

Reports

SOUTH EAST ASIA - CAMBODIA

Exceptions to the rules



Cambodia has a high number of casinos despite the fact that locals are not legally able to enter or place wagers. But with Thailand and Vietnam just next door, the country is cashing in on the vast number of gamblers who cross the border to gamble.

The Cambodians considers themselves to be Khmers, descendants of the Angkor Empire that stretched over much of South East Asia. The empire was under French protection in 1863 and it became part of IndoChina in 1887.

After Japanese occupation in World War II Cambodia then gained full independence from France in 1953 and in 1975 after a seven year struggle communist Khmer Rouge troops captured Phnom Penh and evacuated all the cities and towns. Some 1.5 million Cambodians died during this

time under the Pol Pot's Khmer Rouge regime and in 1978 a Vietnamese invasion drove the Khmer into the countryside and a 10 year Vietnamese occupation began with 13 years of civil war.

In 1991 a cease fire was called and in 1993 some normality was resumed under a coalition government. Factional fighting in 1997 ended this government but another was formed a year later with renewed political stability.

The last remaining Khmer Rouge surrendered in

early 1999. In 2004 King Norodom Sihanouk abdicated the throne and his son Prince Norodom Sihamoni took over and remains as King today.

Today the government is a parliamentary constitutional democracy and is headed by Prime Minister Hun Sen who has been in power since 1985.

Cambodia has seen strong economic growth over the last decade. At the moment GDP is worth US\$19,843m (2016) with an annual



growth rate of around seven per cent.

The tourism, construction, garment, real estate and agricultural sectors account for the bulk of growth and some 500,000 are employed in the tourism sector.

This sector has grown rapidly with foreign arrivals exceeding two million per year since 2007 with a steady increase annually and reaching around 4.7 million in 2015. Tourism receipts for 2015 amounted to US\$3bn.

Cambodia became a popular tourist destination in the 1960s but due to unrest in the area this eventually decreased. Its growth began again in the 1990s and today is the second largest industry after the garment sector and receipts make up around 16 per cent of the GDP.

Cultural heritage is popular as are eco tourism spots. The gambling industry supports the tourism sector and this is mostly concentrated

up and down the borders of Thailand and Vietnam and along the coastal resorts particularly in Sihanoukville. Cambodia is made up of 24 provinces and one municipality (Phnom Penh).

There is a huge increase in the number of Chinese tourists which rose by 24 per cent in 2015 to 694,712 visitors. It is said this increase is down to political stability and availability of business opportunities in an emerging market.

Cambodia borders the Gulf of Thailand between Thailand, Vietnam and Laos and the introduction of casinos in border cities and towns (especially those near the Thai border) has created an industry which has thrived and brought a steady but low income in for the government. Corruption is high however and there are calls to look at the bureaucratic process and regulate tax collections.

Currently Cambodia's foreign policy focuses on

establishing friendly borders and integration into regional and global trading systems. Obstacles remain however including the need for a better education system and skilled workforce. There is a lot of poverty and only a basic infrastructure.

Cambodia still remains one of the poorest countries in Asia and long term development is a challenge and inhibited by corruption, limited human resources, poor job prospects and high income inequality. It is said some 2.6 million people live on less than \$1.20 per day.

GAMBLING INDUSTRY

Gambling was completely prohibited during the Khmer Rouge dictatorship during the 1970s although it was legalised again in the 1990s when the first casino licence was granted to Naga World in 1994.

However in 1996 the Law on Suppression of Gambling was introduced and this closed down a few casinos in Phnom Penh, except for Naga World, and practically prohibited all forms of gambling for Cambodian residents.

The government allowed the casinos to relocate out to Poipet and Bavet and from there they began to spread along the border towns.

For a while the only form of gambling that remained for the locals were slot machines although many slot machine parlours were closed down in 2009 in Phnom Penh and Siemreap following reports of disputes and debts caused by the games.

The government ordered slots to be removed only allowing them at certain hotels and in some provinces including Poipet and Bavet. However not wanting to miss out on vital tax revenues gambling establishments were still operational and licences have since been given out and today the law is loosely enforced.

Meanwhile casinos are in theory only supposed to accept foreign players and these, plus five privately run national lotteries, are legally permitted.

The Law on Suppression of Gambling includes the following:

- Gambling of all kinds in all places throughout the Kingdom of Cambodia shall be strictly prohibited except those permitted by the Royal government.
- Any person who gambles is subject to a fine ranging from KHR10,000 up to KHR50,000 or imprisonment from one week to one month. Repeat offenders shall be fine KHR50,000-KHR500,000 and imprisonment from one month to one year.
- Anyone opening or managing a gambling den is subject to a fine of KHR5m to KHR20m and imprisonment from one to five years and repeated offenders subject to a fine plus imprisonment with a maximum term.
- Any production, importation for gambling

SPORTS BETTING (NON REMOTE)

Legally none

BETTING SHOPS

Legally none

LOTTERIES

5 operators

CASINOS

63

CASINO SLOTS

7,660 (2015)

CASINO TABLES

2,568 (2015)

CASINO REVENUE

\$2bn

CASINO TAX REVENUE

\$34.7m

HORSE TRACKS

None

ONLINE MARKET

Not legal

LICENSING

Ministry of Economy and Finance



Many Asian betting companies have a presence in Cambodia. There are often arrests for illegal operations but profits are so lucrative the situation continues. Betting and gambling is widespread. The government often looks the other way, whilst there are card rooms and unauthorised lotteries.

business and equipment without authorisation will be fined KHR500,000 to KHR5m with imprisonment from one month to one year.

- Rewards are given to the person or unit involved in the suppression operation.

At the time an exception was also made to a company called CamboSix which was given a nine year licence to be the sole bookmaker in the country. The firm was allowed to accept football bets on games from around the world.

This made it the only fully legal option for Khmer locals to gamble. However in 2009 the Prime Minister Hun Sen suddenly terminated the licence two years early stating the operation was responsible for the "moral decline" in the country and linked betting to increasing crime levels and social problems. CamboSix had to close its 20 shops the very next day.

This ban was coupled with the demise of slot machines also in the country. At the time the sector was said to be worth \$12bn whilst the online business was making in the region of \$20m each month accordingly to estimations.

CamboSix, opened as Royal Cambodia Goals Co Ltd by the CamboSix Investment Group in 2002 and had 20 betting shops in Phnom Penh and one in Sikanoukville. Football bets were placed over the phone and internet.

Although sports betting has technically been illegal since this time it still remains and is as popular as ever and is particularly ingrained into Cambodian culture. Men who don't gamble are often viewed as not masculine.

Many Asian betting companies have a presence in Cambodia. There are often arrests for illegal operations but profits are so lucrative the situation continues. Betting and gambling is

widespread. The government often looks the other way as casinos permit locals to enter whilst there are card rooms and unauthorised lotteries. Cockfighting is a huge sport and is even televised whilst kickboxing and dragon boat racing is also popular plus a sport called Sepak Takraw (similar to volleyball but using only feet, knees, chest and head to touch the ball).

Football remains the biggest sport in Cambodia and generates more revenues than any sport in the country. The main focus is European football and in particular the English Premier League.

There is no horse racing track in Cambodia although since 2008 there have been plans in place to build a horse racing centre.

Meanwhile there are five main lottery companies now in Cambodia. In 2005 there were as many as 40 to 50 companies each

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taking a punt in the market but one by one they closed down due to revenue losses. The lottery is a dwindling past time in Cambodia and played less and less.

The National Sports Lottery is run by Sport Social Affair Company and was set up to raise funds for the National Olympic Committee of Cambodia a year after CamboSix shut down.

It was a joint venture with Singapore's PSC Corporation and the National Sport Foundation. The lucky draw game would give 20 percent of profits to sports development.

It's been a comedy of errors however with the lottery stopping and starting due to revenue losses and was re-launched in 2011.

The National Olympic Committee of Cambodia formally authorised the National Sports Lottery

company to operate and issue lotteries in a bid to raise funds for the Southeast Asian Games in 2023.

A 10 year agreement was signed last year with the company and Ace Metro, a subsidiary of China LotSynergy Holdings, to provide all lottery betting terminals, lottery hotline transaction and systems. Ace Metro now plans to roll out 7,000 betting terminals across Cambodia to become the nation's largest lottery provider.

Pan Cambodia Lottery Company is a private limited company which offers the 5D Lottery game available via outlets in Phnom Penh. It is Malaysian backed and returned to Cambodia in 2015 after a failed start up five years previously.

Cambodian CM6 is a new lottery company opened in 2015 offering Quick 4D and 5D type games primarily provided by parent company

eGame Solutions of Hong Kong. They aim to have 1,000 retail units around the country.

Khmer Pool Welfare Lottery provides nationwide welfare lottery and has operated instant lottery games since 2002.

CamLoto is run by VW Win Holdings which was set up in 2013 to operate digit number forecast betting in Cambodia and runs games - 5D and Lucky 6/36. 5D is where players choose five numbers from 0 up to 99999 with three draws a week whilst Lucky 6/36 is where a player selects one main number and five bonus numbers between one and 36. There are five draws a week.

They aim to have 100 betting stations with 2,000 mobile betting machines across the country and offer up to five different games.

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Gambling remains a popular past time and is ingrained in South East Asian culture and particularly in Cambodia and consequently despite the laws Cambodians still find a way to gamble. Casino personnel merely look the other way when locals enter whilst private rooms are provided for government and law officials and illegal gambling is rife.



THE CASINOS

Bordering countries including Vietnam and Thailand prohibit gambling or prohibit their locals from gambling, so the Cambodians have always capitalised on this with extensive casinos on the border towns which attract Chinese, Vietnamese and Thai customers.

Cambodia's first casinos opened in 1994 but four years later the Prime Minister banned gaming within a 200km radius of the capital. Naga World survives but the others closed and moved to the border towns. Naga World is the largest casino in Cambodia today and is responsible for around 23 percent (\$9m) of the casino revenue in the country.

It is estimated that the income generated by casinos from non residents represents about \$2bn which is 40 percent of the total amount spent by foreign visitors last year. The government had collected a total of \$34.7m in taxes from the 63 licensed casinos in 2015. This is a 33 per cent increase from the previous year figures.

In 2014 there were a reported 56 casino licences and 7,660 slots and 2,568 gaming tables. The

sector earned \$24m in 2014. Several new licences were issued last year whilst 12 shut down leaving a total of 63 operational at the year end. Although this is the number given by the Ministry in actual fact today there could be more, as casinos open and close on a weekly basis so the figure can vary and it is impossible to put a finite number on it.

As gambling is illegal or restricted in all of the bordering countries Cambodia is a prime spot and since the late 1990s has been building a casino industry to capitalise on this demand. Most casinos are in border towns and resort areas such as Poipet, O'Smach and Bavet and there are also 'casino strips' between border check points so foreign nationals may cross the border simply to gamble and return home without officially passing through the Cambodian checkpoint and therefore eliminating the need for visas.

It is said many new border crossings are opened regularly along the stretch between the two countries just to merely house a casino. The casinos vary between small and larger casinos and are mostly operated by independents. In the popular tourist resorts such as Koh Kong

and Sihanoukville the casinos are open to anyone with a foreign passport. It is said the nation's western border of O'Smach town draws around 2,000 Thai nationals every day.

Gambling remains a popular past time and is ingrained in South East Asian culture and particularly in Cambodia and consequently despite the laws Cambodians still find a way to gamble. Casino personnel merely look the other way when locals enter whilst private rooms are provided for government and law officials and illegal gambling is rife. It is said that Naga World derives as much as 70 per cent of its revenue from locals.

Many Cambodians have dual citizenship and therefore can enter whilst those that can't bribe local police to gain entry. Many activities are controlled by organised crime syndicates and protected by bribes.

With this there are of course problems relating to debt problems and disputes and of course limited player protection.

There are only a handful of slot halls in Cambodia mainly because operators receive the



NAGAWORLD REVENUES

NAGAWORLD	2015	2014	DIFFERENCE
Mass Market: Public Floor tables			
- Buy-ins	\$550.1m	\$465.4m	18.2%
- Win rate	22%	23.3%	
- Revenue	\$120.8m	\$108.6m	11.2%
- No of tables at end of year	87	85	2.4%
Mass Market: EGM			
- Bills in	\$1,370m	\$1,185m	15.6%
- Win rate	9.8%	10.1%	
- Win per unit per day	\$230	\$214	7.5%
- Revenue	\$136.8m	\$84.5m	61.8%
- No. of machines at end of year	1,656	1,537	
VIP Market			
- Rollings	\$7,875m	\$6,185m	27.3%
- Win rate	2.8%	3%	
- Revenue	\$222.9m	\$188.1m	18.5%
- No. of tables at end of year	200	169	18.3%
GGR	\$480.6m	\$381.1m	26%

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Essential information and facts about Cambodia:

Country	Cambodia
Capital	Phnom Penh
Total Area	181,035 sq.km
Population	15,708,756
Median age	24.9 years
Male	24.2 years
Female	25.6 years
Ethnic groups	Khmer (90%), Vietnamese (5%), Chinese (1%) other (4%)
Religions	Buddhist (official 97%), Muslim (1.9%), Christian (0.4%)
Languages	Khmer (official 96.3%), other (3.7%)
Currency	Riels (KHR)
Government type	Parliamentary Constitutional Monarchy
Chief of State	King Norodom Sihamoni (since 2004)
Head of Government	Prime Minister Hun Sen (since 1985)
Cabinet	Council of Ministers named by the Prime Minister and appointed by the Monarch
Elections	Monarch chosen by nine member Royal Council of the Throne among eligible males of royal descent. Following elections member of the majority party of majority coalition named Prime Minister.



same licence for both a slot hall and casino, so the majority usually open a casino.

Meanwhile Sihanoukville has earned itself a reputation for live dealer online casinos mostly run by Chinese operators targeting Chinese players who cannot gamble online at home. There have been various crack downs recently with many Chinese nationals arrested for running operations out of casinos in the town.

It is estimated that 90 per cent of the 5,000 Chinese who live in the area have since fled home. The casinos have been permitted to operate online gambling sites although the whole online sector remains a somewhat grey area and difficult to regulate.

On the other hand Cambodia is expected to lead the world in terms of VIP gaming revenue this year with a huge growth in 2016 on previous year figures after reporting its first quarter on quarter growth this year after eight consecutive quarterly declines. Cambodia reported a 174 per cent increase in the

first quarter growth at a total of \$81m – helped by VIP revenue predictions – according to a report by Morgan Stanley.

The turn around was due to Chinese high rollers being more confident and the consolidation of junket operators. Cambodia is also expected to benefit from the slow down in Macau.

THE VENUES

The main casinos in Cambodia include of course Naga World which is the largest five star hotel in Cambodia and has the exclusive gaming rights within a 200km radius of the city Phnom Penh.

The city houses around two million population and is the commercial and political hub of Cambodia. Naga World was opened back in 1995 in a ship docked in the Mahong River and then moved to the hotel in the area of Sam Dech Hun Sen Park which was incepted in 2006 with just 100 rooms at the time.

The name comes from the mythical story of a seven headed dragon or 'Naga' that once lived in

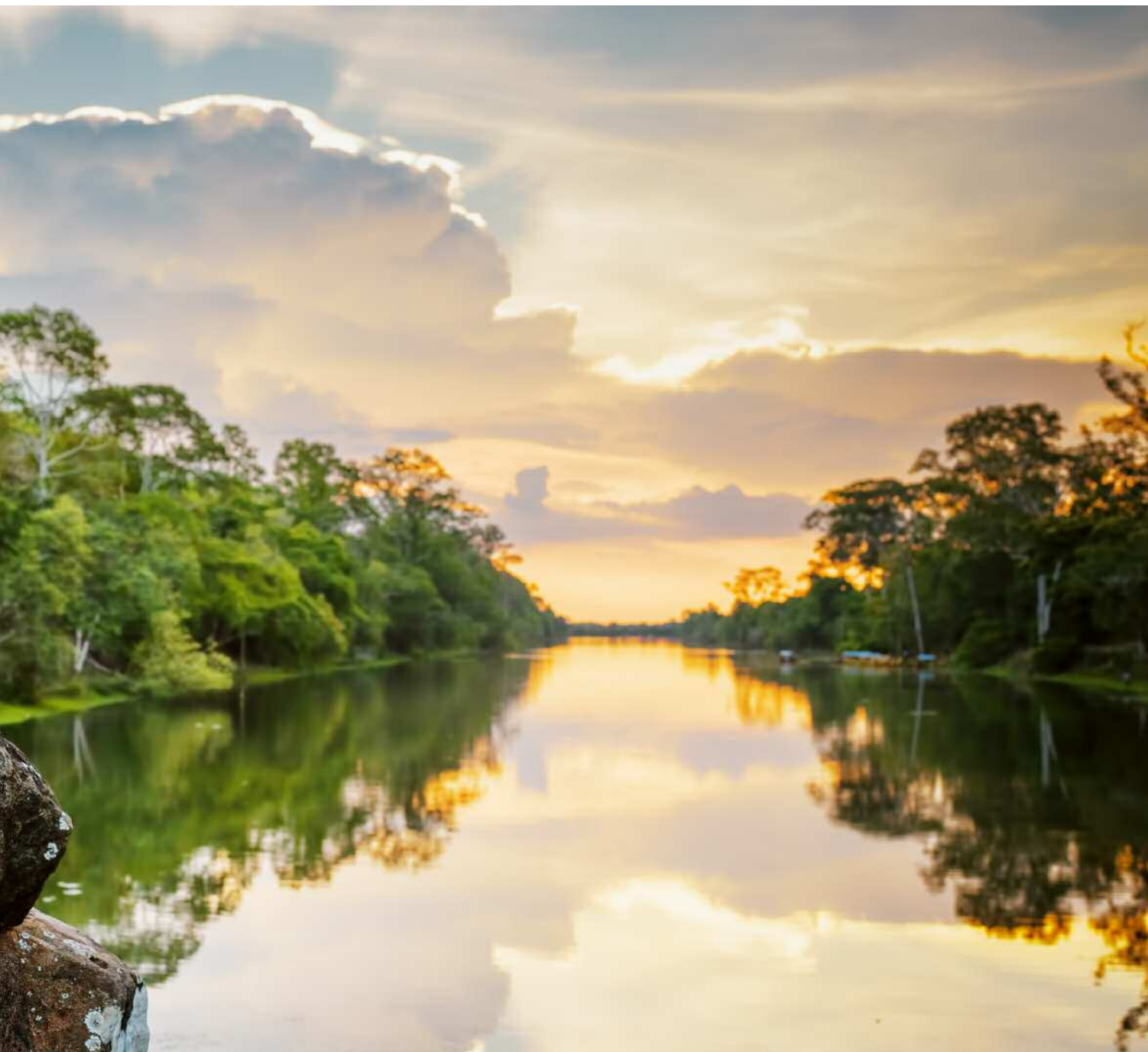
the rivers guarding the entrance to the city.

The hotel now has more than 700 rooms and several luxury suites, spa and 19 food outlets, clubs, shopping gallery, pool and convention space. Today Naga World is seen as the finest integrated casino hotel in IndoChina and has an eight storey wing dedicated to entertainment and gaming and this is divided between:

Amret Palace, which is on the top floor with rooftop pool and is home to 184 electronic slot machines and electronic roulette. It opened in 2015.

Grand Casino and Garden Casino are two halls with six different types of table games including Baccarat, Roulette, Blackjack, Caribbean stud poker, Tai Sai, Ultimate Texas Hold 'em, Ngau Ham and Bai Buu.

Nagarock is the premium mass lifestyle casino which opened in 2012 and hosts slots and table games and live band performances. Saigon Palace is an addition to the public gaming



hall and is a themed gaming area with nine tables and 120 slots.

Rapid I consists of 91 gaming machines operating live Baccarat and Roulette

Rapid II consists of 92 gaming machines for Roulette and Tai Sai and Baccarat tables.

Premium Hall is a themed gaming area with tables and electronic games and live performances.

Private Gaming Suites are located in the penthouse suites and offer private gaming for guests who prefer privacy.

There are a total of 287 gaming tables and 1,656 slots in Naga World in total. Naga World is a subsidiary of Naga Corp Ltd and the casino sees visitors from Vietnam, China, Thailand, Singapore, Malaysia, Korea and Japan.

Naga World is the company's flagship operation and they have a 70 year casino licence which

runs out in 2065 and a 41 year monopoly within a 200km radius of the city (except the Cambodia/Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville) which expires in 2035.

Naga World is at full capacity with 80-90 per cent room occupancy on a regular basis and the casino caters for tourists, tour groups, walks ins and general public. As such the company is now developing its Naga 2 project.

This is a massive \$369m development due to open in 2017 just next door to Naga World to include 1,000 hotel rooms, 38 luxury VIP suites, 2,100 seat theatre plus additional gaming space. It has been designed by Paul Steelman.

Naga 2 will be 110,105sq.m in total to include the Naga City Walk which will link the two complexes with around 13,248sq.m of retail and public space and the TSCLK Complex to include the hotel rooms and suites, theatre and gaming area with around 200 gaming tables and 1,000 slots.

The retail area will include the largest duty free operator in China and looks set to pull in customers for both the VIP market and mass market particularly customers from China.

The company is also developing a gaming and resort project in Vladivostok, Russia which is due to open in 2018.

Financially the company saw total revenues in 2015 of US\$503.7m which was up 25 per cent from the previous years figures of \$404.3m of which mass market gaming represented \$257.6m or 51 per cent (27 per cent slots and 24 per cent tables); VIP market with \$223m (44 per cent) and non gaming with \$23.1m (five per cent).

Gross profit was \$327.8m; EBITDA was \$228.5m and net profit was \$172.6m. Meanwhile gross gaming revenue increased by 26 per cent to \$480.6m.

Naga World's EGM revenue growth was 62 per cent thanks to an increase in amount gambled

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- 1 To support diversification, the government has launched an industrial development policy aimed at upgrading industry from low-cost, labor intensive manufacturing to production with higher value added. The policy encourages the expansion and modernisation of small and medium-sized enterprises, stronger regulations and enforcement, and a better environment for doing business.
- 2 Cambodia, which was once a predominantly agricultural nation, saw the industry sector grow at 11.7 per cent last year – the biggest overall contributor to GDP. This was bolstered by an increase in merchandise exports of about 14.1 per cent to \$8.5 billion in 2015, and a 10.2 per cent increase in the shipments of garments and footwear, which comprise 70 per cent of total exports.



The VIP market has increased with revenues up by 19 per cent to \$223m. This market is made up of players brought in by junkets who are either under a commission or incentive programme or direct players. The overseas junket incentive programme was introduced at Naga World in 2013 and rollings have seen a 27 per cent increase over the last year to \$7.8bn. In the second quarter of 2015 the group signed additional North Asian junkets under the programme.

and an additional 269 slots installed in 2015. A TITO system has also generated quicker and higher ticket sales whilst the casino's Golden Edge Rewards Club loyalty programme now has 15,500 active members.

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In the second quarter of 2015 the group signed additional North Asian junkets under the programme and also launched tele-betting with

a junket under the incentive programme in December 2015.

The five largest junket operators account for 32 per cent of group revenues whilst the largest junket operator accounts for nine per cent alone.

In August 2016 the government conducted an audit of Naga World after finding discrepancies in its taxes. Naga Corp Ltd is a Cayman Island registered company and since 2000 has paid an Obligation Payment per month which began at \$60,000. They benefit from a special exclusion on non-gaming revenues which exempts it from standard income tax rate of 20 per cent.

The monthly gaming Obligation payment and non-gaming Obligation Payment is reviewed

annually and increased by around 12.5 per cent each year until the "full completion of Naga World". In 2015 this rate was \$365.3m (gaming) and \$214.3m (non gaming) equalling the \$6.9m in taxes paid on \$189m profit. Effectively around two per cent.

Last year however they were requested for the first time to pay an additional tax bill for \$9.4m (non-gaming obligation payment) after an audit of their non gaming revenue which includes the 700 room Naga World hotel, restaurants and other activities.

Naga World say it was exempted from additional taxes by a 2006 agreement giving them a seven year grace period to construct its flagship hotel in the capital. After 2013 the payment is due to



be reviewed on a basis of the "actual position" of Naga World.

According to Naga World they received an extension to 2018 on the payment obligation however did pay the additional payment requested saying "the final outcome is subject to future developments in this matter."

Meanwhile in July this year Entertainment Gaming Asia which leased machines to Naga World announced that it will sell its 670 EGMs to a third party in Cambodia for \$2.5m.

This follows a recent lease agreement made only in February 2016 in which EGA agreed to lease Naga World the EGMs and related equipment. This came after a previous contract which ran from 2010 to 2016 ended where EGA had placed and jointly operated the EGMs in the Naga World casino floor with net win split. Under the terms of the new lease agreement all the 670 seats would be leased and EGA responsible to pay withholding tax and provide onsite machine and system maintenance. Naga World in turn initially paid EGA a monthly fixed fee per machine of \$22 per day per seat which was then reduced to \$18 from September 2016 onwards.

EGA has also sold 154 of its EGMs at Leisure World VIP Slot Club in the Philippines. EGA will continue with the lease of EGMs at two other

venues in Cambodia and two in the Philippines.

In Cambodia the company had a total of 993 EGM seats in operation in three different venues and 550 EGMs in three venues in the Philippines.

The two other Cambodia operations with EGA machines are Thansur Bokor Highland Resort and Dreamworld Club in Poipet.

EGA saw a total of \$14.6m in net revenue for its Cambodia slot operations in 2015 with an average daily net win per unit of \$152. The revenue for EGA from Naga World amounted to \$13.6m with an average net win per unit per day of \$225 (compared to \$189 the previous year).

EGA is a wholly owned subsidiary of Melco Group which holds about 65 per cent interest in the company. They did operate a Dreamworld casino in Pailin until 2014 when it closed down due to losses.

Clarence Chung, Chairman and CEO of EGA said: "While our exit from the gaming products business in the second quarter and two EGM leasing contracts as from June 30 2016 will have a negative impact on our near term potential earnings, these transactions provide us a total of approximately \$10m in cash, excluding the potential for earn outs on certain gaming chip

and plaque sales. To date we have received \$7.3m of these proceeds and have built cash resources of over \$36m which, we believe, enhances our ability to pursue and execute on new projects that will fuel long term growth for the company.

"Our efforts to develop an online social casino platform are progressing and we expect to commence initial testing in a single market in Asia in the third quarter of 2016. We have developed this free-to-play social games app for the Pan-Asian market and intend to monetise it through the in-game sale of virtual coins that allow players to extend play time or accelerate their progress."

Other large casinos include the Las Vegas Sun which is located on the Vietnam/Cambodian border in Bavet City and is the only casino in Bavet which also has high end resort style facilities. The casino offers 100 gaming tables and 150 slot and 10 online games via the main gaming hall or VIP suites. Tables include Baccarat, Blackjack, Las Vegas Poker, Tai Sai, Casino War, Xoc Dia and Texam Hold 'em. plus entertainment and restaurants and duty free shopping. The hotel itself has 223 rooms including 23 suites.

The other Cambodian venues with EGA products are Thansur Bokor which is a casino resort developed by leading Cambodian hotelier Sokha Hotels and Resorts in the Kampot province. It was the first and only highland resort in the Mekong sub-region amid jungle and mountain landscapes. The resort has 564 rooms and suites, conference centre, spa, pool, restaurants. The gaming hall has a range of gaming tables and slots. EGA has 71 machines in this venue on a revenue split.

Dreamworld Club in Poipet is a slot hall in the Banteay Meanchey province in Northwestern Cambodia near to the Thai border. The slot hall opened in May 2013 and cost \$7.5m. EGA has 300 EGM seats in this venue which is operated by EGA under an agreement with a local partner who already operates an existing casino in Poipet. The two split the net win.

Meanwhile other casinos in Cambodia include Star Vegas Resort operated by Australian listed company Donaco International, which operates leisure and entertainment businesses across the Asia Pacific region. The Star Vegas is the largest business and a casino and hotel complex in Poipet on the border with Thailand. It was established in 1999 and has 109 gaming tables and 1,500 slots and 385 hotel rooms. It was acquired by Donaco in 2015 for \$360m. Donaco also operates the Aristo International Hotel in Vietnam on the border with China which was established in 2002 as the very modest Lao Cai International Hotel and Casino and replaced in 2014 by the \$55m Aristo International and became a 428 room resort with 40 tables and 58 gaming positions.

Star Vegas later opened the Heng Sheng gaming room to accommodate its junket deal with the Heng Sheng Group, one of Macau's largest junket providers and in the first six months of 2016 the number of Chinese visitors grew by 22 per cent.

The Star Vegas Resort saw revenues last year of US\$87.3m and represents 84 per cent of Donaco's FY16 revenue and 85 per cent of

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There has been a surge recently in casino licences mainly attributed to the poorly regulated online gaming sector and Chinese investors are also investing in properties to convert into online live dealer casino operations. Sihanoukville is a popular area for such activities as it's not a border area.

EBITDA. Donaco is headed by Joey Lim, the grandson of Genting's founder Lim Goh Tong.

The Bao Mai Resort is a luxury resort opened in 1999 located in Sihanoukville just 100 metres from the Ochhteuteal beach. It's a well equipped resort with 160 rooms plus casino with slots and table games.

The Queenco Hotel and Casino is located on Victory Beach in Sihanoukville with a complex which consists of 58 beach house room and 141 rooms and suites in another part of the building – 199 rooms in total. The casino is open 24 hours a day and has 12 table games including Poker, Roulette, Blackjack and Baccarat plus slots. Queenco Leisure International is also active in Greece and Serbia and operates a total of four casinos and two hotels including the Casino Loutraki and Casino Rodos in Greece and Grand Casino Beograd in Serbia.

Queenco purchased a nine hectare plot for the hotel/casino back in 2008 with the plans to develop an entertainment centre to include up to 3,000 hotel rooms, casino and entertainment centre built in stage. Queenco also holds an

additional 52 hectare plot 2km from this site. They began work in 2012 via a joint venture valued at around \$30m. Queenco reported losses of \$1.2m for the first half of 2014.

ONLINE

Online gambling is officially prohibited in Cambodia but the government permits this service to take place in casinos.

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Today Cambodians bet online via various sites particularly for football matches and these include bookmakers based out of Poipet and local agents.

Poipet is a special economic zone in the north west of Cambodia that borders Thailand. The area houses a strip of hotels and casino between



the Cambodian and Thai passport control counters enabling Thai residents to gamble without going through Cambodian immigration.

This special zone is a haven for lawless operations and houses a strip of brothels and casinos. The casinos operate with Thai currency and although locals are technically prohibited this is rarely enforced.

Illegal betting shops are packed into the area at the same time where punters can bet on football and so called 'spot bets' where they wage money, not on a result, but on specific incidents during a match. There have been huge investigations in this area into match fixing and bribing.

Most betting shops operate out of internet cafes and the police are basically paid to turn a blind eye. The area attracts hundreds of thousands of punters each year. Most chains lead back to gangs in Singapore and China.

Football betting shops can be found throughout this area in and outside of the casinos. They have



physical shops and bets can be made via their own websites too. These are often licensed in the Cagayan Special Economic Zone and Freeport in the Philippines. A large number of bets are taken over the telephone.

There are also several hundred underground gambling shops in the main cities and of course these, alongside placing bets through domestic websites, is illegal.

For legal betting most use foreign bookmakers

and the most popular are Bet365, SBOBet and Dafabet. The main problem however is most don't support the Khmer language whilst payment options are also limited.

Meanwhile there are some changes ahead. Since 2014 the government has been drafting a series of changes to the gaming laws in a bid to draw players from Macau and the US to the market and also create a new tax base from the growing online sector which currently exists under a somewhat grey area.

The new Casino Law is also expected to include online casino licences at the same time and will give the Ministry of Economy and Finance stronger investigative powers.

At the moment online betting operators are not permitted in Cambodia however many casinos operate these facilities with the tacit permission of local authorities.

The new law due to be brought in this year and implemented within the next year could see

1 Around 500,000 Cambodians are employed in the tourism sector, and a further 50,000 people in the construction industry. Tourism has continued to grow rapidly with foreign arrivals exceeding two million per year since 2007 and reaching around 4.5 million visitors in 2014. Mining also is attracting some investor interest and the government has touted opportunities for mining bauxite, gold, iron and gems in Cambodia.

2 A major economic challenge for Cambodia over the next decade will be fashioning an economic environment in which the private sector can create enough jobs to handle Cambodia's demographic imbalance.

3 Poverty continues to fall in Cambodia, albeit more slowly than in the past. In 2012, the poverty rate was 17.7 percent. About 90 percent of the poor live in the countryside, with around 8.1 million people categorised as 'near-poor.'

Reports

SOUTH EAST ASIA - CAMBODIA

- 1 Hun Sen, one of the world's longest-serving prime ministers, has been in power in various coalitions since 1985. A former communist and – briefly – a member of the Khmer Rouge – he was last reappointed by parliament in September 2013 for a further five-year term, in the face of mass demonstrations.
- 2 Cambodia, which was once a country synonymous with conflict and poverty, now has one of the fastest growing economies in Asia. The country's gross domestic product has grown by seven percent or more each year since 2011 and is expected to keep up that pace in 2017, according to the Asian Development Bank's Asian Development Outlook 2016.
- 3 Cambodia's large supply of inexpensive, low-skilled labor has attracted substantial foreign direct investment into the production of garments and footwear for export.



After seven years of discussion, in June 2016 a final draft of a new casino law was submitted to the Vietnamese government. It was feared at the time a ban would be lifted on Vietnamese nationals being able to gamble on their home turf. A move that casino operators in the Cambodian border town of Bavet said would be a huge blow to their operations.

some changes for the casino sector permitting locals to gamble. It is estimated that casino revenue will double whilst the market will be open to direct investment from major investors.

It is also thought tourism could increase from the annual 4.2 million it receives now. Arrivals from China are already rising and the Chinese are responsible for around 15 percent of the tourists.

The government's casino bill is part of a strategy which includes a five year plan to increase the number of tourists from China so they make up a third of the predicted 7.5 million tourists Cambodia expects to receive by the year 2020.

The ministry wants to increase revenues from the gaming industry to more than \$70m next year with most coming from the casino sector.

CHANGES AHEAD

Taxation for casinos is very different than that imposed on other businesses in the country. It is regulated by the Ministry of Economy and Finance and for example Naga World pays a fixed amount each month.

It is estimated the government collects around \$1,500 per year for every gaming table and \$250 per slot machine.

The main problem is regulating the taxation and getting the casinos to pay their taxes. The small slice the government receives is also making people question who in fact benefits from the casinos

Cambodia's draft Casino Bill was issued after it made some amendments to its gambling laws that look likely to be imposed by the year end. The bill is subject to approval by the National

Assembly and aimed at boosting revenues for the Cambodian gambling industry.

Ros Phearun, Deputy Director of the Finance Industry for the Ministry of Economy and Finance has said that although the bill has faced some delays, when implemented it would increase revenues, establish new casinos and help Cambodia benefit from the crisis in Macau and lure in new high roller players.

Macau's gambling revenue is falling at the moment attributed to the anti corruption campaign from China and imposed via restrictions.

The new bill in Cambodia aims to enforce tax collections from the casino industry although apparently won't increase the taxes. The stricter regulation of tax collections is expected to increase the revenue from the gaming industry



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to more than \$70m by next year.

A source said: "One of the big issues in Cambodia, unlike Vietnam, is that with 63 plus casinos licensed the new bill will have to deal with the owners of these licences and engage them to get them to regulate themselves. The bill will lay out the main parts which will be to set up a regulatory body, taxation, minimum investment, size, players and so on but the regulators job is to then go and knock on the door to ask them to comply.

"Although Cambodia is a licensed jurisdiction it has little regulations so is very laissez faire and a bit cowboy-ish."

Cambodia wants to attract more Chinese visitors generally and has defined a five year plan to draw in 7.5 million tourists a year by 2020 which includes two million Chinese tourists a year.

The country is now looking at bringing foreign investors into the gaming sector in particular Macau and American investors in a bid to bring more Chinese gamblers into Cambodia.

The law is anticipated to double revenues from the industry and open the market to direct investment from big companies. In the past they were deterred from investing due to lack of appropriate legislation.

The source added: "The positive element about Cambodia's casino industry is that you can get a licence relatively cheaply and set up and on you go. Easy to get and you can operate quickly and obviously with the two huge economies next door that don't have casinos, so you can do very well.

"On the other hand there are too many casinos so to establish a decent market position and to take a decent amount of money is difficult. Also the illegal casinos in Bangkok means those people don't bother to travel over the border and that is having a direct impact. It's not well regulated either so player security is not guaranteed."

But with a lot more tourists now visiting Cambodia there is a huge pressure on the government to tidy up the sector and upgrade its tourist facilities whilst the need for more tax revenues is of course vital to provide for this infrastructure.

Meanwhile concerns over Vietnam's new draft gaming law, which was anticipated to add a clause to remove the ban on Vietnamese nationals entering casinos in their home country, seems to have been quashed.

After seven years of discussion, in June 2016 a final draft of a new casino law was submitted to the Vietnamese government. It was feared at the

time a ban would be lifted on Vietnamese nationals being able to gamble on their home turf. A move that casino operators in the Cambodian border town of Bavet said would be a huge blow to their operations.

Details of the decree have been kept under wraps, however in September it was reported that the restriction which limits access to foreign tourists and foreign passport holders is to be maintained.

Some operators say there has been a slower growth in the number of Vietnamese cross border excursions in past years anyway and if the law prohibition had been lifted this would affect numbers further.

Bavet is home to about 12 casinos which are mainly only small operations. It is said Vietnam is losing out on around \$800m in state revenues annually by not permitting locals to gamble.

Some argue that Bavet's casinos also offer online sites catering to Chinese and Vietnamese players and the Vietnamese would always choose these sites as they can earn online rewards redeemed at Bavet casino hotels.

Naga World says around 10 to 20 per cent of mass players are from Vietnam and are pleased with the news.