

**For Immediate Release**



## **NagaCorp Announces 2009 Interim Results**

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### **Still Profitable**

*Hong Kong, 7 September 2009 – NagaCorp Ltd.* (“NagaCorp” or the “Group”, SEHK stock code: 3918), the largest leisure & entertainment gaming company in Phnom Penh, Cambodia, remains profitable in a very difficult and challenging year.

#### **BUSINESS OVERVIEW**

The global financial tsunami has had a far reaching impact on companies from different sectors and industries, including some gaming and hospitality companies.

However here in Cambodia, the IMF mid term 2009 country report has summarized its observation on the country as one of cautious optimism. We quote *“Under the current baseline, growth is projected to rise gradually to 7-7½ percent a year”, “current account deficit would narrow to 5-6 percent of GDP with further export diversification”, “Underpinning stabilization efforts would be modest fiscal consolidation over the medium term”*.

NagaWorld is today a local social, events, business and tourist destination, well patronized and frequented by locals & overseas customers from both public and private sectors.

Its gaming sector has seen a dramatic improvement of 1,027% increase of the slot business and the increase on slot stations as a result of better gaming regulatory and supervisory environment. We have re-classified out segmental public and junket commissions structure and only junket floor customers and business are entitled to commissions. By such method we noticed an increase 121.7% of revenue on the public floor, although there is less check in by overseas customers due to the economic meltdown, despite almost same number

of overseas visitors which also showed travelers to NagaWorld is not badly affected.

A completed NagaWorld has also seen an increase of 1,050% of non-gaming revenue from the operations of hotel and other entertainments facilities.

The management of the Group (the “Management”) has focused on, among other things cost control during the period under review and achieved a costs cutting efficiency of 55%.

If the one off management fee of about US\$12.6 million (earned from a management contract signed in 2008) was to be taken off, the net profit of the Company shrank only 10% despite a difficult operating environment.

The number of international visitor arrivals to Cambodia remained almost the same with around 1,086,518 for the six months ended 30 June 2009 from around 1,098,000 for the same period in 2008.

### **1,027% Increase in Gaming Machine Business**

Improving regulatory and supervisory environment of gaming machine stations in Cambodia and the closure of slot machines outlets and sports betting stations have since witnessed a notable growth in number of slot machines and business in NagaWorld. During the period under review, the total number of slot stations is 525, compared with 200 slot machines in 2006. As of the date hereof the number of slot stations has increased to 749 and by the end of the year, as a result of interest from many other machines operators we expect the total number of slot stations to increase to about 1,000.

### **Public & Junket Floor Business**

We have re-classified our segmental public and junket business and only junket floor customers and business are entitled to commissions. By such method we noticed an increase **121.7% of revenue** on the public floor, although there is less check in by overseas customers due to the economic meltdown, **despite almost same number of overseas visitors** which also showed travelers to NagaWorld is not badly affected.

### **1,050% Increase in Non-gaming Revenue**

Hotel and entertainment operations represent the non-gaming revenue in NagaWorld. The revenue was derived from the provision of hotel and entertainment services to both gaming and non gaming patrons.

## 55% Costs Savings

In a difficult year aiming at costs cutting and revenue enhancement, the company has achieved a 55% cost cutting exercise, thus achieving a **higher GP margin** of 20.9% and a **higher EBITDA margin** of 8.9% (excluding the US\$12.6 million non-recurrent management fee).

## 10.9% Drop in Profit

The net profit result has to be viewed from the perspective that there is a one-time revenue of US\$12.6 million earned from a management contract signed in 2008. Should this non-recurrent management fee of US\$12.6 million be excluded from the financial results for the first half of 2008, the decrease in net profit is 10.9 % in comparison to the same period in 2008.

## Dividends of 60%

The board of directors has resolved to declare an interim dividend of US cents 0.33 per share (approximately HK cents 2.57 per share), representing a dividend payout ratio of approximately 60.0% based on net profit for the six months ended 30 June 2009.

The Group's balance sheet remained solid during the period. Total assets and net assets per share were US\$305.3 million and US\$0.135 respectively.

## PROSPECTS

Our **corporate vision** is to become a world class corporation “with excellence in our products, people and profitability” for the benefits of the host nation and all our shareholders.

NagaCorp **remains profitable** in the first half of 2009 despite a very challenging & tumultuous global economy. It continues to benefit from the improving political stability of the host nation.

In terms of financial performance, our public floor continues to contribute and recorded a notable increase in revenue for the period under review. Today, **NagaWorld is a landmark entertainment attraction** patronized by not only local qualified Cambodians and neighboring Vietnamese but also overseas nationalities of all kinds and is a popular local social, events & tourist destination. We continue to register increasing number of walk-ins. As a result of political stability in Cambodia and unfavorable conditions in the West,

Cambodians reversed flow to home country also helps. We expect our public floor to prospect further as a developing Cambodia continues to draw foreign direct investments, investors and others. It is noted that, for the first six months in 2009, international visitor arrivals to Cambodia remained almost unchanged compared to same period in 2008 despite the uncertain global economy.

As a landmark quality building, our hotel and entertainment operations attract both locals and overseas patrons and recorded growth as these quality amenities and operations gain in popularity and acceptance by everyone. As of to date we have 11 F&B outlets and around 508 hotel rooms catering for both gaming and non-gaming patrons. Also, we have the largest & comprehensive MICE facility in Cambodia and are a busy and popular venue for holding meetings & events by both public & the private sectors.

Standard & Poor's affirms (on 9 Oct 2008) stable outlook for Cambodia, praises country economic strategies, pragmatic market friendly directions, fiscal policy as credit strength, and maintains a real GDP growth as today financial storms spread. NagaCorp's conservative gaming policy pays in today uncertainty namely, no gearing, low table limit, cater for regional mid size players and provision of top competitive services.

We have strategized our priority on the followings:

**Higher earnings** - Pushing for more regional gaming market share especially Vietnam, provision of innovative Junket programs and producing more non-gaming revenue

**Earnings stability** - Lessening daily earnings fluctuations by maintaining popular and reasonable table limits

**Costs control and improving margins** - Smaller and yet competitive commissions to operators

**Improving on cash position** - Gaming on cash terms only

For the period under review, slot machines brought in substantial revenue for the Group on the back of the **better governmental regulation**. The closure of many outlets and parlors that offered slot machines has reduced supply of venues offering such gaming activity in Phnom Penh. This has benefitted NagaWorld as it is the only licensed casino in and round Phnom Penh and allowed to operate gaming activities including the offering of slot machines. We are working towards the offering of a total of 1,000 slot machines for patronage in NagaWorld.

Enhancing our gaming revenue through more innovative Junket programs running on regional captive markets especially Vietnam has always been an aim of our international marketing team. It is noteworthy that Cambodia has on 27 July 2009 launched its national airline called Cambodia Angkor Airline (“CAA”). CAA is linking not only domestic destination but also Vietnamese cities. NagaWorld and Ministry of Tourism have launched an initiative capitalizing on NagaWorld as a popular Vietnamese tourist destination to create a **superhighway in the sky** linking Ho Chi Ming City, Vietnam and Phnom Penh, Cambodia. This private and public sector cooperation is also seen as an important step of achieving governmental efforts of making its national airlines a reality and a success especially the national carrier has suffered failures in the past.

For the period under review, we are successful in reducing our costs by 55% by adoption of a few measures, i.e. reducing and yet providing competitive commissions to our operators, less subsidies of air freight, rooms and F&Bs.

We also have stopped the policy of granting facility to our customers, thus stopping the exposure to gaming patrons and reducing our debtors position. We have negligible bad debts position for the period under review. Gaming is now strictly on a cash terms basis.

Despite above measures, our attitude, actions and VIP services have been much welcomed by genuine serious minded regional gaming community and we register no drop in revenue in the succeeding months after adoption of such prudent and careful measures by the Company.

With the prudent and appropriate policies in place, NagaWorld can distinguish itself as the Indo-China hotel casino complex and continue to offer international, competitive and quality service and product to its customers and visitors coming from the surrounding and growing economies. The success of the gaming and leisure industries will, in turn, benefit the host nation and generate return for the Company, its shareholders and investors.

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## **ABOUT NAGACORP LTD.**

NagaCorp Ltd. was listed on The Hong Kong Stock Exchange in October 2006 (SEHK stock code: 3918). Established in 1995, NagaCorp Ltd.'s wholly owned subsidiary, NagaWorld Ltd. owns, manages and operates the only and the largest world class comprehensive hotel casino entertainment complex in Phnom Penh, the capital city of the Kingdom of Cambodia. It owns a casino license valid for 70 years and exclusive gaming rights for a period of around 41 years (1995-2035).

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