the 2018 final dividend of US$126,268,000 which was paid in May 2019 and the 2019 interim dividend of US$147,063,000 which was paid in August 2019.

7. Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to owners of the Company of US$521,278,000 (2018: US$390,578,000) and the weighted average number of shares of 4,341,008,041 (2018: 4,341,008,041) in issue during the Year.

There were no dilutive potential shares during the Year (2018: Nil).

8. Segment information

The Group manages its businesses by segments, which comprise a mixture of business activities (casino, hotel and entertainment). The Group has identified the following two main reportable segments in a manner consistent with the way in which information is reported internally to the Group's senior executive management (the "SEM") for the purpose of resource allocation and performance assessment.

- Casino operations: this segment comprises all gaming activities at both Naga 1 and Naga 2 (the "combined NagaWorld Complex").
- Hotel and entertainment operations: this segment comprises the operations of leisure, hotel and entertainment activities.

(a) Segment results, assets and liabilities

The SEM monitors the results, assets and liabilities attributable to each reportable segment as follows:

Segment assets include all tangible, intangible and current assets. Segment liabilities include trade creditors, other creditors, unredeemed casino chips and other liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and expenses incurred by those segments or which would otherwise arise from the depreciation and amortisation of assets attributed to those segments.

	Casino operations *US$'000*	**Hotel and entertainment operations** *US$'000*	**Total** *US$'000*
Segment revenue:			
Year ended 31 December 2018			
Timing of revenue recognition			
- At point of time	1,374,730	22,169	1,396,899
- Transferred over time	59,690	17,698	77,388
Revenue from external customers	1,434,420	39,867	1,474,287
Inter-segment revenue	(1,916)	14,273	12,357
Reportable segment revenue	1,432,504	54,140	1,486,644
Year ended 31 December 2019			
Timing of revenue recognition			
- At point of time	**1,632,133**	**17,009**	**1,649,142**
- Transferred over time	**87,343**	**18,981**	**106,324**
Revenue from external customers	**1,719,476**	**35,990**	**1,755,466**
Inter-segment revenue	**(1,338)**	**9,977**	**8,639**
Reportable segment revenue	**1,718,138**	**45,967**	**1,764,105**
Segment profit:			
Year ended 31 December			
2018	517,711	5,713	523,424
2019	**707,786**	**2,630**	**710,416**

	Casino operations US$'000	Hotel and entertainment operations US$'000	Total US$'000
Segment assets:			
As at 31 December			
2018	1,295,316	619,240	1,914,556
2019	**1,692,665**	**881,210**	**2,573,875**
Segment liabilities:			
As at 31 December			
2018	(104,205)	(183,252)	(287,457)
2019	**(190,733)**	**(388,874)**	**(579,607)**
Net assets:			
As at 31 December			
2018	1,191,111	435,988	1,627,099
2019	**1,501,932**	**492,336**	**1,994,268**
Other segment information:			
Capital expenditure:			
Year ended 31 December			
2018	95,097	148,816	243,913
2019	**136,538**	**284,224**	**420,762**
Impairment loss on trade receivables:			
Year ended 31 December			
2018	2,200	-	2,200
2019	**-**	**2,400**	**2,400**

Reconciliation of reportable segment revenue, profit, assets and liabilities to revenue, profit or loss, assets and liabilities per the consolidated financial statements is as follows:

	2019	2018
	US$'000	*US$'000*
Revenue		
Reportable segment revenue	**1,764,105**	1,486,644
Elimination of inter-segment revenue	**(8,639)**	(12,357)
Consolidated revenue	**1,755,466**	1,474,287
Profit		
Reportable segment profit	**710,416**	523,424
Other revenue	**3,470**	2,627
Depreciation and amortisation	**(99,847)**	(92,980)
Unallocated head office and corporate expenses	**(42,187)**	(14,210)
Finance costs	**(20,210)**	(19,469)
Consolidated profit before taxation	**551,642**	399,392
Assets		
Reportable segment assets	**2,573,875**	1,914,556
Elimination of inter-segment assets	**(322,578)**	(157,124)
	2,251,297	1,757,432
Unallocated cash and bank balances, certificates of deposit and other liquid funds	**93,245**	206,938
Unallocated corporate assets	**2,479**	2,871
Consolidated total assets	**2,347,021**	1,967,241
Liabilities		
Reportable segment liabilities	**(579,607)**	(287,457)
Elimination of inter-segment payables	**322,578**	157,124
	(257,029)	(130,333)
Senior notes	**(294,813)**	(291,118)
Unallocated corporate liabilities	**(6,808)**	(5,921)
Consolidated total liabilities	**(558,650)**	(427,372)

(b) Geographical information

The Group's operations and activities are mainly located in Cambodia. As at 31 December 2019, the Group had non-current assets other than financial instruments and deferred tax assets located in Cambodia and Russia of US$1,642,461,000 (31 December 2018: US$1,311,409,000) and US$238,299,000 (31 December 2018: US$134,292,000), respectively.

(c) Information about major customers

During the current and prior years, there was no individual customer contributing 10% or more of the Group's revenue.

The aggregate revenue from external customers brought in through junkets contributing 10% or more of the Group's total revenue are as follows:

	2019	2018
	US$'000	*US$'000*
Casino operations		
Junket A	**824,658**	667,961
Junket B	**191,717**	153,609

9. Property, plant and equipment

During the Year, the Group acquired property, plant and equipment totalling US$410,411,000 (2018: US$243,979,000).

10. Intangible assets

The intangible assets comprise the casino licence premium and the extended exclusivity premium of the casino licence for the exclusivity period to the end of 2035 for a consideration of US$108,000,000, less accumulated amortisation of US$52,371,000 (31 December 2018: US$48,893,000).

On 19 November 2019, the Company entered into the agreement with the Royal Government of Cambodia (the "RGC") to extend the exclusivity of casino licence for an additional 10 years effective from 1 January 2036 to 31 December 2045 at a total consideration of US$10 million (which has been paid upon the signing of such agreement) and an annual fee of US$3 million to be paid on annual basis for a period of 10 years beginning from 1 January 2036 till the end of December 2045.

11. Promissory notes

On 6 September 2013, the Company entered into an investment agreement (the "Investment Agreement") with certain Russian governmental authorities pursuant to which the Company agreed to invest at least RUB11.6 billion (approximately US$350.0 million based on then current exchange rates), in a gaming and resort development project in Vladivostok, Russia.

In December 2014, in accordance with the terms of the Investment Agreement including the requirement to obtain a bank guarantee, the Company's subsidiary remitted approximately US$8.9 million from its Hong Kong bank account to a Russian bank account of the Company's Russian subsidiary Primorsky Entertainment Resorts City LLC ("PERC"). This amount was deposited in the same Russian bank as fixed deposits against which promissory notes were subsequently issued. In February 2015, PERC purchased these promissory notes in Russian Rubles ("RUB") to provide collateral for the issuance of a bank guarantee from the same bank required under the Investment Agreement.

The promissory notes (the "Promissory Notes") in total amount of RUB469,100,000 (approximately US$9,992,000) (31 December 2018: US$9,372,000) bear an interest of 6.6% per annum and the maturity date of which is 2,909 days from the date of issue, i.e. 30 January 2023.

12. Trade and other receivables

	2019	2018
	US$'000	*US$'000*
Trade receivables	**87,541**	82,705
Less: Allowance for impairment loss	**(4,175)**	(7,569)
	83,366	75,136
Deposits, prepayments and other receivables	**43,406**	42,004
	126,772	117,140

The ageing analysis of trade receivables (net of allowance for impairment losses) is as follows:

	2019	2018
	US$'000	*US$'000*
Current to within 1 month	**40,975**	67,931
1 to 3 months	**37,264**	343
3 to 6 months	**745**	638
6 to 12 months	**270**	3,095
More than 1 year	**4,112**	3,129
	83,366	75,136

The following table reconciles the impairment loss of trade receivables for the year:

	2019	2018
	US$'000	*US$'000*
At beginning of year	**7,569**	5,369
Impairment loss recognised	**2,400**	2,200
Bad debts written off	**(5,794)**	-
At end of year	**4,175**	7,569

The credit policy for gaming receivables is five to thirty days (2018: five to thirty days) from end of tour. The credit policy on non-gaming receivables is thirty days from end of month (2018: thirty days from end of month).

13. Trade and other payables

	2019	2018
	US$'000	*US$'000*
Trade payables (*Note*)	**7,548**	5,341
Unredeemed casino chips	**7,768**	12,279
Deposits	**73,756**	6,323
Construction creditors	**12,856**	6,764
Interest payable	**3,125**	3,125
Accruals and other creditors	**58,856**	45,879
	163,909	79,711
Less: current portion	**(159,407)**	(79,711)
Non-current portion	**4,502**	-

Note:

Trade and other payables include trade creditors, the ageing analysis of which as at the end of the reporting year are set out below:

	2019	2018
	US$'000	*US$'000*
Due within 1 month or on demand	**7,548**	4,992
Due after 1 month but within 3 months	**-**	277
Due after 3 months but within 6 months	**-**	72
Due after 6 months but within 1 year	**-**	-
Due after 1 year	**-**	-
Total	**7,548**	5,341

14. Share Capital

(i) Authorised:

	2019	2018
	US$'000	*US$'000*
8,000,000,000 ordinary shares of US$0.0125 each	**100,000**	100,000

(ii) Issued and fully paid:

	2019		2018	
	Number of Shares	***US$'000***	Number of Shares	*US$'000*
Issued and fully paid:				
Ordinary shares of US$0.0125 each:				
As at 1 January and 31 December	**4,341,008,041**	**54,263**	4,341,008,041	54,263

The holders of Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per Share at general meetings of the Company. All Shares rank equally with regard to the Company's residual assets.

15. Senior notes

On 14 May 2018, the Company entered into a purchase agreement with Credit Suisse (Hong Kong) Limited and Morgan Stanley & Co. International plc in connection with the issue of senior notes (the "Senior Notes") by the Company of an aggregate principal amount of US$300,000,000 with maturity on 21 May 2021. The Senior Notes bear interest at a rate of 9.375% per annum, payable semi-annually in arrears on 21 May and 21 November of each year, commencing on 21 November 2018. These Senior Notes cannot be converted into Shares.

The obligations under the Senior Notes are secured by guarantees given by certain subsidiaries of the Company.

16. Contingent Liabilities

Based on the formula stated in Clause 3.3 of the service agreement entered into between the Company and Tan Sri Dr Chen Lip Keong ("Dr Chen"), an executive director and the Chief Executive Officer of the Company, both parties acknowledge and agree that Dr Chen is entitled to a performance incentive of US$26,182,000 for the financial year ended 31 December 2019 (the "2019 Performance Incentive Entitlement").

Pursuant to a resolution passed by the Board on 10 February 2020, the Board considered the matter relating to the payment of the 2019 Performance Incentive Entitlement and resolved to appeal to the generosity and good judgement of Dr Chen to defer such entitlement. The Company and Dr Chen agreed that it was in the interests of the Company to defer the 2019 Performance Incentive Entitlement until the achievement of certain key performance indicators (the "KPIs") in 2020. The Company and Dr Chen agreed that subject to the achievement of the KPIs, the deferral of the 2019 Performance Incentive Entitlement should be extended to 2020 or beyond at the sole election of Dr Chen, and that the Company and Dr Chen shall negotiate in good faith a reasonable timeframe which is in the best interests of the Company.

For record purposes, Dr Chen has foregone total performance incentive entitlement of US$18.6 million from the financial years 2010 to 2014.

Except for the above and other than the additional obligation payment as described in Note 5 to the audited financial statements, there were no other contingent liabilities as at 31 December 2019.

MARKET OVERVIEW

The Cambodian economy continued to register stable growth in 2019. The International Monetary Fund is projecting real gross domestic product growth of 7.0% for 2019 and 6.8% in 2020, with an inflation rate of 2.3% for 2019 and 2.5% in 2020 (Source: International Monetary Fund - World Economic Outlook Database October 2019). The National Bank of Cambodia ("NBC") projected that Cambodia's real economic growth will be maintained at an average of 7%, with inflation rate of 2.3% in 2020.

The Group continued the journey of healthy and steady growth, with gross gaming revenue ("GGR") up 20% to US$1.7 billion and net profit up 33% to US$521.3 million for the Year. The stable business volume and revenue growth across all segments of the business are attributed to the following:

1. **Growing Cambodian Economy, Political Stability, Increasing FDI and Business-Related Visitation to Cambodia**: The stable socioeconomic and political environment has encouraged an increase in foreign direct investments ("FDI"), robust domestic investment activity and tourism growth. In 2019, FDI inflow into Cambodia amounted to US$3.6 billion, representing a 12% increase from US$3.2 billion in 2018 (Source: Macroeconomic and Banking Progress 2019 Report and 2020 Outlook, NBC), making it one of the four ASEAN nations receiving a record-level of FDI in 2019 (Source: ASEAN Secretariat and UNCTAD). Furthermore, 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.

   Cambodia's close geopolitical relationship with China and China's "Belt and Road" policy further drove business-related visitation to Cambodia. International business-related travel into Cambodia increased to 1,299,602 visitors in the first 11 months of 2019, representing a 111% increase from 615,177 visitors in the corresponding period in 2018. 77% of business visitors in the first 11 months of 2019 originated from China. International business-related travel from South East Asian countries into Cambodia also grew rapidly, with business visitation from Thailand, Indonesia and Malaysia increasing by 77%, 65% and 57% respectively (Source: Ministry of Tourism, Cambodia).

   The increase in FDI, strong domestic business activities and business travel helped drive visitation to NagaWorld, resulting in increased business volume. Furthermore, the much-anticipated casino law is expected to be promulgated within 2020, further strengthening the regulatory environment 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 initiative which further fuels the growth of tourism to Cambodia.

2. **Naga 2's Contribution, Continued Increased in Appeal and Visibility of Combined NagaWorld Integrated Entertainment Complex**: Naga 2 significantly increased 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, theatre, shopping, competitive rooms and food and beverage ("F&B") offerings. During the Year, Naga 2 continued to boost and drive an increase in footfall, as well as average customer spend (in particular the mass market segment) of the combined NagaWorld Complex. In fact, average daily mass market gaming table yield during the Year increased by 27% to a level comparable to integrated resorts in other established gaming destinations such as Macau.

The 2,000-seat theatre in Naga 2 also attracted much interest, and the hosting of international shows and events increased business volume of both gaming and non-gaming segments. For instance, NagaWorld hosted the record-breaking World Poker Tour (first major international poker tournament in Phnom Penh), which attracted nearly 3,000 entries from 47 countries in 2019. The Group will continue to improve both 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.

3. **Mass Market Growth**: The Mass Market, which has been a key focus of the Company's strategy, continued to benefit from visitation and tourism growth in Cambodia, and continued to underpin visitor headcount growth at the combined NagaWorld Complex. During the Year, the Mass Market Segment GGR increased by 31%, and continued to pick up speed, which resulted in a higher proportion of revenue contribution to the Group. Cambodia 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 enabled it to service both South East Asian and North Asian (especially Chinese) markets. In the first 11 months of 2019, visitation to Cambodia continued to grow with international arrivals increasing by 8% to 5.9 million visitors. China continues to be the leading source of visitation to Cambodia, growing by 20% to 2.2 million visitors in the first 11 months of 2019. Visitation from South East Asian countries increased by 9%, with Indonesia and Thailand (combined population of about 342 million) registering growth of 22% and 25%, respectively. The top three sources of arrivals - China (37%), Vietnam (14%) and Thailand (7%) - collectively accounted for 58% of total visitation to Cambodia. Arrivals at Phnom Penh International Airport grew 9% over the corresponding period (Source: Ministry of Tourism, Cambodia).

   Cambodia also benefited from 894 weekly scheduled in-bound international flights (an increase from 877 and 386 of such flights in December 2018 and December 2013 respectively). Of these flights, 415 flights per week originated from Chinese cities, including top tier locations such as Shanghai, Guangzhou, Chengdu, Hangzhou etc. Phnom Penh International Airport recorded 499 weekly scheduled in-bound international flights (an increase from 460 of such in December 2018). These flights contributed positively towards the business volume and revenue growth of the Group's Mass Market Segment during the Year.

4. **VIP Business Growth**: The increase in VIP business volume of the Group during the Year was driven by the continued influx of business visitation, tourists, and increased footfall to the combined NagaWorld Complex, in particular Naga 2, where there has been customer demand for higher table limits and increased rollings. A few large Macau-based junket operators have set up fixed based operations and officially commenced bringing in VIP players to NagaWorld during the Year. Overall, VIP customer composition remained well diversified coming from South East Asia and North Asia, with increasing headcount and check-ins originating from Chinese business visitation. Despite the 31% increase in VIP rollings during the Year, the management of the Group continued to adopt a conservative gaming policy with a balanced profit incentive scheme with overseas junket operators.

5. **Financial Strength and Prudent Finance Policy**: The market capitalisation of the Company increased to approximately US$8 billion (as at 20 November 2019), representing a growth of over 18 times from US$441 million since the Company's initial public offering in October 2006. Since its listing, the Company has paid out more than US$1.2 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 2019, the Group contributed approximately 27% of local GDP tourism growth and approximately 1.2% 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).

   The Company's US$300 million Senior Notes are rated "B1" by Moody's Investors Service (one notch above Cambodia's sovereign rating) and "B+" by S&P Global Ratings, whereby its yield to maturity compressed further to 5% as at 10 February 2020 from 9.375% on issuance in May 2018, implying over US$13.8 million annual savings in finance costs with an assumption of refinancing at current yield. The Company has continued to adopt a prudent finance policy of nil to low gearing ratio. As at 31 December 2019, the Company maintained a net cash position with 0.45x debt to EBITDA ratio. The increasing market capitalization of the Group 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.

6. **Licensing Strength:** With no restrictions on the types of games, number of tables, EGM, gaming space, gaming promoter commission and rebates, the Group has great flexibility to optimise its operations over time, including the ability to react swiftly to changes in market demand and alter its operations to best suit customers' needs. For example, the Group has introduced more leisurely games and hybrid baccarat games to cater for customers originating from certain areas of China for the comfort and enjoyment of wide customer base. Furthermore, in consideration of Group's contributions to the social-economic development of Cambodia, the RGC has extended the Group's exclusive rights to operate a casino license in Phnom Penh for an additional 10 years effective from 1 January 2036 until 31 December 2045. The Group believes the exclusivity extension to 2045 may be viewed as a long-term tourism infrastructure project which may generate recurrent revenue to the Company and its shareholders.

7. **Naga 1 Upgrade**: The first phase of upgrading 250 hotel rooms was completed within budgeted cost and reopened at the end of 2019, with no visible disruption to the Group's business volume growth during the Year. 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 with additional savings by first half of 2020. The Group believes that the completion of the Naga 1 upgrade project will contribute positively towards the quality, standard and comfort of Naga 1, driving business volume and revenue of the Group.

Management of the Group continues to adopt a conservative gaming policy, diluting the risks by offering more incentives to junket operators. With improvements in operating efficiencies and rigorous financial discipline, the Group has been able to keep its operating costs reasonably low.

The Group's strong growth trajectory, investors' confidence in the Group's future prospects and industry outlook have led to the Company being one of the global best performing gaming stocks in 2019. During the past 2-year period (2018-2019), the Group has generated about 132% shareholders' return in the form of increase in market capitalization and cash dividend distributed.

BUSINESS REVIEW

Table 1: Performance Highlights

For the Year and comparative prior year:

	2019 *US$'000*	2018 *US$'000*	Increase %
Mass Market: Public Floor Tables			
– Buy-ins	**1,644,557**	1,238,247	33
– Win rate	**19.4%**	19.0%	
– Revenue	**318,315**	235,712	35
Mass Market: EGM			
– Bills-in	**2,759,989**	2,214,638	25
– Win rate	**8.8%**	8.8%	
– Revenue	**158,054**	129,282	22
VIP Market			
– Rollings	**46,611,639**	35,658,532	31
– Win rate	**2.7%**	3.0%	
– Revenue	**1,243,107**	1,069,426	16
Gross Gaming Revenue	**1,719,476**	1,434,420	20

Mass Market (Public Floor Tables and EGM)

The Group continued to achieve solid growth in the Mass Market segment where Public Floor Table buy-ins and EGM bills-in increased by 33% and 25% respectively. This business volume growth was attributable to the increasing visitation at both Naga 1 and Naga 2 as a result of tourism growth into Cambodia, particularly from China which recorded 20% growth in the first 11 months of 2019.

The NagaWorld Rewards loyalty program continued to enable the Group to understand its players' profile, create targeted marketing promotions and rollout player development initiatives to increase the frequency of visitation and gaming spend.

Hosting of both international and local entertainment and events has also helped to increase the Group's brand exposure to the international market as well as attracting more footfall to the combined NagaWorld Complex.

VIP Market

The Group's VIP Market comprised players brought in by junkets, who were either under a commission or incentive program, and direct players without an intermediary. The competitive overseas junket incentive program introduced in March 2013 continued to enable the Group to balance the increase in table limits while managing volatility and credit risk.

The VIP Market continued to register robust growth, as a result of increasing market acceptance of the combined NagaWorld Complex as an integrated gaming and entertainment destination. During the Year, a few junket operators commenced fixed base operations at Naga 2, contributing to the increase in the number of higher-end VIP players from the region and in total rollings. Overall, the VIP Market segment saw a 31% increase in rollings to US$46.6 billion, with a win rate of 2.7%. This translated into a 16% increase in VIP Market revenue to US$1,243.1 million during the Year.

Non-Gaming – Hotel, F&B and Entertainment

During the Year, hotel room revenue increased by 7% to about US$16 million as a result of higher average occupancy rate and average hotel room rate. This was despite the temporary closing of 250 hotel rooms at Naga 1 for upgrade and refurbishment work. Naga 1 hotel rooms recorded an average daily occupancy rate of 84%, compared to average daily occupancy rate of 75% recorded in 2018. In addition, retail rental income increased by 63%, contributed by strong sales growth from the Duty Free operation at NagaCity Walk.

Revenue and Gross Profit Analysis

Table 2(a)

	Revenue		**Gross Profit**		**Gross Profit Margin**
2019	**US$'m**	**%**	**US$'m**	**%**	**%**
Mass Market	**476.4**	**27**	**470.1**	**56**	**99**
VIP Market	**1,243.1**	**71**	**346.5**	**41**	**28**
Non-Gaming	**36.0**	**2**	**29.7**	**3**	**83**
Total	**1,755.5**	**100**	**846.3**	**100**	**48**

Table 2(b)

	Revenue		Gross Profit		Gross Profit Margin
2018	US$'m	%	US$'m	%	%
Mass Market	365.0	25	355.1	53	97
VIP Market	1,069.4	72	286.3	42	27
Non-Gaming	39.9	3	32.1	5	80
Total	1,474.3	100	673.5	100	46

The Group recorded a gross profit increase of 26% to US$846.3 million for the Year, which was in line with the business volume growth. Overall gross profit margin increased to 48% (2018: 46%) as a result of the increased contribution from the higher margin business segments. Mass Market continued to generate a high gross profit margin of 99%.

Administrative and Other Operating Expenses (Before Impairment Losses, Depreciation and Amortisation)

Administrative and other operating expenses before impairment losses, depreciation and amortisation increased by 8% to US$183.0 million during the Year. This increase in expenses was required to support higher business volume across all segments, in addition to the hiring of experienced and qualified staff to facilitate regional marketing efforts, ongoing property enhancements at NagaWorld and the operation of Naga 2. The overall increase in administrative and other operating expenses was lower than the top-line GGR growth of 20% as a result of the Group's continuous operational efficiency improvements and cost optimization efforts undertaken during the Year.

Finance Costs

During the Year, the Group incurred finance costs of US$20.2 million (2018: US$19.5 million) for the interest expenses and transaction costs relating to the Senior Notes issued.

Net Profit

Net profit attributable to the Shareholders, or net profit, increased by 33% to US$521.3 million for the Year. Net profit margin for the Year increased to 30% (2018: 27%) as a result of the increase in contribution from the Mass Market segment, which had a higher profit margin, and improved operation efficiency.

Basic earnings per share increased by 33% to US cents 12.01 (equivalent to HK cents 93.08) in 2019, compared with US cents 9.00 (equivalent to HK cents 69.75) in 2018.

FINANCIAL REVIEW

Pledge of Assets

In December 2014, in accordance with the terms of the Investment Agreement in respect of development of an integrated resort in Vladivostok, Russia, the Company's subsidiary remitted approximately US$8.9 million from its Hong Kong bank account to a Russian bank account of the Company's Russian subsidiary PERC. This amount was deposited in the same Russian bank as fixed deposits which are pledged against which Promissory Notes were subsequently issued to provide collateral for the issuance of a bank guarantee from the same bank required under the Investment Agreement.

Contingent Liabilities

Based on the formula stated in Clause 3.3 of the service agreement entered into between the Company and Dr Chen, an executive director and the Chief Executive Officer of the Company, both parties acknowledge and agree that Dr Chen is entitled to the 2019 Performance Incentive Entitlement of US$26,182,000.

Pursuant to a resolution passed by the Board on 10 February 2020, the Board considered the matter relating to the payment of the 2019 Performance Incentive Entitlement and resolved to appeal to the generosity and good judgement of Dr Chen to defer such entitlement. The Company and Dr Chen agreed that it was in the interests of the Company to defer the 2019 Performance Incentive Entitlement until the achievement of certain KPIs in 2020. The Company and Dr Chen agreed that subject to the achievement of the KPIs, the deferral of the 2019 Performance Incentive Entitlement should be extended to 2020 or beyond at the sole election of Dr Chen, and that the Company and Dr Chen shall negotiate in good faith a reasonable timeframe which is in the best interests of the Company.

For record purposes, Dr Chen has foregone total performance incentive entitlement of US$18.6 million from the financial years 2010 to 2014.

Except for the above and other than the additional obligation payment as described in Note 5 to the audited financial statements, there were no other contingent liabilities as at 31 December 2019.

Exchange Rate Risk

The Group's income is earned principally in US$. The Group's expenditure is paid principally in US$ and to a lesser extent in Cambodian Riel and RUB. The Group therefore does not have any significant exposure to foreign currency risk and therefore has not entered into any currency hedging transactions.

Issue of New Shares

No Shares were issued by the Company during the Year.

Liquidity, Financial Resources and Gearing

All figures quoted in this section are as at 31 December 2019, unless stated otherwise.

The Group had total cash and bank balances, certificates of deposit, fixed deposits and other liquid funds of US$326.7 million (31 December 2018: US$393.0 million). The cash and bank balances, certificates of deposit, fixed deposits and other liquid funds were mainly denominated in US$.

The Group had net current assets of US$281.2 million (31 December 2018: US$420.1 million). The Group had net assets of US$1.8 billion as at 31 December 2019 (31 December 2018: US$1.5 billion).

The Group had outstanding Senior Notes with carrying amount of US$294.8 million (31 December 2018: US$291.1 million).

The presentation of the Group's gearing ratio calculated as total debts less cash and bank balances, certificates of deposit, fixed deposits and other liquid funds divided by equity, is not applicable as the Group's cash and bank balances, certificates of deposit, fixed deposits and other liquid funds were more than the Group's debt (31 December 2018: Not applicable).

Capital and Reserves

As at 31 December 2019, the capital and reserves attributable to owners of the Company was US$1.8 billion (31 December 2018: US$1.5 billion).

Employees

As at 31 December 2019, the Group employed a total work force of 8,625 (31 December 2018: 8,551), stationed in Cambodia, China, Hong Kong, Macau, Malaysia, Singapore, Thailand, the United Kingdom, the United States and Russia. The remuneration and staff costs for the Year were US$125.2 million (2018: US$92.4 million).

Employee Benefits

Salaries, annual bonuses, paid annual leave, contributions to a defined contribution retirement scheme and cost to the Group of non-monetary benefits are accrued in the Year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect of such would be material, these amounts are stated at their present value. The Company has adopted a share option scheme as incentive to its directors and other eligible participants. The Group also provides and arranges on-the-job training for the employees.

Trade Receivables and Credit Policy

The Group continues to monitor changes in trade receivables. Net trade receivables increased from US$75.1 million to US$83.4 million during the Year.

During the Year, the Group prudently made provision for impairment loss of US$2.4 million (2018: US$2.2 million).

The Group has adhered to strict credit policies implemented since 2009. From time to time, the Group will review its policies to ensure that they are competitive and are in line with the Group's risk management strategy. During the Year, the credit policy for gaming receivables was five to thirty days from end of tour while the credit policy on non-gaming receivables remained as thirty days from end of month.

Naga 3 Update

The Group operates the largest integrated resort in the Kingdom of Cambodia and in the Mekong region. In order to capture the fast-growing tourism and economic growth in Cambodia and capitalise further on the Group's favourable competitive position, the Group announced the proposed development and construction of a multi-entertainment, comprehensive and integrated resort complex ("Naga 3"). It is expected that Naga 3 will complement the existing facilities of Naga 1 and Naga 2, with a quality standard set to rival that of the integrated resorts located in Macau.

On 12 April 2019, the Group (through its subsidiary, Naga 3 Company Limited) entered into a guaranteed maximum sum design and build agreement (the "DBA") with CCAG Asia Co., Ltd. (the "Contractor"), pursuant to which the Contractor will undertake, together with its sub-contractors, to develop and deliver to the Group a fully completed and operational Naga 3 with a total built-up area of up to 544,801 square metres for a maximum sum of US$3,515,011,000. The DBA constituted a very substantial acquisition of the Company under Rule 14.06(5) of the Listing Rules and was therefore subject to approval by the Shareholders at an extraordinary general meeting of the Company (the "Extraordinary General Meeting").

On 14 April 2019, the Company as the issuer entered into a subscription agreement (the "Subscription Agreement") with ChenLipKeong Fund Limited, a special purpose vehicle wholly owned by Dr Chen, an executive director, the Chief Executive Officer and the controlling shareholder of the Company, as the subscriber (the "Subscriber"), pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for 1,142,378,575 Settlement Shares or such Adjusted Settlement Shares (both as defined in the circular of the Company dated 22 July 2019) at the price of HK$12.00 per Share (subject to adjustments under the terms of the Subscription Agreement) for the subscription sum, which shall be paid by the Subscriber for the funding of Naga 3 pursuant to the terms of the Subscription Agreement. The Subscription Agreement and the transaction(s) contemplated thereunder constituted a connected transaction of the Company under the Listing Rules, and the Subscription Agreement was therefore subject to approval by the Company's independent Shareholders at the Extraordinary General Meeting.

The Board is pleased to announce that the ordinary resolutions (the "Ordinary Resolutions") proposed at the Extraordinary General Meeting held on Thursday, 8 August 2019 as set out in the notice of the Extraordinary General Meeting were duly passed by way of poll at the Extraordinary General Meeting. 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 Extraordinary General Meeting.

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 which was disclosed in the circular of the Company dated 22 July 2019 that the conceptual designs are subject to change.

SOM has submitted many options of refinements to the Company and some of the features are highlighted as follow:

1) The total built-up area of Naga 3 shall remain the same as not less than 544,801 square metres. In fact in respect of the building submission to the Cambodian government, the total build area is 589,848 square metres. As per the DBA, all excess areas more than 544,801 square metres shall be paid by the Company's controlling shareholder.

2) It is envisaged that the number of rooms shall be reduced to be replaced by a special Upper Podium or Upper Street (as named by SOM). The Upper Podium or the Upper Street shall be situated at the 57 level which consist of 4 floors, 2 floors shall be dedicated to VIP Gaming and 2 floors shall remain as a huge recreational area, likened to the swimming pool areas of Marina Bay Sand Singapore, overlooking the romantic Mekong River and the entire city below.

3) Naga 3 Complex shall consist of 3 towers; one 75-storey tower and two 61-storey towers linked by one Upper Podium or Upper Street. It is envisaged that Naga 3 will be a new landmark on the Phnom Penh skyline, the Naga 3 Integrated Entertainment Complex draws on the Group's commitment to environmental and social responsibility and the rich tradition of Cambodian design. Designed by SOM, the project envisions a "Vertical City": a casino and resort that stretches into the sky, taking inspiration from the vibrancy and excitement of city life.

4) Three towers rest atop a mixed-use, resort Lower Podium, all connected by a system of horizontal and vertical "streets" (elevated amenity bridges and gaming facilities) that are made accessible via a network of Naga Capsule exterior elevators. Just like a city, the resort will host a diverse mix of activities for families and guests – including hospitality, dining, conferencing, and theme park areas. This design will set a new standard for urban gaming resorts in Cambodia, and the world.

5) The design by SOM refines the original massing concept by proposing three towers instead of five. This proposed design achieves similar overall areas and the floor area ratio (FAR) of the previous development, but by deploying a mixed-use tower core design, allows for hotels to stack and thereby greatly improve the overall blended efficiency of the project. Three towers instead of five mean fewer stairs, fewer service elevators, less total façade area and an improved, less dense and more elegant presence on the skyline. Because there are three towers instead of five, more space graces the distance between each façade, improving views and guest experience. The towers are designed to observe height restrictions imposed by practical concerns of economy and construction (they are not taller than necessary) and their floors are rationally designed for efficient, excellent resort and gaming facilities.

6) Tower One, the anchor of the development and the signature parcel in the resort fronts the park and greets the city on the north of the property. It is taller than the other towers, with one hotel stacked atop another. This creates a premier hotel property with a unique sky lobby experience in Cambodia. Perched above Tower One is Phnom Penh's new "City Room": a landmark golden lantern of four floors to be used for VVIP gaming. This glassy special building feature is wrapped in dynamic shading that adjusts its aperture throughout the day to respond to daylighting. It will be like an ever-moving, shimmering icon on the Phnom Penh skyline for years to come.

7) Naga 3 features amenity deck "Streets" that run through and span between the three hotel towers, interrupting the hospitality zones with unexpected lifestyle and wellness moments that culminate in the Parkway, a luxurious al-fresco bridge atop the towers with gaming, dining, and hospitality areas under the shade of a rooftop trellis.

8) Running vertically between the "Streets", the Naga Capsule elevators transport guest along the spines of each tower from "Street" to "Street" in glass cabs highlighting the spectacular panoramic views of Phnom Penh and the confluence of the Mekong River.

9) A holistic principal of the entertainment complex, Naga 3 prioritizes climate-sensitive building strategies and invites the local ecology inside, interweaving natural materials, lush plant-life, and sensory water features to form an urban oasis that spills into the adjacent Triangle Park, NagaWalk, and the bustling activity of the Suramarit Boulevard promenade.

Subsequently the SOM representatives held a special meeting with the Project Architect on 9 December 2019. The conceptual design is accepted by the Project Architect. On 10 December 2019, the SOM representatives and Project Architect held a special briefing to all the independent non-executive directors of the Company (the "INEDs") in the presence of the senior management and other Board members. At the end of the presentation, the conceptual design was approved by all the INEDs.

At the site of Naga 3, the soils tests have finished and the test piles have begun. It is expected that the 8,000 piles which will go down to 60 meters shall begin in the second half of 2020.

Please refer to the Company's announcements dated 3 April 2019, 14 April 2019, 24 April 2019, 7 May 2019, 27 May 2019, 27 June 2019, 21 July 2019, 8 August 2019 and 2 October 2019 and the circular of the Company dated 22 July 2019 for further details of the Naga 3 transactions.

Significant Investments Held and Material Acquisitions of Subsidiaries

There were no significant investments held, material acquisitions and disposals of subsidiaries, associates or joint ventures during the Year.

Events after Reporting Year

No major subsequent events have occurred since the end of the Year and up to the date of this announcement.

PROJECT UPDATES AND PROSPECTS

Update on the Investment Project in Vladivostok

In respect of the Group's gaming and resort development project in Vladivostok, Russia, site clearing commenced in 2016.

An office has been established in the city centre of Vladivostok, Russia and certain key personnel have been appointed to monitor various aspects of the progress of the project which remains broadly on schedule.

The Group believes that its strategy to diversify its business geographically and expand into new casino markets will drive revenue growth in the long term.

Update on Naga 3

The Company has appointed Chicago-based 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 create a truly regional world-class comprehensive integrated entertainment complex which shall compete with regional peers in the Asia Pacific areas. The refined conceptual design is expected to improve the overall efficiency and reduce the density of the integrated entertainment complex, without material changes to the planned total built-up area. With three towers (instead of five), more space graces the distance between each façade, thus improving overall views and guest experience. It is envisaged that the number of rooms shall be reduced to be replaced by a special Upper Podium or Upper Street (as named by SOM). The Upper Street shall be situated at the 57 level which consists of 4 floors, 2 floors shall be dedicated to VIP Gaming and 2 floors shall remain as a huge recreational area, likened to the swimming pool areas of Marina Bay Sand Singapore, overlooking the romantic Mekong River and the entire city below.

In compliance with the terms of the DBA, the Company's contractor, CCAG Asia Co., Ltd. ("CCAG") has notified the Project Architect (as defined in the circular of the Company dated 22 July 2019) 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. CCAG has indicated its intention to appoint and work with such Selected Sub-Contractors (as defined in the circular 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 Extraordinary General Meeting held on 8 August 2019, the Company has completed soil tests suitably qualified regional piling contractors shall be appointed soon. The duration of this piling work is expected to last between 18 to 24 months.

In response to the reinvestment program of the Company, the RGC has 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 in tandem with a world-class garden through which Naga 3 shall be connected to current NagaCity Walk, Naga 1 and Naga 2.

Prospects

The continued growth of visitation to Cambodia is a reflection of the development of Cambodia as a prominent regional tourism and investment destination, brought about by continued political and social stability in the country. The expected promulgation of the casino law in 2020 is another significant step forward in the investment and tourism prospects for Cambodia.

Cambodia is a key country in China's "Belt and Road" initiative and China remains the world's largest market in outbound tourism with nearly 150 million outbound visitations made by Chinese travellers in 2018, an increase of 14.7% year-on-year according to a report issued by the China Tourism Academy and Ctrip (Source: Hong Kong Economic Journal, 14 March 2019). The Group is well-positioned to tap the vast potential of the wave of consumerism from China, from which outbound visitation is expected to reach 200 million by 2020; Chinese per-capita international tourism spend is also expected to reach above US$2,000 by 2020, representing a 49% growth from 2018 to 2020 (Source: CLSA, 19 July 2017 and 14 June 2018). Chinese arrivals to Cambodia of about 2.2 million visitors in the first 11 months of 2019 (mainly driven by business-related travel) represents a small percentage of the potential opportunities. Cambodia is targeting to attract at least 5.5 million Chinese tourists by 2025 (Source: The Commercial News, 15 January 2019).

Similarly, South East Asian countries, which have an estimated total population of 648 million, remain one of the Group's core target markets. Visitation to Cambodia from South East Asian countries including Indonesia and Thailand increased by double digit growth rates of 22% and 25%, respectively in the first 11 months of 2019. In particular, international business-related travel from Thailand, Indonesia and Malaysia into Cambodia increased by 77%, 65% and 57%, respectively.

The strong growth in business-related travel (whereby such visitors tend to have higher disposal incomes and longer average length of stays) into Cambodia augurs well for the Group's future growth, in particular the Mass Market segment, which has always been the Group's key focus market. This is also in line with the Naga 3 development, whereby around 92% of total gross floor area will be allocated for non-gaming activities.

Flight connectivity between Cambodia and regional countries continues to improve. Direct weekly flights into Cambodia has increased from 877 (December 2018) to 894 (December 2019). As part of commemorating the 60th anniversary of diplomatic relations between Indonesia and Cambodia, direct flights between Phnom Penh and Jakarta was established in June 2019, with a total of 7 direct weekly flights. With the anticipated robust growth in visitation, the Cambodian Minister of Tourism (His Excellency Thong Khun) estimated that Cambodia will require 100,000 extra hotel rooms by 2028, of which 60,000 are required for the luxury high-end segment (Source: Khmer Times, 6 September 2018). Given the close geopolitical relationship between Cambodia and China and the continued influx of business-related travel from South East Asian countries, the Group sees good prospects ahead and will continue to be well-positioned as a notable emerging integrated resort in Asia.

The vision of the Group is to build the largest comprehensive, multi-entertainment riverine integrated resort in the world and position the Group as a competitive gaming powerhouse with a firm footing in the Asia Pacific region. Currently, the Group operates the largest integrated resort in the Kingdom of Cambodia and in the Mekong region.

Since its inception in 1994, the Company has been growing steadily with its market capitalisation multiplying more than 18 times from US$441 million since the listing of the Company in October 2006 to approximately US$8 billion as at 20 November 2019. Since listing, the Company has paid out more than US$1.2 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 2019, the Group contributed approximately 27% of local GDP tourism growth and approximately 1.2% 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 5 years can be maintained at 6.5-6.8% as projected by the International Monetary Fund (Source: International Monetary Fund World Economic Outlook October 2019). NBC also forecasts the inflow of FDI into the country will rise 10% in 2020, reaching US$3.95 billion (Source: Macroeconomic and Banking Progress 2019 Report and 2020 Outlook, NBC).

Some of the key features of the Company's casino license include no restrictions on the number of gaming tables, EGM and gaming space, no restrictions on gaming promoters' commission and rebates, etc. Having considered the uniqueness of a casino license, monopoly rights in the heart of a capital city, and after having operated successfully for the past 24 years in a region with political stability and consistent tourism and economic growth, the Group's vision of building Naga 3 paves the way for more success for the Group, greatly enhancing its competitiveness and its footing as an Asian gaming powerhouse. Upon the expected successful completion of Naga 3 by 2025, Naga 3 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 will have about 5,000 hotel rooms, 1,300 gaming tables and 4,500 EGMs and many other non-gaming attractions, and is expected to be one of the largest integrated entertainment complexes in the world. The Company believes that the launch of Naga 3 is not only timely, but also the answer to meet future demand and a surer way to continue the Company's journey of earnings growth, especially after the recent successful ramping up of Naga 2.

In consideration of the Group's contribution to the social-economic development of Cambodia and the Group's 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 completion of Naga 3, the RGC has extended the Group's exclusive rights to operate a casino license in Phnom Penh for an additional 10 years effective from 1 January 2036 until 31 December 2045. This is expected to further enhance the Group's ability to attain steady growth and deliver impressive and consistently improving financial performance.

Management is optimistic about the Group's future business prospects. Naga 1, Naga 2 and Naga 3 are sited in the city of Phnom Penh next to one of Asia's biggest rivers, the romantic and mystic Mekong River. This inspires and encourages the Company to develop the biggest riverine integrated resort in the world, thereby enhancing the competitiveness of the Group as one of Asia's gaming powerhouses, with high quality standards set to rival other established integrated resorts in the region.

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 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.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The directors of the Company (the "Directors"), having reviewed the corporate governance practices of the Company, and considered, amongst other things, the findings of reviews conducted by the independent professional parties, confirm that the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules for the Year.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct in respect of transactions in securities of the Company by the Directors. Having made specific enquiry, the Company confirms that the Directors have complied with the required standard set out in the Model Code regarding securities transactions by Directors for the Year.

AUDIT COMMITTEE

The final results for the Year have been reviewed by the audit committee of the Company which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

INTERIM AND FINAL DIVIDEND

Regardless of the coronavirus outbreaks which the Company is of the opinion that this event will be short-lived, the Company is pleased to decide to recommend a 80 % payout of the net profits generated for the second half of 2019 as final dividend and payment. Accordingly, the Board recommends the payment of a Final Dividend of US cents 5.09 per Share (or equivalent to HK cents 39.45 per Share) for the Year to Shareholders whose names appear on the Company's register of members on Tuesday, 19 May 2020. Subject to the approval of the Shareholders at the 2020 AGM, the Final Dividend is expected to be paid to Shareholders by post on or about Monday, 1 June 2020.

The proposed Final Dividend together with the interim dividend for the six months ended 30 June 2019 of US cents 3.39 per Share (or equivalent to HK cents 26.27 per Share) paid on Tuesday, 20 August 2019, amounts to a total dividend declared for the Year of US cents 8.48 per Share (or equivalent to HK cents 65.72 per Share).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the following entitlements:-

1. 2020 AGM

The register of members of the Company will be closed from Tuesday, 21 April 2020 to Friday, 24 April 2020, both dates inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the 2020 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 20 April 2020.

2. Proposed Final Dividend

The register of members of the Company will be closed on Tuesday, 19 May 2020, on which no transfer of Shares will be registered. The ex-dividend date will be Friday, 15 May 2020. In order to qualify for the Final Dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited located at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 18 May 2020.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Year, the Company did not redeem any of its listed securities nor did the Company or any of its subsidiaries purchase or sell any of such securities.

PUBLICATION OF FINANCIAL INFORMATION

This announcement is available for viewing on the Company's website at www.nagacorp.com and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. The annual report of the Company for the Year containing, among others, the annual financial information of the Group will be despatched to the Shareholders and published on the above websites in due course.

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

Hong Kong, 10 February 2020

As at the date of this announcement, the Directors 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

For the purpose of this announcement, amounts denominated in US$ have been converted to Hong Kong dollars ("HK$") and RUB at the respective exchange rates of US$1.0 to HK$7.75 (as at 31 December 2018: HK$7.75) and US$1.0 to RUB61.91 (as at 31 December 2018: RUB69.47).