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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in NagaCorp Ltd., you should at once hand this circular to the purchaser, transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**NAGACORP**

金界控股有限公司

**NAGACORP LTD.**

金界控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**Stock code: 3918**

**PROPOSED CONVERSION OF THE TSCLK COMPLEX  
CONVERTIBLE BONDS**

**AND**

**APPLICATION FOR WHITEWASH WAIVER**

**Independent Financial Adviser to the Independent Board Committee and  
the Independent Shareholders**

**ANGLO CHINESE** 英  
CORPORATE FINANCE, LIMITED 高

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A letter from the Board is set out on pages 8 to 29 of this circular. A letter from the Independent Board Committee containing its recommendation is set out on page 30 of this circular. A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 31 to 49 of this circular.

A notice convening the EGM to be held at Chatham Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Admiralty, Hong Kong on Friday, 21 July 2017 at 2:30 p.m. is set out on pages 144 to 145 of this circular. If you are not able to attend the EGM in person, please complete the form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and, in any event, not less than 48 hours before the time fixed for holding of the EGM or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.

9 June 2017

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## CONTENTS

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	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	8
<b>Letter from the Independent Board Committee</b> .....	30
<b>Letter from the Independent Financial Adviser</b> .....	31
<b>Appendix I — Financial Information of the Group</b> .....	50
<b>Appendix II — Property Valuation Report</b> .....	110
<b>Appendix III — General Information</b> .....	133
<b>Notice of EGM</b> .....	144

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## DEFINITIONS

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*In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:*

“2011 Transaction Circular”	the shareholders’ circular of the Company dated 30 December 2011;
“acting in concert”	has the meaning ascribed to it in the Code;
“Acquisition”	the acquisition by the Company of a 100% equity interest in each of the Target Companies pursuant to the Share Purchase Agreement;
“Anglo Chinese”	Anglo Chinese Corporate Finance, Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, and the Independent Financial Adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the proposed conversion of the TSCLK Complex Convertible Bonds in full and the Whitewash Waiver;
“Announcement”	the Company’s announcement dated 28 March 2017 in relation to, among other things, the proposed conversion of the TSCLK Complex Convertible Bonds in full and the Whitewash Waiver;
“Board”	the board of Directors;
“BVI”	the British Virgin Islands;
“Cambodia”	the Kingdom of Cambodia;
“Capital Restructuring”	any change from time to time in the nominal value of the issued share capital of the Company whether as a result of a sub-division, consolidation, re-classification, re-construction or otherwise;
“City Walk Inc.”	TanSriChen (Citywalk) Inc., a private company established under the laws of the BVI for the sole purpose of holding the NagaCity Walk Project;
“City Walk Shares”	shares representing the entire issued share capital of City Walk Inc.;
“Code”	the Hong Kong Code on Takeovers and Mergers and Share Buy-backs;

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## DEFINITIONS

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“Colliers”	Colliers International (Hong Kong) Limited, an independent property valuer;
“Combined Completion”	completion of the sale and purchase of TSC Inc. Shares, where at the time of such completion, TSC Inc. holds the Property Interests of TSCLK Complex and NagaCity Walk;
“Company”	NagaCorp Ltd., a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange;
“Completion”	the performance with regard to each of the Combined Completion or the Split Completion, as the case may be, by the parties of their respective obligations;
“Consideration Shares”	ordinary shares of US\$0.0125 each in the issued share capital of the Company to be issued as consideration for the Acquisition;
“Conversion Price”	the relevant conversion price per Conversion Share, subject to adjustment in the event of a Capital Restructuring. The adjustment will not render the Conversion Price falling below the nominal value of an ordinary share in the Company at the material time;
“Conversion Share(s)”	the Shares in the issued share capital of the Company to be issued by the Company upon the exercise by Dr. Chen of the conversion rights attaching to the Convertible Bond(s);
“Convertible Bond(s)”	the TSCLK Complex Convertible Bonds and the NagaCity Walk Convertible Bonds;
“Director(s)”	the director(s) of the Company;
“Dr. Chen” or “Seller”	Tan Sri Dr. Chen Lip Keong;
“EGM”	an extraordinary general meeting of the Company to be held at Chatham Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Admiralty, Hong Kong at 2:30 p.m. on Friday, 21 July 2017 for the purposes of approving the proposed conversion of the TSCLK Complex Convertible Bonds in full and the Whitewash Waiver;
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegates;
“Group”	the Company and its subsidiaries;

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## DEFINITIONS

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“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	the independent board committee of the Company comprising the non-executive Director and all the independent non-executive Directors, established to give their recommendation to the Independent Shareholders regarding the proposed conversion of the TSCLK Complex Convertible Bonds in full and the Whitewash Waiver;
“Independent Financial Adviser”	Anglo Chinese, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the proposed conversion of the TSCLK Complex Convertible Bonds in full and the Whitewash Waiver;
“Independent Shareholders”	the Shareholders other than: (a) Dr. Chen; (b) parties acting in concert with Dr. Chen; and (c) Shareholders who are otherwise involved in, or interested in, the proposed conversion of the TSCLK Complex Convertible Bonds in full and/or the Whitewash Waiver;
“Last Trading Day”	27 March 2017, being the last trading day in the Shares immediately before the publication of the Announcement;
“Latest Practicable Date”	6 June 2017, being the latest practicable date for ascertaining certain information to be included in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“MOEF”	Ministry of Economy and Finance of Cambodia;
“MPP”	Municipality of Phnom Penh;

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## DEFINITIONS

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“NagaCity Walk”	a governmental approved facility which links the existing NagaWorld building with TSCLK Complex (Naga 2), consisting of a basement retail Underground Linkway currently rented to China Duty Free Group (Cambodia) Co., Ltd, the basement of which is connected via escalators and staircases to a road-level gardened Pedestrian Walkway cum Concourse and a mezzanine floor for mechanical and electrical rooms. The road-level gardened Pedestrian Walkway cum Concourse is owned by MPP but is legally permitted by RGC for use by the Group; the retail Underground Linkway has been leased by MPP to TSCI Cambodia (a wholly-owned subsidiary of City Walk Inc.) for 50 years;
“NagaCity Walk Convertible Bonds”	unsecured convertible bonds in the aggregate principal amount of US\$94,000,000 issued by the Company to Dr. Chen on the completion of the sale and purchase of the City Walk Shares on 17 May 2016;
“NagaCity Walk Project”	the development and construction of the NagaCity Walk. At the election of Dr. Chen, the completion of the sale and purchase of the City Walk Shares took place on 17 May 2016, details of which were set out in the Company’s announcement dated 17 May 2016. TSCI Cambodia has signed a long lease with MPP to own, develop and manage the NagaCity Walk Project;
“NagaWorld”	the integrated casino, hotel and entertainment complex and the Company’s existing property located in Phnom Penh, Cambodia, which is operated by the Company;
“Pedestrian Walkway cum Concourse”	a component of NagaCity Walk which is situated in front and on both sides of the existing NagaWorld building. The Pedestrian Walkway is a road-level, gardened public walkway which stretches across the entire length of the Underground Linkway interspersed by a 2-storeyed structure called Concourse which presently serves as a key entrance to NagaWorld. Both the Pedestrian Walkway cum Concourse is owned by MPP but permitted by RGC for use by the Group;
“Projects”	the TSCLK Complex Project and the NagaCity Walk Project;

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## DEFINITIONS

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“Property Interests”	with regard to the TSCLK Complex Site, the 99 years long-term lease granted by Sor Chor Nor No. 1481 dated 28 November 2011 to TSC Inc., which lease agreement has been entered into with the National Election Committee of Cambodia on 15 December 2011 and with regard to NagaCity Walk, the long-term 50-year lease granted by Sor Chor Nor No. 650 dated 2 June 2011 to TSCI Cambodia, which lease agreement has been entered into with MPP;
“Relevant Period”	the period commencing on 28 September 2016, being the date falling six months prior to the date of publication of the Announcement, and ending on the Latest Practicable Date;
“Resolution”	the ordinary resolution set out in the notice of the EGM dated the same day as the date of this circular;
“RGC”	the Royal Government of Cambodia;
“Sale Shares”	TSC Inc. Shares or TSC Inc. Shares and the City Walk Shares in the case of Combined Completion or Split Completion, respectively;
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
“Share(s)”	ordinary share(s) of US\$0.0125 each in the issued share capital of the Company;
“Share Purchase Agreement”	the share purchase agreement dated 13 June 2011, as supplemented by the supplemental agreements dated 28 December 2011 and 28 December 2015, entered into between the Company and Dr. Chen whereby the Company conditionally agreed to purchase the Sale Shares in the Target Companies and Dr. Chen conditionally agreed to sell the entire issued share capital in each of the Target Companies;
“Shareholder(s)”	the shareholder(s) of the Company;
“Split Completion”	as opposed to Combined Completion, means the TSCLK Complex Completion and the completion of the sale and purchase of the City Walk Shares;
“sq m”	square metres;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Companies”	TSC Inc. and City Walk Inc.;

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## DEFINITIONS

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“TSC Inc.”	TanSriChen Inc., a private company established under the laws of the BVI for the purpose of holding the TSCLK Complex Project and which has signed a long lease agreement with the National Election Committee of Cambodia;
“TSC Inc. Shares”	shares representing the entire issued share capital of TSC Inc.;
“TSCI Cambodia”	TAN SRI CHEN INC. (T S C I), a private company established under the laws of Cambodia for the purpose of holding the NagaCity Walk Project and which has signed a long lease agreement with MPP. It is a wholly-owned subsidiary of City Walk Inc.;
“TSCLK Complex”	an integrated complex (also called Naga 2) comprising, two hotel towers and a podium complex with non-gaming entertainment, food and beverage facilities, nightclubs, theatre, spa, retail and gaming facilities, and other hotel facilities and a car park, with total gross floor area of 108,764 sq m adjacent to the existing NagaWorld;
“TSCLK Complex Completion”	completion of the sale and purchase of the TSC Inc. Shares, where at the time of such completion, TSC Inc. holds the Property Interests only to the TSCLK Complex and which took place on 30 December 2016;
“TSCLK Complex Convertible Bonds”	unsecured convertible bond(s) in the aggregate principal amount of US\$275,000,000 issued by the Company to Dr. Chen on the completion of the sale and purchase of the TSC Inc. Shares and which took place on 30 December 2016;
“TSCLK Complex Project”	the development and construction of TSCLK Complex under a 99 years long-term lease of the TSCLK Complex Site granted to TSC Inc. under the TSCLK Lease Agreement. At the election of Dr. Chen, the TSCLK Complex Completion took place on 30 December 2016, details of which were set out in the Company’s announcement dated 30 December 2016;
“TSCLK Complex Site”	the land where the TSCLK Complex is to be situated, having a site area of 7,766 sq m and based on Sor Chor Nor Nos. 419, 500 and 1481, the National Election Committee of Cambodia has granted a 99 years long-term lease of the TSCLK Complex Site to TSC Inc., and TSC Inc. has entered into a lease agreement with the National Election Committee of Cambodia on 15 December 2011;



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## DEFINITIONS

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“TSCLK Lease Agreement”	the agreement on leasing the portion of 7,766 sq m of the land of National Election Committee of Cambodia on Lot 1, National Assembly Road, Sangkat Tonle Basac, Khan Chamkar Morn, Phnom Penh for investment in construction of TSCLK Complex entered into between National Election Committee of Cambodia and TSC Inc. on 15 December 2011 for a term of 99 years from the date of such agreement. Under the terms of the agreement, upon the expiry of the initial lease term of 99 years, the lease shall be automatically renewed at the option of TSC Inc. for another term in accordance with the laws of Cambodia;
“Underground Linkway”	a component part of the NagaCity Walk, the underground facility (406m in length x 19m in width x 7.25m in height) of which connects the existing NagaWorld Building to TSCLK Complex and which is currently rented to China Duty Free Group (Cambodia) Co., Ltd. This underground structure is linked and connected via staircases or escalators (total six in numbers) to a road-level gardened Pedestrian Walkway cum Concourse and a mezzanine floor for mechanic and electrical rooms. The retail Underground Linkway has been leased by MPP to TSCI Cambodia (a wholly-owned subsidiary of City Walk Inc.) for 50 years;
“US\$”	United States dollars, the lawful currency of the United States of America;
“Whitewash Waiver”	the whitewash waiver pursuant to Note 1 on dispensations from Rule 26 of the Code in respect of any obligation of Dr. Chen to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by Dr. Chen which might otherwise arise as a result of the allotment and issue to Dr. Chen and parties acting in concert with him of Conversion Shares pursuant to the conversion of the TSCLK Complex Convertible Bonds; and
“%”	per cent.

*For the purpose of this circular, the conversion of US\$ into HK\$ is made at the rate of HK\$7.8 to US\$1 for illustration purposes only.*

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LETTER FROM THE BOARD

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NAGACORP

金界控股有限公司

NAGACORP LTD.

金界控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

Stock code: 3918

*Executive Directors:*

Tan Sri Dr Chen Lip Keong  
Philip Lee Wai Tuck  
Chen Yiy Fon  
Chen Yepern

*Registered office:*

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*Non-executive Director:*

Timothy Patrick McNally *(Chairman)*

*Principal office in Hong Kong:*

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Wanchai  
Hong Kong

*Independent Non-executive Directors:*

Tan Sri Datuk Seri Panglima  
Abdul Kadir Bin Haji Sheikh Fadzir  
Lim Mun Kee  
Michael Lai Kai Jin

9 June 2017

*To the Shareholders*

Dear Sir or Madam,

**PROPOSED CONVERSION OF THE TSCLK COMPLEX CONVERTIBLE  
BONDS AND APPLICATION FOR WHITEWASH WAIVER**

Before trading hours of the Stock Exchange on 28 March 2017, the Company announced that it had received a notice from Dr. Chen of his intention to exercise the conversion rights in respect of the TSCLK Complex Convertible Bonds in full in the outstanding aggregate principal amount of US\$275,000,000. The purpose of this circular is to provide you with, among other things, further information in relation to the proposed conversion of the TSCLK Complex Convertible Bonds in full, the Whitewash Waiver and the notice of the EGM.

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## LETTER FROM THE BOARD

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### BACKGROUND

The Board refers to the Company's announcements dated 13 June 2011, 28 December 2011, 29 December 2015, 17 May 2016, 30 December 2016, 28 March 2017, 18 April 2017 and 12 May 2017, respectively, and the 2011 Transaction Circular in relation to the Company's acquisition of the TSCLK Complex Project and the NagaCity Walk Project.

### The Acquisition

As described in the 2011 Transaction Circular, on 13 June 2011, the Company entered into the Share Purchase Agreement with Dr. Chen, the Chief Executive Officer, an executive Director and controlling shareholder of the Company, to purchase the entire issued share capital of two companies owned by Dr. Chen, being:

- (a) TSC Inc.; and
- (b) City Walk Inc..

### Consideration for the Acquisition

Under the terms of the Share Purchase Agreement, the consideration for the Acquisition was US\$369,000,000 divided into:

- (a) US\$275,000,000 in respect of the TSCLK Complex Project; and
- (b) US\$94,000,000 in respect of the NagaCity Walk Project (previously, the NagaCity Walk Project and the Tourist Garden Undertaking (as defined in the 2011 Transaction Circular)).

### Form of the Consideration and Reasons for the Issue of the Convertible Bonds

Under the terms of the Share Purchase Agreement, Dr. Chen was entitled to elect for the consideration for the Acquisition to be settled through:

- (i) (in respect of the TSCLK Complex Project) the issue of the TSCLK Complex Convertible Bonds or the Consideration Shares (or a combination of both); and
- (ii) (in respect of the NagaCity Walk Project) the issue of the NagaCity Walk Convertible Bonds or the Consideration Shares (or a combination of both).

As explained in the 2011 Transaction Circular, the settlement of the consideration for the Acquisition by the issue of the Convertible Bonds and/or the Consideration Shares was an important step towards the Company securing sufficient financing to commit to the development of the Projects, and would have a significant positive impact towards realising the growth aspirations of the Company.

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## LETTER FROM THE BOARD

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While the Company did consider developing the Projects on its own as an option, the Company was unable to secure the requisite financing from financial institutions. At the same time, the Company and Dr. Chen agreed to develop the Projects and transfer them upon completion to the Company (as set out in the Share Purchase Agreement dated 13 June 2011, as supplemented by the supplemental agreements dated 28 December 2011 and 28 December 2015 entered into between the Company and Dr. Chen) and this was considered by the Company to meet the Company's long-term goals, and would also minimise risks for the Company since Dr. Chen would bear all the construction risks and the risks of cost overruns and non-completion of the Projects.

### **Terms of the Convertible Bonds**

The principal terms of the Convertible Bonds are disclosed in the 2011 Transaction Circular. Under the terms of each series of the Convertible Bonds, the Conversion Price for the Convertible Bonds are subject to adjustment.

In particular, the Conversion Price will be adjusted if there is an event of a Capital Restructuring (i.e. any change from time to time in the nominal value of the issued share capital of the Company whether as a result of a sub-division, consolidation, re-classification, re-construction or otherwise).

A Capital Restructuring event would include any issue of new Shares or repurchase of Shares by the Company. In addition, under the detailed terms of the TSCLK Complex Convertible Bonds which were issued by the Company upon the completion of the TSCLK Complex Project on 30 December 2016 and the NagaCity Walk Convertible Bonds which were issued by the Company upon the completion of the NagaCity Walk Project on 17 May 2016, if there is any change in the nominal value of the issued share capital of the Company as a result of the issue of new Shares pursuant to the exercise of any conversion right under any other convertible bond, convertible note or similar debt instrument issued or to be issued by the Company, then the Conversion Price will be subject to adjustment.

The provisions in the Convertible Bonds regarding adjustments to the Conversion Price in the event of a Capital Restructuring are intended to protect the financial and investment interests of Dr. Chen (as the bondholder) who had assumed all the risks relating to the Projects following the execution of the Share Purchase Agreement for the Acquisition on 13 June 2011. For further details on the adjustments, please see the section headed "*Reasons for Adjustment to the Conversion Price of the NagaCity Walk Convertible Bonds after Conversion of the TSCLK Complex Convertible Bonds*".

### **Approval of the Acquisition by the Independent Shareholders in 2011**

As the Acquisition constituted a very substantial acquisition and a connected transaction for the Company under the Listing Rules, the Acquisition was subject to the approval of the independent shareholders of the Company pursuant to the Listing Rules.

**The Acquisition (including the terms of the issue of the Convertible Bonds, the Conversion Price and the adjustments to the Conversion Price in the event of a Capital Restructuring) and the allotment and issue of new Shares upon the exercise of the conversion rights attaching to the**

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## LETTER FROM THE BOARD

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**Convertible Bonds were approved by the independent shareholders of the Company on 30 January 2012 in accordance with the requirements under the Listing Rules. The Company notes that based on research analyst reports and the recommendations of a key proxy advisor issued at that time, the Acquisition and the allotment and issue of new Shares upon the exercise of the conversion rights attaching to the Convertible Bonds were generally viewed by research analysts and the key proxy advisor to be favourable to the Company.**

### **Reasons for the Acquisition**

The reasons for the Acquisition were disclosed in the 2011 Transaction Circular. In particular, as explained in the 2011 Transaction Circular, the Acquisition would allow the Company to enhance and complement its existing hotel casino complex, NagaWorld, by adding further gaming and non-gaming space such as hotel, retail, entertainment and other related facilities for its guests. The Acquisition is also in line with the business strategy of the Company to expand its existing business and would enhance the Company's competitiveness, further strengthen the Company's reputation within the industry and improve its overall financial performance.

As explained in the 2011 Transaction Circular, the Company had not undertaken the development of the Projects on its own at the time but instead entered into the Acquisition for the following reasons:

- (a) Taking into account the availability of the financing opportunities for the entire US\$369,000,000 and for the reasons mentioned above, the Company decided to enter into the Share Purchase Agreement for the Acquisition with Dr. Chen instead. In this case, the Company would not need to bear the development funding, cost escalation and completion risks which were borne by Dr. Chen. The consideration for the Acquisition was equivalent to the estimated costs of development of the Projects amounting to US\$369,000,000, which were computed on the basis of current costs. Furthermore, only when Dr. Chen completed the Projects were the Consideration Shares and/or Convertible Bonds issued by the Company to Dr. Chen.
- (b) There is minimal gestation period for the Projects as the Company will upon the issue of Consideration Shares and/or Convertible Bonds to Dr. Chen, take ownership of the completed Projects via the Target Companies. Shortly thereafter, the Projects will be put to work to generate revenues for the Company.
- (c) The Acquisition would enable the Company to conserve cash resources for further working capital and to preserve the Company's high dividend payout ratio policy. The Company had no borrowings at the time the Share Purchase Agreement was entered into in June 2011. Under the Acquisition, Dr. Chen would fund the entire development costs of the Projects and the Company would be able to continue to be debt free.
- (d) As the Consideration Shares and/or Convertible Bonds will be issued to Dr. Chen upon Completion, any dilution, if any, of the other Shareholders would occur only on Completion. At Completion, the Projects will also be put to work to generate revenues for the Company.

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## LETTER FROM THE BOARD

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### Effects of the Acquisition

The completion of the Acquisition has resulted in significant financial and commercial benefits to the Group and all the Shareholders for the following reasons:

- (a) As at 20 March 2017, Colliers, the independent property valuer, valued the TSCLK Complex Project and the NagaCity Walk Project at US\$3,000,000,000 and US\$128,000,000, respectively. The combined valuation of US\$3,128,000,000 far exceeded the total consideration paid by the Group for the Sale Shares of US\$369,000,000.

The Group's property, plant and equipment are stated in the consolidated statement of financial position as at 31 December 2016 at cost less accumulated depreciation and impairment losses and amounted to US\$810,149,000. If the Group had acquired the TSCLK Complex Project and the NagaCity Walk Project based on the above valuation as at 31 December 2016, the Group's property, plant and equipment as at 31 December 2016 would have increased by a further US\$3,128,000,000 less the total carrying values of TSCLK Complex Project and NagaCity Walk Project of US\$384,921,000 as at that date.

- (b) The Acquisition has also allowed the Group to significantly increase its non-gaming capacity and the Company is already in discussions with tourist agents to accommodate tourists and visitors arriving in last quarter of 2017, in order to take advantage of the tourism growth in Cambodia, particularly tourists from China. In the first quarter ended 31 March 2017, total tourism arrivals to Cambodia increased by approximately 12% and tourism arrivals from China increased by 25.7%, compared to the first quarter ended 31 March 2016. The surge in inbound tourism from China has for the first time, resulted in China being the leading source of tourism for Cambodia, accounting for approximately 18.2% of all inbound tourism for the first quarter ended 31 March 2017.
- (c) The increase in gaming facilities resulting from the Acquisition allows the Group to continue to monetise the value of its casino licence by offering participative rights to suitably qualified third parties and gaming operators. Historically, the Group had been able to earn significant fees from such transactions in respect of participative rights to specific areas within NagaWorld. The Acquisition will allow more capacity for the Group to continue to increase its gaming revenue by assigning its rights in the license to suitably qualified third parties in selected areas in the TSCLK Complex.
- (d) The increase of gaming and non-gaming facilities in the TSCLK Complex has attracted positive feedback from the public and further reinforced the positioning of the Group as the biggest integrated resort operator in the Kingdom of Cambodia, which provide quality hospitality services to regional clientele, leading to increase in occupancy and enabling continued growth of the Group.
- (e) In addition, the Group has created visibility and generated confidence for the investing public as a result of the Group achieving certain critical mass in its operations. As a result, there are more shareholders in the Company from the Asia Pacific area and the change in the shareholder profile who see stability and growth of the market capitalisation of the

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## LETTER FROM THE BOARD

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Company over a longer term period and who looking forward to the ability of the Group to execute its China strategy of teaming up with the Ministry of Tourism in Cambodia, cooperating with China International Travel Service and working with Bassaka Air and other airlines in order to bring in more tourists to Cambodia from China.

- (f) To this end, the Board is optimistic of the financial results of the Group over the short, medium and longer terms and the TSCLK Complex enables the Group to position itself as an entertainment centre in the Mekong Regions.

### **Completion and Settlement of the Consideration for the Acquisition**

Under the terms of the Share Purchase Agreement, Dr. Chen was entitled to elect for either Split Completion (meaning the completion of the NagaCity Walk Project would take place in advance of completion of the TSCLK Complex Project) or Combined Completion (meaning the NagaCity Walk Project and the TSCLK Complex Project would be completed at the same time).

On 17 May 2016, Dr. Chen notified the Company of his election for Split Completion and for the consideration for the acquisition of the NagaCity Walk Project to be settled by way of the issue of the NagaCity Walk Convertible Bonds. On the same day, the sale and purchase of City Walk Inc., the company holding the NagaCity Walk Project, was completed and the NagaCity Walk Convertible Bonds in the aggregate principal amount of US\$94,000,000 were issued to Dr. Chen as consideration for the City Walk Shares.

On 30 December 2016, Dr. Chen notified the Company of his election for the consideration for the acquisition of the TSCLK Complex Project to be settled by way of the issue of the TSCLK Complex Convertible Bonds. On the same day, the sale and purchase of TSC Inc., the company holding the TSCLK Complex Project, was completed and the TSCLK Complex Convertible Bonds in the aggregate principal amount of US\$275,000,000 were issued to Dr. Chen as consideration for the TSC Inc. Shares.

### **PROPOSED CONVERSION OF THE TSCLK COMPLEX CONVERTIBLE BONDS**

Before trading hours of the Stock Exchange on 28 March 2017, the Company received a notice from Dr. Chen of his intention to exercise the conversion rights in respect of the TSCLK Complex Convertible Bonds in full in the outstanding aggregate principal amount of US\$275,000,000.

As disclosed in the 2011 Transaction Circular, under the Share Purchase Agreement, the Conversion Price was HK\$1.8376 per Conversion Share, which would have resulted in 1,167,283,413 Conversion Shares being issued if the TSCLK Complex Convertible Bonds were issued and converted in full then. However, the Conversion Price is subject to adjustments in the event of a Capital Restructuring (i.e. any change from time to time in the nominal value of the issued share capital of the Company whether as a result of a sub-division, consolidation, re-classification, re-construction or otherwise) as a result of which the conversion price was adjusted to HK \$1.5301 per Conversion Share resulting in 1,401,843,552 Conversion Shares being issued.

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## LETTER FROM THE BOARD

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### CONVERSION PRICE ADJUSTMENT METHODOLOGY

Under the terms of each series of the Convertible Bonds, the Conversion Price is adjusted, on the basis of the percentage change in the nominal value of the issued share capital of the Company as a result of a Capital Restructuring, by the corresponding percentage increase/decrease (as the case may be). Such adjustment shall become effective on the date the change in nominal value takes effect.

During the period from 13 June 2011 (being the date when the Share Purchase Agreement for the Acquisition was entered into) and up to the Latest Practicable Date, the Company completed two placings of new Shares (in March 2013 and September 2016) and effected on-market buy-backs of Shares (in December 2014 and January 2015, with all such Shares being cancelled in December 2015). The placings of new Shares were made pursuant to the general mandate to issue new Shares granted by the Shareholders to the Directors at the 2012 and 2016 annual general meetings of the Company and the on-market buy-backs of Shares were made pursuant to the general mandate to buy-back Shares granted by the Shareholders to the Directors at the 2014 annual general meeting of the Company and in each case in compliance with the requirements of the Listing Rules.

Each of the above placings and buy-backs of Shares resulted in a change in the nominal value of the issued share capital of the Company and, therefore, constituted a Capital Restructuring under the terms of the TSCLK Complex Convertible Bonds. The placing of new Shares in March 2013 increased the nominal value of the issued share capital of the Company by 9.61%, the on-market buy-backs of Shares in December 2014 and January 2015 decreased the nominal value of the issued share capital of the Company by 0.53%, and the placing of new Shares in September 2016 increased the nominal value of the issued share capital of the Company by 8.37%.

Applying the same percentage changes to the Conversion Price, the Conversion Price was adjusted to be HK\$1.5301 as a result of the various events outlined above and each of which constituted a Capital Restructuring since 13 June 2011. The arithmetic calculation of such computation of adjustment to the Conversion Price was checked by the Company's auditor, BDO Limited, and is considered by the Directors to be a fair, reasonable and appropriate reflection of the terms of the Share Purchase Agreement.

In light of the above, given that the consideration for the TSC Inc. Shares is US\$275,000,000, the proposed conversion of the TSCLK Complex Convertible Bonds in full will result in the issuance of 1,401,843,552 Conversion Shares (assuming there is no other change in the nominal value of the issued share capital of the Company or any other Capital Restructuring following the Latest Practicable Date and prior to the conversion of the TSCLK Complex Convertible Bonds).

As at 13 June 2011 (being the date on which the Share Purchase Agreement for the Acquisition was entered into), Dr. Chen and the parties acting in concert with him were interested in approximately 63.07% of the issued share capital of the Company. As a result of the above placings and buy-backs of Shares by the Company and placings of existing Shares by Dr. Chen in April 2012 and November 2012, as at the Latest Practicable Date, Dr. Chen and the parties acting in concert with him were interested in approximately 38.98% of the issued share capital of the Company.



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## LETTER FROM THE BOARD

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Immediately following the issue of the Conversion Shares upon the conversion of the TSCLK Complex Convertible Bonds in full, Dr. Chen and the parties acting in concert with him will be interested in approximately 61.13% of the issued share capital of the Company

### EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY OF THE CONVERSION OF THE TSCLK COMPLEX CONVERTIBLE BONDS

The following table sets out the shareholding structure of the Company: (a) as at the Latest Practicable Date; (b) immediately after the issue of the Conversion Shares upon conversion of the TSCLK Complex Convertible Bonds in full; and (c) immediately after the issue of the Conversion Shares upon the conversion of the NagaCity Walk Convertible Bonds in full and subsequent to the conversion of the TSCLK Complex Convertible Bonds in full (for illustrative purposes only and assuming that the NagaCity Walk Convertible Bonds will be converted in full), in each case assuming that there is no other change in the nominal value of the issued share capital of the Company or any other Capital Restructuring and/or the shareholding structure of the Company following the Latest Practicable Date:

Shareholder	As at the Latest Practicable Date		Upon conversion of the TSCLK Complex Convertible Bonds in full <i>(Note 1)</i>		Upon conversion of the NagaCity Walk Convertible Bonds in full and subsequent to the conversion of the TSCLK Complex Convertible Bonds in full (for illustrative purposes only and assuming the NagaCity Walk Convertible Bonds will be converted in full) <i>(Note 2)</i>	
	<i>Approximate % of the issued</i>		<i>Approximate % of the issued</i>		<i>Approximate % of the issued</i>	
	<i>Number of issued Shares</i>	<i>share capital of the Company</i>	<i>Number of issued Shares</i>	<i>share capital of the Company</i>	<i>Number of issued Shares</i>	<i>share capital of the Company</i>
Dr. Chen and parties acting in concert with him	958,945,297	38.98	2,360,788,849	61.13	3,474,782,036	69.83
Public Shareholders	<u>1,501,043,578</u>	<u>61.02</u>	<u>1,501,043,578</u>	<u>38.87</u>	<u>1,501,043,578</u>	<u>30.17</u>
Total: <i>(Note 3)</i>	<u>2,459,988,875</u>	<u>100.00</u>	<u>3,861,832,427</u>	<u>100.00</u>	<u>4,975,825,614</u>	<u>100.00</u>

*Notes:*

- (1) The total number of issued Shares will be increased by 1,401,843,552 Shares upon the conversion of the TSCLK Complex Convertible Bonds in full and the allotment and issue to Dr. Chen and the parties acting in concert with him of 1,401,843,552 Conversion Shares.

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## LETTER FROM THE BOARD

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- (2) The information is solely for illustrative purposes only in order to reflect the expected shareholding structure of the Company assuming that the NagaCity Walk Convertible Bonds will be converted in full. For the avoidance of doubt, the number of Shares to be issued to Dr. Chen and the parties acting in concert with him upon the conversion of NagaCity Walk Convertible Bonds may be subject to further adjustments in the event of any future Capital Restructuring(s). The illustration above assumes appropriate adjustment to Conversion Price and accounts for TSCLK Complex Convertible Bonds conversion as a capital restructuring event in addition to other restructuring events that have taken place since the issue of the Convertible Bonds.
- (3) As at the Latest Practicable Date, save for Dr. Chen, none of the Directors holds any Shares.

### INFORMATION ON DR. CHEN AND HIS VISION FOR THE GROUP

Dr. Chen is the Chief Executive Officer, an executive Director and controlling shareholder of the Company, and the father of Mr. Chen Yiy Fon and Mr. Chen Yepern, both of whom are executive Directors of the Company.

Dr. Chen's long-term vision is for the Group to be an international gaming and tourism-related group by adopting a conservative gaming policy and adhering to an optimum gearing policy by utilising the Group's existing resources, experience and financial success attained in the past years of operating in Cambodia.

The Company is a listed company principally engaged in the business of owning and operating the only integrated hotel casino complex, NagaWorld, in Phnom Penh City, Cambodia. The Company, through a wholly-owned subsidiary, is licensed to operate casinos in Cambodia for a period of 70 years, expiring in 2065. During such 70-year period, the Group has exclusive rights up to 2035 to operate casinos within a 200 kilometres radius (except Vietnam Border, Bokor Mountain and Sihanoukville) of Phnom Penh City, the capital city of Cambodia.

The acquisition of the TSCLK Complex and NagaCity Walk has allowed the Company to enhance, complement and expand NagaWorld by adding further gaming and non-gaming space such as hotel, retail, entertainment and other related facilities for its guests.

The settlement of the consideration for the acquisition of the TSCLK Complex and NagaCity Walk by the issue of the Convertible Bonds has relieved the Company of the pressure of securing sufficient financing to commit to the development of TSCLK Complex and NagaCity Walk, taking into account the financial position and market capitalisation of the Company on 13 June 2011 when the Share Purchase Agreement for the Acquisition was entered into. Following the Acquisition, the market capitalisation of the Company has increased from approximately to HK\$4.4 billion (approximately US\$561 million) as at 13 June 2011 (when the Share Purchase Agreement for the Acquisition was entered into) to HK\$11.0 billion (approximately US\$1.4 billion) as at 31 December 2016.

To achieve the vision, Dr. Chen and the remaining members of the Board are considering a reorganisation of the corporate structure of the Group with a view to optimising the different strategies and focus of each of the gaming and non-gaming business segments of the Group in order to capitalise on the continuing growth in these business segments in Cambodia and internationally.

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## LETTER FROM THE BOARD

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Following the grant and approval of the Whitewash Waiver and the conversion of the TSCLK Complex Convertible Bonds in full, the Board and Dr. Chen intend to continue the existing businesses of the Group (including the continued employment of the employees of the Group and deployment of the existing fixed assets of the Group) other than the consideration of a reorganisation of the corporate structure of the Group with a view to capitalising on the existing strength to continue growth in Cambodia and internationally as described above. Any such consideration of reorganisation of the Group and/or the Group's business shall only be carried out in compliance with applicable laws and regulations, including the Listing Rules.

### **REASONS FOR DR. CHEN PROPOSING TO CONVERT THE TSCLK COMPLEX CONVERTIBLE BONDS IN FULL**

The Board is of the opinion that there are significant merits to having Dr. Chen attaining 50% plus one share to align the goals of the controlling shareholder with that of growth of the Company for the benefits of all its Shareholders. Additionally, considering the terms of the TSCLK Complex Convertible Bond, conversion and therefore dilution was a matter of time, and as such full conversion of the TSCLK Complex Convertible Bonds is preferred rather than partial conversion, so as to avoid further potential for dilution to all Shareholders in the event of future capital restructuring. The reasons for the conversion of the TSCLK Complex Convertible Bonds in full are as follows:

- (a) Taking into account the past growth of the Group under the leadership of Dr. Chen, Dr. Chen believes he needs to attain a shareholding of at least 50% plus one share which can be achieved by converting all or part of the TSCLK Complex Convertible Bonds and would not be achieved by converting only the NagaCity Walk Convertible Bonds. Dr. Chen's shareholding of at least 50% plus one share will allow him to effectively control the direction of the Company and to enable the Group to achieve its growth ambitions in line with his vision and strategy during the remaining years of the Group's exclusive rights to operate casinos within a 200 kilometres radius (except Vietnam Border, Bokor Mountain and Sihanoukville) of Phnom Penh City.
- (b) The earlier and full conversion of the TSCLK Complex Convertible Bonds will allow Dr. Chen to attain shareholding of at least 50% plus one share in order to control the Company, thereby enabling him to achieve the vision and strategy of the Group to expand and grow its businesses for the benefit of the Company and the Shareholders as a whole. Dr. Chen's intention is to enhance the Company's competitiveness, further strengthen the Company's reputation within the industry and improve its overall financial performance.
- (c) The partial or full conversion of the TSCLK Complex Convertible Bonds to enable Dr. Chen to attain a shareholding of at least 50% plus one share in the Company differs in terms of timing and duration of conversion but does not substantially change the final shareholding percentage of Dr. Chen in the Company pursuant to the TSCLK Complex Convertible Bonds, as there is no material difference in the shareholding percentage of control which Dr. Chen will have over the Company or the impact of dilution on minority shareholders' shareholding in the Company.

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## LETTER FROM THE BOARD

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- (d) In fact, the full conversion of either the TSCLK Complex Convertible Bonds would minimise the impact of future potential dilution to the shareholdings of the minority shareholders in the Company if further Capital Restructuring events occur in the future which will result in an increase to the number of Conversion Shares to be issued.

### **NON-CONCURRENT CONVERSION OF THE NAGACITY WALK CONVERTIBLE BONDS AND THE TSCLK COMPLEX CONVERTIBLE BONDS**

Under the bond instrument issued by the Company in relation to the NagaCity Walk Convertible Bonds, Dr. Chen is at liberty to convert any amount of NagaCity Walk Convertible Bonds at any time. There is no requirement under the bond instrument for Dr. Chen to convert the NagaCity Walk Convertible Bonds at the same time as the TSCLK Complex Convertible Bonds. It was also not envisaged by the Company and Dr. Chen at the time the terms of the Acquisition were negotiated and agreed that the NagaCity Walk Convertible Bonds and the TSCLK Complex Convertible Bonds be required to be converted concurrently and this was not the basis on which the Acquisition (including the terms of the Convertible Bonds) was approved by the independent shareholders of the Company.

Furthermore:

- (a) The NagaCity Walk Convertible Bonds and the TSCLK Complex Convertible Bonds comprise two separate series of bonds which are governed separately by the terms and conditions provided for each series of bonds under their respective bond instrument. These terms provide for the adjustment of their respective Conversion Price “as a result of the issue of new Shares pursuant to the exercise of any conversion right under any other convertible bond”.
- (b) The NagaCity Walk Convertible Bonds and the TSCLK Complex Convertible Bonds are perpetual and freely transferable and hence (if transferred by Dr. Chen to other parties) may be held by many different bondholders who have the option to exercise their conversion rights at any time. Such holders would expect to receive the benefit of the adjustment provisions contained in the Convertible Bonds.

As at the Latest Practicable Date, although Dr. Chen has indicated to the Company that he does not intend to convert the NagaCity Walk Convertible Bonds, Dr. Chen’s intention to convert the TSCLK Complex Convertible Bonds in full indicates his intention to eliminate the substantial portion of the outstanding Convertible Bonds. In addition, Dr. Chen’s intention is to convert a sufficient number of the Convertible Bonds to enable him to attain a shareholding of at least 50% plus one share in the Company in order to have control of the Company, which will enable him to achieve the vision in relation to the Group, details of which are set out in the section headed “*Information on Dr. Chen and His Vision for the Group*” above.

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## LETTER FROM THE BOARD

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### REASONS FOR INCLUDING A CAPITAL RESTRUCTURING EVENT IN THE TERMS OF THE CONVERTIBLE BONDS

When the terms of the Convertible Bonds were determined at the time of the Acquisition, the parties took into consideration the following reasons for the inclusion of the Capital Restructuring event:

- (a) The Capital Restructuring event was included to protect the financial and investment interests of Dr. Chen (as the bondholder) who had assumed all the risks relating to the Projects following the execution of the Share Purchase Agreement for the Acquisition on 13 June 2011;
- (b) The issuance of the Convertible Bonds by the Company upon delivery of the completed Projects was a deferred payment method for the benefit of the Company and was made at the expense of the bondholder who had assumed all the funding costs and risks relating to the Projects. In addition, prior to the issuance of each of the NagaCity Walk Convertible Bonds and the TSCLK Complex Convertible Bonds, the bondholder had not received any interest on the principal amount of the NagaCity Walk Convertible Bonds and the TSCLK Complex Convertible Bonds (as the case may be) or other cash payments for providing the funding to complete the NagaCity Walk Project and the TSCLK Complex Project (as the case may be); and
- (c) If the Convertible Bonds had been progressively issued in proportion to the funding which had been provided by the bondholder to complete the Projects, the bondholder would have had the benefit of receiving distributions which would be equal to the dividend that would otherwise be payable by the Company on the Conversion Shares had the relevant Convertible Bonds been converted. Accordingly, the bondholder by opting not to have the Convertible Bonds issued earlier was at a disadvantage of not only bearing the funding costs for the completion of the Projects but also not being entitled to receive the abovementioned distributions.

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## LETTER FROM THE BOARD

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For illustration purposes only, as the bondholder opted not to have the Convertible Bonds issued earlier, from 30 January 2012 to the Latest Practicable Date, the bondholder had foregone the following distributions amounting to approximately US\$137.69 million, which is estimated as follows:

Declaration date	Declared dividend per Share (US\$)	Total dividend actually paid on Shares or distributions actually made on the Convertible Bonds (US\$ million)	Number of	Number of	Adjusted dividend per Share (US\$)	Distributions	Distributions	Total distributions forgone (US\$ million)
			Conversion Shares that would have been issued had the NagaCity Walk Convertible Bonds been converted as assumed (million shares)	Conversion Shares that would have been issued had the TSCLK Complex Convertible Bonds been converted as assumed (million shares)		forgone had the NagaCity Walk Convertible Bonds proportionately as assumed (US\$ million)	forgone had the TSCLK Complex Convertible Bonds proportionately as assumed (US\$ million)	
22 February 2012	0.0155	32.280	46.55	136.18	0.0143	0.66	1.94	2.60
8 August 2012	0.0151	31.438	93.10	272.37	0.0128	1.20	3.50	4.69
6 February 2013	0.0233	53.172	139.65	408.55	0.0188	2.62	7.68	10.30
7 August 2013	0.0193	43.996	186.20	544.73	0.0146	2.72	7.95	10.67
12 February 2014	0.0238	54.207	232.75	680.92	0.0170	3.95	11.55	15.50
6 August 2014	0.0207	47.334	279.30	817.10	0.0140	3.91	11.45	15.36
4 February 2015	0.0211	47.925	309.22	904.64	0.0137	4.24	12.40	16.64
12 August 2015	0.0267	60.612	339.15	992.19	0.0168	5.69	16.64	22.33
1 February 2016	0.0189	42.962	369.07	1,079.74	0.0116	4.26	12.47	16.74
8 August 2016	0.0277	75.112	399.00	1,167.28	0.0196	—	22.85	22.85
		<b>489.038</b>						<b>137.69</b>

For the purposes of the above estimation, it is assumed that:

- (i) the Conversion Shares would be issued at an issue price of HK\$1.8376 (being the initial Conversion Price as stated in the 2011 Transaction Circular) for the purpose of estimating the distributions that would have been payable on the Convertible Bonds issued; and
- (ii) the development cost of US\$369 million was incurred on a proportionate basis with 70% of such costs being incurred in the period from 2012 to 2014 and 30% being incurred in the period from 2015 to 2016, and the Convertible Bonds had been progressively issued to the bondholder in proportion to the development costs incurred as set out above.

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## LETTER FROM THE BOARD

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### REASONS FOR ADJUSTMENT TO THE CONVERSION PRICE OF THE NAGACITY WALK CONVERTIBLE BONDS AFTER CONVERSION OF THE TSCLK COMPLEX CONVERTIBLE BONDS

The reasons for the adjustment of the Conversion Price of the NagaCity Walk Convertible Bonds upon the conversion of the TSCLK Complex Convertible Bonds in full to HK\$0.6582 per Share are as follows:

- (a) On 13 June 2011, the Company entered into the Share Purchase Agreement with Dr. Chen to acquire two different projects sited at different locations with different consideration from two different companies owned by Dr. Chen, who in turn had signed two leases in respect of the two locations from two land owners at different times. On 15 December 2011, TSC Inc., a private company which was established for the purpose of holding the TSCLK Complex Project, signed a long-term lease agreement with the National Election Committee of Cambodia for the site on which the TSCLK Complex Project is situated. On 24 May 2012, TSCI Cambodia, a private company which is wholly-owned by City Walk Inc. and which was established for the purpose of holding the NagaCity Walk Project, signed a long-term lease agreement with the MPP for the site on which the NagaCity Walk Project is situated. For the sake of clarity, as explained on the 2011 Transaction Circular, the date of approval of the Underground Linkway was via Sor Chor Nor dated 2 June 2011. The execution of the lease agreement between the MPP and TSCI Cambodia occurred on 24 May 2012.
- (b) Subsequently, after consultation with the relevant authorities and legal advisers, two separate bonds (namely, the NagaCity Walk Convertible Bonds and the TSCLK Complex Convertible Bonds) were issued by the Company to Dr. Chen after the completion and delivery of two different projects (namely, the NagaCity Walk Project and the TSCLK Complex Project) and after compliance with all the necessary terms and conditions as set out in the Share Purchase Agreement. The bond instrument in respect of the NagaCity Walk Convertible Bonds was issued by the Company on **17 May 2016** and the bond instrument in respect of the TSCLK Complex Convertible Bonds was issued by the Company on **30 December 2016**.
- (c) Irrespective of the impact on NagaCity Walk Convertible Bonds after present proposed conversion of the entire TSCLK Complex Convertible Bonds, any speedy, gradual or delayed conversion of any one of the two series of Convertible Bonds will affect the Conversion Price of the other series of Convertible Bonds under the terms of the Convertible Bonds.
- (d) As stated above, the Acquisition (including the terms of the issue of the Convertible Bonds, the Conversion Price and the adjustments to the Conversion Price arising from a Capital Restructuring event) was approved by the independent shareholders of the Company on 30 January 2012. Accordingly, the adjustment to the Conversion Price of the NagaCity Walk Convertible Bonds following the conversion of the TSCLK Complex Convertible Bonds in full will be made in full compliance with the terms of the Acquisition and the Convertible Bonds (as approved by the independent shareholders of the Company).

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## LETTER FROM THE BOARD

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The details of the computation of the adjustment to the Conversion Price of the NagaCity Walk Convertible Bonds are set out below:

	<b>No. of Shares</b>	<b>Nominal Value of Issued Share Capital (US\$)</b>
Total Issued Shares Before Conversion of TSCLK Complex Convertible Bonds	2,459,988,875	30,749,861
Issue of TSCLK Complex Conversion Shares arising from proposed conversion of TSCLK Complex Convertible Bonds	1,401,843,552	17,523,044
Total Issued Shares Upon Conversion of TSCLK Complex Convertible Bonds	3,861,832,427	48,272,905
<b>Percentage change in Nominal Value of Issued Share Capital</b>		<b>56.99%</b>
<b>Conversion Price of NagaCity Walk Convertible Bonds before issue of TSCLK Complex Conversion Shares (HK\$)</b>		<b>1.5301</b>
<b>Conversion Price of NagaCity Walk Convertible Bonds after issue of TSCLK Complex Conversion Shares (HK\$)</b>		<b>0.6582*</b>

\* *Formula:*

$$1.5301 \times (1 - 56.99\%) = 0.6582$$

Condition 5(C)(2) of the terms and conditions of the bond instrument relating to the NagaCity Walk Convertible Bonds states that:

If and whenever there shall be any change in the nominal value of the issued share capital of the Company (otherwise than as mentioned in Condition 5(C)(1) or as a result of the issue of Shares upon the exercise of a Conversion Right pursuant to these Conditions) including any change in the nominal value of the issued share capital of the Company as a result of the issue of new Shares pursuant to the exercise of any conversion right under any other convertible bond, convertible note or similar debt instrument issued or to be issued by the Company, then the Conversion Price shall be adjusted, on the basis of the percentage change in the nominal value of the issued share capital of the Company as a result of such change in the nominal value of the issued share capital of the Company, by the corresponding percentage increase/decrease (as the



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## LETTER FROM THE BOARD

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case may be), with such adjustment being equivalent to multiplying the Conversion Price in force immediately before such change by the following multiplier:

$$\left( 1 - \frac{A}{B} \right)$$

Where:

A is the amount of the increase or decrease in the nominal value of the issued share capital as a result of the change and, for the avoidance of doubt, any decrease in the nominal value of the issued share capital shall result in “A” being a number expressed as a negative number; and

B is the nominal value of the issued share capital immediately before such change,

provided that no adjustment shall be made to the extent that any change in the nominal value of the issued share capital of the Company occurs as a result of the issue of any Shares by way of a relevant dividend and in respect of which a distribution would be payable by the Company pursuant to Condition 4.

Furthermore, since TSCLK Complex Convertible Bonds and NagaCity Walk Convertible Bonds are two series of bonds, the proposed conversion of TSCLK Complex Convertible Bonds in full would result in an adjustment to the Conversion Price of the NagaCity Walk Convertible Bonds. Applying the same formula for the Capital Restructuring adjustment in the bond instrument as a matter of compliance, if Dr Chen were to elect to convert all the NagaCity Walk Convertible Bonds into Shares, an additional 635 million Conversion Shares will be allotted to Dr. Chen. The financial benefits to Dr. Chen of these additional Shares, if any, should be considered and balanced with the costs and loss of opportunities to Dr. Chen, which is explained below:

<b>Cost items</b>	<b>Cost amount</b> <i>(US\$' million)</i>	<b>Remarks</b>
Development cost	369	
Funding cost @ 11.6% p.a. & other charges (sourced from National Bank Of Cambodia's Annual Report 2015)	147	See Table A below
Development cost over run (as per the Company's announcement dated 17 May 2016)	19	
Adjustment to the Conversion Price of the two Convertible Bonds due to past dividends (based on HK\$3.85/Share, being the closing price of the Shares as at the Latest Practicable Date) if adjustments due to past dividends had been included in the terms and conditions of the relevant bond instrument	267	See Table B below
<b>Total</b>	<b>802</b>	

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## LETTER FROM THE BOARD

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**Table A**

**Summary of Funding Cost (US\$' millions):**

2012	7
2013	17
2014	27
2015	35
2016	41
Total Interest Cost	128
Facility and Commitment Fund	18
<b>Total Funding Cost*</b>	<b>147</b>

\* the numbers may not add up exactly due to roundings

**Table B**

**Adjustment to the Conversion Price of the two Convertible Bonds due to past dividends if adjustments due to past dividends had been included in the terms and conditions of the relevant bond instrument#:**

3918 HK Equity

Declaration Date	Dividend per Share (US\$)	Dividend per Share (HKD)	Share price at declaration date (HKD)	Adjustment factor*	Adjusted conversion price (HKD)
22 February 2012	0.0155	0.1209	3.39	0.9643	1.7721
8 August 2012	0.0151	0.1178	4.24	0.9722	1.7228
6 February 2013	0.0233	0.1817	5.93	0.9694	1.6700
7 August 2013	0.0193	0.1505	6.00	0.9749	1.6281
12 February 2014	0.0238	0.1856	7.55	0.9754	1.5881
6 August 2014	0.0207	0.1615	6.68	0.9758	1.5497
4 February 2015	0.0211	0.1646	6.05	0.9728	1.5076
12 August 2015	0.0267	0.2083	5.80	0.9641	1.4534
1 February 2016	0.0189	0.1474	4.80	0.9693	1.4088
8 August 2016	0.0277	0.2161	5.39	0.9599	1.3523

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## LETTER FROM THE BOARD

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<p># using fixed Forex rate US\$/HKD at 7.8</p> <p>* Adjustment factor = (share price - dividend/share) / share price</p> <p>## NagaCity Walk Convertible bonds entitled the interim dividends in 2016, the final adjustment price shall be HK\$1.4088</p> <p>** the closing price was HK\$3.85/Share as at the Latest Practicable Date</p>	<p><b>Adjusted Conversion Price of NagaCity Walk Convertible bonds due to past dividends if adjustments due to past dividends had been included in the terms and conditions of the relevant bond instrument ##</b></p> <p><b>Adjusted Conversion Price of TSCLK Complex Convertible Bonds due to past dividends if adjustments due to past dividends had been included in the terms and conditions of the relevant bond instrument</b></p> <p>Consideration for NagaCity Walk Convertible Bonds (US\$' Millions)</p> <p>Consideration for TSCLK Complex Convertible Bonds (US\$' Millions)</p> <p><b>Adjusted total number of Conversion Shares to be issued (in million shares)</b></p> <p><b>Original total number of Conversion Shares to be issued before adjustment (in million shares)</b></p> <p><b>Difference in Conversion Shares due to past dividends if adjustments due to past dividends had been included in the terms and conditions of the relevant bond instrument (in million shares)</b></p> <p><b>Value of the difference in Conversion Shares due to past dividends as at the closing Share price on the Latest Practicable Date if adjustments due to past dividends had been included in the terms and conditions of the relevant bond instrument (US\$ millions)**</b></p>	<p><b>HK\$1.4088</b></p> <p><b>HK\$1.3523</b></p> <p>94</p> <p>275</p> <p><b>2,107</b></p> <p><b>1,566</b></p> <p><b>541</b></p> <p><b>267</b></p>
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Based on the issued share capital of the Company as at the Latest Practicable Date and assuming the TSCLK Complex Convertible Bonds are converted in full, the Conversion Price under the NagaCity Walk Convertible Bonds will be adjusted to HK\$0.6582 per Share, and assuming Dr Chen converts all the NagaCity Walk Convertible Bonds, 1,113,993,187 further Conversion Shares would be issued to Dr. Chen and the parties acting in concert with him upon the conversion of the NagaCity Walk Convertible Bonds in full.

**Irrespective of the impact on NagaCity Walk Convertible Bonds after the present proposed conversion of the entire TSCLK Complex Convertible Bonds, any speedy, gradual or delayed conversion of any one of the two series of Convertible Bonds will affect the Conversion Price of the other series of Convertible Bonds.**

Accordingly, Dr. Chen and the parties acting in concert with him would hold approximately 69.83% of the then enlarged issued share capital of the Company (subject to any further adjustment to the Conversion Price and the number of Conversion Shares to be issued upon conversion of the NagaCity Walk Convertible Bonds in the event of any future Capital Restructuring(s)).

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## LETTER FROM THE BOARD

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Dr. Chen and the remaining members of the Board are fully aware of the dilution effects of the subsequent conversion of the NagaCity Walk Convertible Bonds and will evaluate and monitor the timing and effects of subsequent potential corporate exercises on the Company's earnings and equity.

**Assuming the Whitewash Waiver is granted by the Executive and the Conversion Shares are issued to Dr. Chen and the parties acting in concert with him upon the conversion of the TSCLK Complex Convertible Bonds in full, Dr. Chen and the parties acting in concert with him will be interested in more than 50% of the total voting rights in the Company. Assuming that there is no other change in the shareholding structure of the Company, Dr. Chen may in future acquire further voting rights in the Company (including, without limitation, through the conversion of the NagaCity Walk Convertible Bonds) without triggering any further obligation under Rule 26.1 of the Code to make a mandatory general offer.**

### CONDITIONS TO THE CONVERSION OF THE TSCLK COMPLEX CONVERTIBLE BONDS

The conversion of the TSCLK Complex Convertible Bonds is subject to the fulfilment of the following conditions:

- (a) the granting of the Whitewash Waiver by the Executive; and
- (b) the approval by the Independent Shareholders of the proposed Resolution regarding the proposed conversion of the TSCLK Complex Convertible Bonds in full and the Whitewash Waiver by way of poll at the EGM.

The above conditions to the conversion of the TSCLK Complex Convertible Bonds are not waivable. If any of the conditions is not fulfilled, the conversion of the TSCLK Complex Convertible Bonds will not take place and the notice from Dr. Chen of his intention to exercise the conversion rights in respect of the TSCLK Complex Convertible Bonds will be deemed to be withdrawn.

Dr. Chen has indicated to the Company that upon the fulfilment of the above conditions, he will immediately deliver to the Company the unconditional notice of conversion and the other requisite documents in accordance with the terms of the instrument dated 30 December 2016 constituting the TSCLK Complex Convertible Bonds in order for the Company to proceed to issue the Conversion Shares. Completion of the issuance of the Conversion Shares is expected to take place within 10 business days after receipt by the Company of the unconditional notice of conversion and the other requisite documents.

### APPLICATION FOR THE WHITEWASH WAIVER

As at the Latest Practicable Date, Dr. Chen and parties acting in concert with him in aggregate are interested in 958,945,297 Shares, representing approximately 38.98% of the entire issued share capital of the Company.

Assuming there is no other change in the nominal value of the issued share capital of the Company or any other Capital Restructuring and/or the shareholding structure of the Company following the Latest Practicable Date, the conversion of the TSCLK Complex Convertible Bonds in

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## LETTER FROM THE BOARD

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full will result in the issue to Dr. Chen and parties acting in concert with him of 1,401,843,552 Conversion Shares, increasing the aggregate shareholding interest of Dr. Chen and parties acting in concert with him from approximately 38.98% to approximately 61.13% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares pursuant to the conversion of TSCLK Complex Convertible Bonds.

Accordingly, Dr. Chen would, unless a waiver from strict compliance with Rule 26.1 of the Code is granted by the Executive, be obliged to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by Dr. Chen pursuant to Rule 26.1 of the Code as a result of the issue of Conversion Shares pursuant to the proposed conversion of the TSCLK Complex Convertible Bonds in full.

An application has been made to the Executive for the Whitewash Waiver, the granting of which will be conditional upon, among other things, the approval of the Independent Shareholders of the proposed Resolution regarding the proposed conversion of the TSCLK Complex Convertible Bonds in full and the Whitewash Waiver by way of poll at the EGM. The Executive has indicated that it will grant the Whitewash Waiver, subject to, among other things, the approval of the Independent Shareholders of the proposed Resolution regarding the proposed conversion of the TSCLK Complex Convertible Bonds in full and the Whitewash Waiver at the EGM by way of poll.

In light of the requirements under Rule 26.1 of the Code, the Company proposes that the Resolution regarding the proposed conversion of the TSCLK Complex Convertible Bonds in full and the Whitewash Waiver be considered and if thought fit, approved by the Independent Shareholders by way of poll at the EGM.

As at the Latest Practicable Date, the Company does not believe that the proposed conversion of the TSCLK Complex Convertible Bonds in full gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the Latest Practicable Date, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible. The Company notes that the Executive may not grant the Whitewash Waiver if the proposed conversion of the TSCLK Complex Convertible Bonds in full does not comply with other applicable rules and regulations.

### OTHER INFORMATION

Save as disclosed in the section headed “Effects on the Shareholding Structure of the Company of the Conversion of the TSCLK Complex Convertible Bonds” in this letter from the Board above and save for the transactions contemplated under the TSCLK Complex Convertible Bonds and the NagaCity Walk Convertible Bonds, as at the Latest Practicable Date, neither Dr. Chen nor any party acting in concert with him:

- (a) owns, controls or has direction over any Shares, options, warrants, securities that are convertible into Shares;
- (b) has entered into any outstanding derivative in respect of securities in the Company;

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## LETTER FROM THE BOARD

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- (c) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Code) in the Company;
- (d) has any arrangement referred to in Note 8 to Rule 22 of the Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Code) of the Company, which might be material to the conversion of the TSCLK Complex Convertible Bonds or the Whitewash Waiver, with any other person;
- (e) has any agreement or arrangement to which it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the conversion of the TSCLK Complex Convertible Bonds or the Whitewash Waiver;
- (f) has received any irrevocable commitment from any Shareholder to vote in favour of the Whitewash Waiver at the EGM;
- (g) has acquired or entered into any agreement or arrangement to acquire any voting rights in the Company during the period commencing on the date falling six months prior to the date of the Announcement and ending on the date of the Announcement;
- (h) had not entered into any arrangement, agreement and understanding and had no intention to transfer, charge or pledge the securities to be acquired pursuant to the proposed conversion of the TSCLK Complex Convertible Bonds in full; or
- (i) had not dealt for value in any Shares or any options, warrants, derivatives or securities convertible into Shares during the Relevant Period.

### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

An Independent Board Committee comprising the non-executive Director and all the independent non-executive Directors of the Company has been established to make recommendations to the Independent Shareholders in respect of the proposed conversion of the TSCLK Complex Convertible Bonds in full and the Whitewash Waiver.

In accordance with Rule 2.1 of the Code, the Board has approved the appointment of Anglo Chinese as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed conversion of the TSCLK Complex Convertible Bonds in full and the Whitewash Waiver. Such appointment of the Independent Financial Adviser has been approved by the Independent Board Committee. Anglo Chinese is a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO.

The letter from the Independent Board Committee and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders are set out in this circular on page 30 and pages 31 to 49, respectively.

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## LETTER FROM THE BOARD

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### EGM

The Resolution will be proposed to the Independent Shareholders at the EGM to consider and approve the proposed conversion of the TSCLK Complex Convertible Bonds in full and the Whitewash Waiver. Dr. Chen and parties acting in concert with him and Shareholders who are otherwise involved in, or interested in, the proposed conversion of the TSCLK Complex Convertible Bonds in full and/or the Whitewash Waiver shall abstain from voting in respect of the Resolution at the EGM.

A notice convening the EGM to be held at Chatham Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Admiralty, Hong Kong on Friday, 21 July 2017 at 2:30 p.m. is set out on pages 144 to 145 of this circular and a form of proxy for use at the EGM is enclosed with this circular. If you are not able to attend the EGM in person, please complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and, in any event, not less than 48 hours before the time fixed for holding of the EGM or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.

### RECOMMENDATIONS

As set out in the letter from the Independent Board Committee on page 30 of this circular, the Independent Board Committee, having taken into account the advice from the Independent Financial Adviser, considers that the proposed conversion of the TSCLK Complex Convertible Bonds in full and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the proposed Resolution approving the proposed conversion of the TSCLK Complex Convertible Bonds in full and the Whitewash Waiver at the EGM.

It is the Board's hope that the above explanations could provide you with a better understanding of the transaction. The Company, as always, would see Shareholders' value as its top priority. The support and understanding of the Shareholders is extremely important for the Company to be able to continuously deliver performance for the Shareholders and the Company looks forward to your voting in favour of the Whitewash Waiver at the EGM on Friday, 21 July 2017.

Should you have any questions, please feel free to contact the Company's investor relations adviser, Ipreo at [NagaCorp@ipreo.com](mailto:NagaCorp@ipreo.com).

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this circular.

Yours faithfully,  
For and on behalf of the Board of  
**NAGACORP LTD.**  
**Timothy Patrick McNally**  
*Chairman*

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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**NAGACORP**

金界控股有限公司

**NAGACORP LTD.**

金界控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**Stock code: 3918**

9 June 2017

*To the Independent Shareholders*

Dear Sir or Madam,

**PROPOSED CONVERSION OF THE TSCLK COMPLEX CONVERTIBLE BONDS  
AND  
APPLICATION FOR WHITEWASH WAIVER**

We refer to the circular of the Company dated 9 June 2017 of which this letter forms part. Capitalised terms used herein have the same meanings as those defined in this circular unless otherwise stated.

We have been appointed as members of the Independent Board Committee to consider the proposed conversion of the TSCLK Complex Convertible Bonds in full and the Whitewash Waiver (details of which are set out in the letter from the Board in this circular). Anglo Chinese has been appointed as the Independent Financial Adviser to advise us in this regard. Details of the advice of Independent Financial Adviser, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 31 to 49 of this circular.

Having considered the proposed conversion of the TSCLK Complex Convertible Bonds in full and the Whitewash Waiver, the interest of the Independent Shareholders, the principal factors and reasons considered by and the advice of the Independent Financial Adviser, we consider the proposed conversion of the TSCLK Complex Convertible Bonds in full and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and its Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the proposed Resolution at the EGM to approve the proposed conversion of the TSCLK Complex Convertible Bonds in full and the Whitewash Waiver.

Yours faithfully,  
Independent Board Committee

**Timothy Patrick  
McNally**

**Michael Lai Kai Jin**

**Tan Sri Datuk  
Seri Panglima Abdul  
Kadir Bin Haji Sheikh  
Fadzir**

**Lim Mun Kee**



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of the letter of advice from Anglo Chinese Corporate Finance, Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purpose of incorporation into this document.*

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### ANGLO CHINESE

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CORPORATE FINANCE, LIMITED

www.anglochinesegroup.com

40<sup>th</sup> Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong

9th June, 2017

To the Independent Board Committee and  
the Independent Shareholders

Dear Sirs,

### PROPOSED CONVERSION OF THE TSCLK COMPLEX CONVERTIBLE BONDS AND APPLICATION FOR WHITEWASH WAIVER

#### INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the proposed conversion of the TSCLK Complex Convertible Bonds in full (the “**Proposed Conversion**”) the application for the Whitewash Waiver, details of which are set out in the “Letter from the Board” contained in this circular dated 9th June, 2017 issued by the Company to, among others, the Independent Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in this circular unless the context requires otherwise.

On 28th March, 2017 (before trading hours), the Company received a notice from Dr. Chen of his intention to exercise the conversion rights in respect of the TSCLK Complex Convertible Bonds in full in the outstanding aggregate principal amount of US\$275,000,000. The TSCLK Complex Convertible Bonds will be convertible into Conversion Shares at a price of HK\$1.5301 per Conversion Share, and in full conversion would result in 1,401,843,552 new Shares being issued representing 36.30% of the enlarged issued share capital of the Company following the Proposed Conversion.

Assuming no further Shares are issued or repurchased from the Latest Practicable Date up to and until the issue of the Conversion Shares pursuant to the Proposed Conversion would result in the increase of the shareholding of Dr. Chen and parties acting in concert with him from approximately 38.98% to approximately 61.13% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares pursuant to the Proposed Conversion. Accordingly, Dr. Chen and parties acting in concert with him will be obliged to make a mandatory general offer for all the issued Shares

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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not already owned or agreed to be acquired by them pursuant to Rule 26.1 of the Code unless the Whitewash Waiver is granted by the Executive. The grant of the Whitewash Waiver is subject to the approval by the Independent Shareholders by way of poll at the EGM under Note 1 on dispensations from Rule 26 of the Code. An application has been made to the Executive for the Whitewash Waiver. The Executive has indicated that it will grant the Whitewash Waiver, subject to, among others, the approval of the Proposed Conversion and the Whitewash Waiver by the Independent Shareholders by way of poll at the EGM. Dr. Chen and parties acting in concert with him and the Shareholders who are involved in, or interested in, the Proposed Conversion and, or the Whitewash Waiver will abstain from voting on the proposed Resolution at the EGM.

The Independent Board Committee, comprising the non-executive Director and all the independent non-executive Directors, namely Mr. Timothy Patrick McNally, Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir, Mr. Lim Mun Kee, and Mr. Michael Lai Kai Jin, has been established to advise the Independent Shareholders as to whether the Proposed Conversion and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to make recommendation to the Independent Shareholders as to their voting on the proposed Resolution approving the Proposed Conversion and the Whitewash Waiver at the EGM. Pursuant to Rule 2.1 of the Code, the Board has approved the appointment of Anglo Chinese Corporate Finance, Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

In formulating our recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Company. We have also assumed that the information and representations contained or referred to in this circular were true and accurate at the time they were made and continued to be so at the Latest Practicable Date. We have reviewed the recently published information on the Company including the annual reports for the three years ended 31st December, 2016, published announcements and, or circular in relation to the Acquisition and the Convertible Bonds, the bond instruments of the Convertible Bonds (the “**Bond Instruments**”) and the arithmetic calculation of the computation of adjustments to the Conversion Prices. We have also discussed with the management of the Company, amongst other things, the Company’s prospect and the background to and reasons for the Proposed Conversion and the Whitewash Waiver. We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed by them. We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in this circular and to provide a reasonable basis for our opinion and advice. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company. We have not, however, conducted an independent investigation into the business and affairs of the Group or the associates of either of them, nor have we carried out any independent verification of the information supplied.

Apart from normal professional fees for our services to the Company in connection with this appointment, no arrangement exists whereby we will receive any benefits from the Group or any of its associates.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND CONSIDERATIONS

The following are the principal factors which we have taken into account in assessing the fairness and reasonableness of the Proposed Conversion and the Whitewash Waiver and in giving our advice to the Independent Board Committee and the Independent Shareholders:

#### Background of the Group

The Company is principally engaged in the operation of a hotel and entertainment complex, NagaWorld, in the capital city of Cambodia, Phnom Penh. NagaWorld enjoys a 70-year casino license that will run until 2065, with an exclusive right to operate a casino in Phnom Penh, Cambodia and the area within a radius of 200 kilometres of Phnom Penh (except the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville) up to the end of 2035.

Set out below is a summary of the audited financial information of the Group from its respective annual report for each of the three years ended 31st December, 2014, 2015 and 2016:

	<b>Year ended 31st December,</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Casino operations	381,384	480,600	500,837
Hotel room income, sales of food and beverage and others	22,914	23,055	30,721
<b>Total Revenue</b>	<b>404,298</b>	<b>503,655</b>	<b>531,558</b>
Cost of sales	(131,604)	(175,844)	(164,714)
Gross profit	272,694	327,811	366,844
Other income	3,295	5,611	5,748
Administrative expenses	(51,483)	(47,169)	(52,606)
Other operating expenses	(82,545)	(97,235)	(111,765)
<b>Profit before taxation</b>	<b>141,961</b>	<b>189,018</b>	<b>208,221</b>
Income tax	(5,875)	(16,395)	(24,062)
<b>Profit attributable to owners of the Company</b>	<b>136,086</b>	<b>172,623</b>	<b>184,159</b>
<b>Earnings per share</b>			
— Basic (US cents)	<b>5.96</b>	<b>7.58</b>	<b>7.89</b>
— Diluted (US cents)	<b>5.96</b>	<b>7.58</b>	<b>7.04</b>

Sources: 2015 and 2016 annual reports of the Company

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As extracted from the annual report of the Company for the year of 2016, the Group's revenue for the year ended 31st December, 2016 was approximately US\$531.6 million, representing an increase of approximately US\$27.9 million when compared to that of US\$503.7 million for the year ended 31st December 2015. Such increase was mainly due to an increase in business volume across all segments of the gaming business, in which the mass market segment of both public floor tables and electronic gaming machines contributed around 90% of the increase, mostly coming from an increase in electronic gaming machines fees of US\$20 million in 2016 (US\$60.0 million in 2016 compared to US\$40.0 million in 2015). Moreover, the Group's gross profit also improved from approximately US\$327.8 million for the year ended 31st December, 2015 to US\$366.8 million for the year ended 31st December, 2016. Such increase was mainly attributable by higher public floors tables buy-ins, electronic gaming machines bill-ins and electronic gaming machines from investors. Furthermore, the mass market segment generated high gross profit margins of approximately 98.3% and 96.5% for the years ended 31st December, 2015 and 2016, respectively. The Group recorded a net profit of approximately US\$184.2 million for the year ended 31 December, 2016 as compared to the net profit of approximately US\$172.6 million for the year ended 31 December, 2015.

The Group's revenue for the year ended 31st December, 2015 was approximately US\$503.7 million, representing an increase of approximately US\$99.4 million when compared to that of US\$404.3 million for the year ended 31st December, 2014, with an approximately 18.2% increase in public floor tables buy-ins and approximately 15.6% increase in electronic gaming machines bill-ins. In specific, the revenue generated from electronic gaming machines increased by approximately 62% for the year ended 31st December, 2015 compared to the year ended 31st December, 2014, as a result of an electronic gaming machines negotiation fee of US\$40.0 million received by the Group. The Group recorded a gross profit increase of approximately 20.2% to US\$327.8 million for the year ended 31st December, 2015. The Group's net profit for the year ended 31st December, 2015 was approximately US\$172.6 million, representing an increase of approximately US\$36.5 million when compared to that of US\$136.1 million for the year ended 31st December, 2014. Such increase was attributable to the increase in business volume across all segments of the gaming business.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Set out below is a summary of the consolidated statements of financial position of the Group as at 31st December, 2014, 2015 and 2016:

	<b>As at 31st December,</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>US\$'000</i> <i>(Audited)</i>	<i>US\$'000</i> <i>(Audited)</i>	<i>US\$'000</i> <i>(Audited)</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	337,231	407,080	810,149
Interest in leasehold lands held for own use under operating lease	608	1,308	27,266
Intangible assets	73,295	69,748	66,201
Prepayments for acquisition, construction and fitting-out of property, plant and equipment	15,059	47,692	93,458
Promissory notes	—	6,885	8,647
<b>Total non-current assets</b>	<b><u>426,193</u></b>	<b><u>532,713</u></b>	<b><u>1,005,721</u></b>
<b>CURRENT ASSETS</b>			
Consumables	1,292	1,177	1,467
Trade and other receivables	29,062	45,999	72,559
Investment in bonds	25,809	—	—
Cash and cash equivalents	178,238	143,081	210,912
<b>Total current assets</b>	<b><u>234,401</u></b>	<b><u>190,257</u></b>	<b><u>284,938</u></b>
<b>Total assets</b>	<b><u>660,594</u></b>	<b><u>722,970</u></b>	<b><u>1,290,659</u></b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	34,604	34,824	36,969
Current tax liability	490	1,570	2,709
<b>Total current liabilities</b>	<b><u>35,094</u></b>	<b><u>36,394</u></b>	<b><u>39,678</u></b>
<b>Total liabilities</b>	<b><u>35,094</u></b>	<b><u>36,394</u></b>	<b><u>39,678</u></b>
<b>Net assets</b>	<b><u>625,500</u></b>	<b><u>686,576</u></b>	<b><u>1,250,981</u></b>

Sources: 2015 and 2016 annual reports of the Company

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Group's financial position as at 31st December, 2014, 2015 and 2016 remained stable with healthy cash flows. As at 31st December, 2016, the Group had cash on hand of approximately US\$210.9 million (31st December, 2015: US\$143.1 million), and total assets and net assets amounted to approximately US\$1,290.7 million (31st December, 2015: US\$723.0 million) and US\$1,251.0 million (31st December, 2015: US\$686.6 million), respectively. As at 31st December, 2016 and for a period of past 3 years, the Group did not have any bank borrowings. The property, plant and equipment accounted for around 80% of the total non-current assets as at 31st December, 2014, 2015 and 2016, which was mainly attributable by the acquisition of the TSCLK Complex and NagaCity Walk, as well as the capital work in progress in relation to the construction within NagaWorld.

### **Prospects and outlook**

As discussed in the 2016 annual report of the Company, the management of the Group believed that Cambodia would continue to attract visitors from Asia and other countries which benefited from its appeal as a tourism destination and the abundance of business opportunities that existed in an emerging economy with political stability. According to the Tourism Statistics Report for March, 2017 published by the Ministry of Tourism of the Kingdom of Cambodia, the compounded annual growth rate of visitation to Cambodia between 2012 and 2016 was approximately 8.7%, while visits to Cambodia in March, 2017 have been increased by approximately 11.6% when comparing to same period in 2016, in which the Chinese tourists contributed the largest component of the visitors. Accordingly, the management of the Group believes that NagaWorld could be benefited as it is one of the main tourist destinations located in the city centre of Phnom Penh and the entertainment centre for the Mekong region. Furthermore, the increase in the gaming facilities resulting from the completion of the TSCLK Complex will allow the Group to monetise the value of its casino license by offering participative rights to suitably qualified third parties and gaming operators.

Furthermore, the opening of the NagaCity Walk in August 2016 marked a significant step in the Group's development. NagaCity Walk is Phnom Penh's first downtown duty-free shopping mall, which strives to enhance the overall retail experience available to patrons and further strengthens NagaWorld's appeal to both the VIP Market and mass market. In addition, the opening of the TSCLK Complex in 2017 is expected to enhance NagaWorld's appeal to both the mass market and VIP market across the region and further cement NagaWorld as the entertainment centre in the Mekong Region. The Company is already in discussion with several tourist agents to accommodate the potential growth of tourists and visitors in Cambodia in the end of 2017, especially capturing the increasing trend of Chinese tourists.

The Group's gaming and resort development project in Vladivostok, Russia has commenced its piling work on site in 2016 and is scheduled to open in 2019. The management of the Group believes that its strategy to diversify its business geographically and expand into new casino markets will drive the revenue growth in the long-run.

### **Information on Dr. Chen and parties acting in concert with him**

Dr. Chen is the executive Director, the founder, and the Chief Executive Officer and the controlling Shareholder of the Company, and the father of Mr. Chen Yiy Fon and Mr. Chen Yepern, both of whom are executive Directors of the Company. The Independent Shareholders are referred to the section headed "Information on Dr. Chen and his vision for the Group" as described in the Letter from the Board for further details.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### THE TSCLK COMPLEX CONVERTIBLE BONDS

#### Background of the TSCLK Complex Convertible Bonds

References are made to the 2011 Transaction Circular in relation to the acquisition of the NagaCity Walk Project and the TSCLK Complex Project, and the announcements of the Company dated 13th June, 2011, 28th December, 2011, 29th December, 2015, 17th May, 2016, 30th December, 2016, 28th March, 2017, 18th April, 2017 and 12th May, 2017, respectively.

The Company had contemplated to expand NagaWorld to add further gaming and non-gaming space such as hotel, retail, entertainment and other related facilities for the guests and to complement the existing NagaWorld. Accordingly, on 13th June, 2011, the Company entered into the Share Purchase Agreement with Dr. Chen, to purchase the entire issued share capital of the two companies solely owned by Dr. Chen, which were TSC Inc. and City Walk Inc. for such expansion of the Company's existing business. TSC Inc. and City Walk Inc. were the investment holding companies, which were principally engaged in the businesses of the development and construction of TSCLK Complex and the NagaCity Walk, respectively. The development and construction of the TSCLK Complex and the NagaCity Walk were two different projects located at two different sites adjacent to the existing NagaWorld, and TSC Inc. and City Walk Inc. signed two long-term leases in respect of these two sites from two land owners at different time. These two Projects were independent of each other but only pursued on a concurrent development time table. Please refer to the letter from the Board of the 2011 Transaction Circular for the details of the Projects.

Pursuant to the Share Purchase Agreement, the consideration payable for the Sale Shares was US\$369,000,000, which was divided into (i) US\$275,000,000 in respect of the TSCLK Complex Project; and (ii) US\$94,000,000 in respect of the NagaCity Walk Project (previously, the NagaCity Walk Project and the Tourist Garden Undertaking (as defined in the 2011 Transaction Circular)). The abovementioned consideration would be settled, at the option of Dr. Chen, in the form of (i) Consideration Shares (being the new ordinary Shares) to be allotted and issued; or (ii) Convertible Bonds issued by the Company and convertible at the option of the bondholder(s) into Conversion Shares to be allotted and issued; or (iii) a combination of Consideration Shares and Convertible Bonds, to an aggregate value of US\$369,000,000. On 30th January, 2012, the ordinary Resolutions in relation to the allotment of issue of Consideration Shares, the creation and issue of the Convertible Bonds in an aggregate principal amount of up to US\$369,000,000, and the allotment and issue of new Shares upon the conversion of Convertible Bonds were duly passed in the extraordinary general meeting of the Company. The initial conversion price of HK\$1.8376 per Conversion Share was set, however, the Conversion Price is subject to the adjustments in the event of Capital Restructuring (i.e. any change from time to time in the nominal value of the issued share capital of the Company whether as a result of a sub-division, consolidation, re-classification, re-construction or otherwise according to the principal terms of the Convertible Bonds. At that time, Dr. Chen had not selected the settlement method yet, and neither the Convertible Bonds nor the Consideration Shares had been issued.

Pursuant to the Share Purchase Agreement, completion of the Acquisition and the issue of Convertible Bonds and, or Consideration Shares, would take place simultaneously, albeit at the election of Dr. Chen, with either (i) in Combined Completion (meaning that the NagaCity Walk Project and the TSCLK Complex Project would be completed at the same time); or (ii) in Split Completion,

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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which would be upon the construction completion of the NagaCity Walk Project and the construction completion of the TSCLK Complex Project separately. As described below the Company had undertaken a number of issues of new Shares since then, which under the terms of the Convertible Bonds, have resulted in an adjusted conversion price of HK\$1.5301 per Conversion Share.

On 17th May, 2016, the Company announced that Dr. Chen notified the Company of his election for the Split Completion, whereby the NagaCity Walk Project was completed in advance of the TSCLK Complex Project as the TSCLK Complex Project and the NagaCity Walk Project were two independent projects as mentioned above. Accordingly, the consideration for the City Walk Shares payable by the Company at the completion of NagaCity Walk was US\$94,000,000. Pursuant to the Share Purchase Agreement, Dr. Chen elected for such consideration to be settled by way of the issue of the NagaCity Walk Convertible Bonds in accordance with the terms of the Share Purchase Agreement, and the issue of the NagaCity Walk Convertible Bonds to Dr. Chen took place on the same date. On the same date, Dr. Chen and parties acting in concert with him held 958,945,297 Shares, representing approximately 42.02% of the issued share capital of the Company.

On 30th December, 2016, the Company announced that, pursuant to the Share Purchase Agreement, Dr. Chen elected for the consideration for the TSC Inc. Shares to be settled by way of the issue of the TSCLK Complex Convertible Bonds in the aggregate principal amount of US\$275,000,000 as the TSCLK Complex Project had been completed. And each of the conditions precedent to the TSCLK Complex Completion had been satisfied, the TSCLK Complex Completion, comprising the transfer of the TSC Inc. Shares to the Company and the issue of the TSCLK Complex Convertible Bonds to Dr. Chen took place on the even date pursuant to the Share Purchase Agreement. The TSCLK Complex Convertible Bonds were issued as a result of the consideration for the TSC Inc. Shares payable by the Company at the TSCLK Complex Completion. After full conversion of the TSCLK Complex Convertible Bonds, and assuming there had been no other change in the nominal value of the issued share capital of the Company following 30th December, 2016 and up to and including the date of such Proposed Conversion, Dr. Chen and parties acting in concert with him would increase its shareholding up to approximately 61.13% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares. Please refer to the section headed "Conversion Price adjustment methodology" in the letter from the Board for the details about the adjustment of the Conversion Price.

As at the Latest Practicable Date, Dr. Chen and parties acting in concert with him were interested in 958,945,297 Shares, representing approximately 38.98% of the entire issued share capital of the Company. Dr. Chen and parties acting in concert with him also held the NagaCity Walk Convertible Bonds and the TSCLK Complex Convertible Bonds, which were two sets of independent convertible bonds, in aggregate outstanding principal amount of US\$369,000,000. Upon the conversion of the NagaCity Walk Convertible Bonds in full and subsequent to the Proposed Conversion and assuming there is no further adjustment in the event of any future Capital Restructuring(s), it would lead to Dr. Chen holding approximately 69.83% of the enlarged issued share capital of the Company.

### **Conversion Notice from Dr. Chen**

On 28th March, 2017 (before trading hours), the Company had received a notice from Dr. Chen stating subject to the fulfilment of the conversion conditions (as set out in the section headed



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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“Conversion conditions of the TSCLK Complex Convertible Bonds” below), he intended to exercise the conversion rights in respect of the TSCLK Complex Convertible Bonds in full in the aggregate outstanding principal amount of US\$275,000,000 into the Conversion Shares at HK\$1.5301 per Conversion Share.

As at the Latest Practicable Date, Dr. Chen has not indicated to the Company that he intended to convert the NagaCity Walk Convertible Bonds. Please refer to the section headed “Conversion of the NagaCity Walk Convertible Bonds” below for details.

### **Conversion conditions of the TSCLK Complex Convertible Bonds**

The conversion of the TSCLK Complex Convertible Bonds is subject to the fulfilment of the following conditions:

- (a) the granting of the Whitewash Waiver by the Executive; and
- (b) the approval by the Independent Shareholders of the proposed Resolution regarding the Proposed Conversion and the Whitewash Waiver by way of poll at the EGM.

The above conversion conditions to the Proposed Conversion are not waivable. If any of the conversion conditions is not fulfilled, the Proposed Conversion will not take place and the notice from Dr. Chen of his intention to exercise the conversion rights in respect of the TSCLK Complex Convertible Bonds will be deemed to be withdrawn. As at the Latest Practicable Date, none of the above conversion conditions has been fulfilled.

### **Reasons for and benefits of the Proposed Conversion**

The Independent Shareholders are referred to the reasons for and benefits of the Proposed Conversion as described in the letter from the Board.

Dr. Chen is the founder of the Group, and has been a controlling Shareholder of the Company since the listing of its Shares in 2006. Dr. Chen has a long-term vision for the Group of creating an international gaming and tourism-related group by pursuing a strategy of adopting a conservative gaming policy and adhering to optimal capital structure of the Group by utilising existing resources, experience and financial success attained in the years of operation in Cambodia. As at the Latest Practicable Date, Dr. Chen and parties acting in concert with him held approximately 38.98% of the entire issued share capital of the Company. Upon the Proposed Conversion, Dr. Chen and parties acting in concert with him will increase his shareholding to over 50% of the entire enlarged issued share capital of the Company. As mentioned in this circular, Dr. Chen intends to utilise the existing operations and management structure of the Group to continue the existing business of the Group upon the grant of the Whitewash Waiver and the completion of the Proposed Conversion. Accordingly, such increase of the controlling interest upon the completion of the Proposed Conversion would provide Dr. Chen and parties acting in concert with him additional voting rights to continue to focus on the long-term interests and development of the Group. It is not intended that there will be any management changes as a result of the increase in the voting rights held by Dr. Chen.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Moreover, as discussed in the 2011 Transaction Circular, the Company chose not to undertake the projects on its own at that time and entered the Share Purchase Agreement with Dr. Chen instead for the following reasons:

- i) the provision of financing offered by other financial institutions to the Company was insufficient to fund the development and expansion plans of NagaWorld at that time;
- ii) the transferring of risks of bearing the development fund, cost escalation and completion risks to Dr. Chen;
- iii) setting of ceiling price of the Projects as the Company had agreed to pay a fixed price of US\$369,000,000 to Dr. Chen. The Consideration Shares and, or the Convertible Bonds would be issued to Dr. Chen after the completion of the Projects;
- iv) Dr. Chen would fund the entire development costs of the Projects which helped to conserve the cash resources of the Company for further working capital and preserve the Company's high dividend payout ratio policy; and
- v) the settlement of the consideration by Convertible Bonds would relieve the Company of the pressure to secure sufficient financing to commit to the development of the Projects.

According to the Share Purchase Agreement, the financing and development for the entire Projects shall be the sole responsibility of Dr. Chen. The management of the Group estimated that the funding cost of the TSCLK Complex Project and the NagaCity Walk Project was approximately US\$147 million, with a further US\$19 million cost overrun, which was borne by Dr. Chen. We also note that the issue of the TSCLK Complex Convertible Bonds by the Company and the allotment and the issue of the Conversion Shares upon exercise of the conversion rights were approved by the then Shareholders at the extraordinary general meeting of the Company duly convened and held on 30th January, 2012. Upon completion of the TSCLK Complex Project on 30th December, 2016, the TSCLK Complex Convertible Bonds were issued to Dr. Chen as the consideration for the TSC Inc. Shares payable by the Company at the TSCLK Complex Completion. The TSCLK Complex Project is expected to be operational in 2017 as previously scheduled.

As discussed with the management of the Company, Dr. Chen, being the controlling Shareholder of the Company since the listing of its Shares in 2006, entered into the Share Purchase Agreement with the Company to support of the Company's long-term future growth of business of NagaWorld. The terms of the TSCLK Complex Convertible Bonds, such as being non-redeemable, and perpetual basis with no maturity date, make the TSCLK Complex Convertible Bonds more in the nature of equity as opposed to debt securities. Moreover, the TSCLK Complex Convertible Bonds have variable interest rate and payable on an "as converted" basis based on the dividends paid on the Shares. Therefore, Dr. Chen would have no economic advantages in respect of the interest and dividend payment through holding the TSCLK Complex Convertible Bonds compared with holding the Conversion Shares into which the TSCLK Complex Convertible Bonds will be converted. Furthermore, as mentioned in the letter from the Board, the issue of the Convertible Bonds by the Company upon delivery of the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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completion of the Projects was a deferred payment method for the benefit of the Company and was made at the expense of Dr. Chen who assumed all the funding costs and risks relating to the Projects. And Dr. Chen's main intention to convert TSCLK Complex Convertible Bonds is for the benefit of eliminating the substantial portion of the outstanding Convertible Bonds.

As discussed in the letter from the Board, if the Convertible Bonds had been issued progressively in proportion to the funding provided by Dr. Chen to complete the Projects, Dr. Chen would have had the benefit of receiving distributions which would be equal to the dividend that would otherwise be payable by the Company on the Conversion Shares had the relevant Convertible Bonds been converted. The Company estimated the value of such forgone distributions to be about US\$137.7 million.

Taking into account that the issue of the TSCLK Complex Convertible Bonds by the Company and that the allotment and the issue of the Conversion Shares upon exercise of the conversion rights were approved by the then Shareholders at the extraordinary general meeting of the Company duly convened and held on 30th January, 2012 as mentioned above, we are of the view that it should be appropriate for the Shareholders to support the Proposed Conversion and the Whitewash Waiver.

### Dilution effect on the shareholding interests of the Company

According to the letter from the Board, the following table sets forth the shareholding structure of the Company (i) as at the the Latest Practicable Date; (ii) immediately after the issue of the Conversion Shares upon conversion of the TSCLK Complex Convertible Bonds in full; and (iii) immediately after the issue of the Conversion Shares upon conversion of the NagaCity Walk Convertible Bonds in full and subsequent to the conversion of the TSCLK Complex Convertible Bonds in full, in each case assuming there being no other change in the nominal value of the issued share capital of the Company or any other Capital Restructuring(s) and, or the shareholding structure of the Company following the Latest Practicable Date:

Shareholder	As at the Latest Practicable Date		Upon conversion of the TSCLK Complex Convertible Bonds in full (Note 1)		Upon conversion of the NagaCity Walk Convertible Bonds in full and subsequent to the conversion of the TSCLK Complex Convertible Bonds in full (for illustrative purposes only and assuming the NagaCity Walk Convertible Bonds will be converted in full) (Note 2)	
	<i>Approximate % of the issued share capital of the Company</i>		<i>Approximate % of the issued share capital of the Company</i>		<i>Approximate % of the issued share capital of the Company</i>	
	<i>Number of issued Shares</i>	<i>share capital of the Company</i>	<i>Number of issued Shares</i>	<i>share capital of the Company</i>	<i>Number of issued Shares</i>	<i>share capital of the Company</i>
Dr. Chen and parties acting in concert with him	958,945,297	38.98	2,360,788,849	61.13	3,474,782,036	69.83
Public Shareholders	1,501,043,578	61.02	1,501,043,578	38.87	1,501,043,578	30.17
<b>Total</b>	<u>2,459,988,875</u>	<u>100.00</u>	<u>3,861,832,427</u>	<u>100.00</u>	<u>4,975,825,614</u>	<u>100.00</u>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Notes:

- (1) *The total number of issued Shares will be increased by 1,401,843,552 Shares upon the conversion of the TSCLK Complex Convertible Bonds in full and the allotment and issue to Dr. Chen and parties acting in concert with him of 1,401,843,552 Conversion Shares.*
- (2) *The information is solely for illustrative purposes only in order to reflect the expected shareholding structure of the Company assuming that the NagaCity Walk Convertible Bonds will be converted in full. For the avoidance of doubt, the number of Shares to be issued to Dr. Chen and parties acting in concert with him upon the conversion of NagaCity Walk Convertible Bonds may be subject to further adjustments in the event of any future Capital Restructuring(s). The illustration above assumes appropriate adjustment to Conversion Price and accounts for the TSCLK Complex Convertible Bonds conversion as a Capital Restructuring event in addition to other restructuring events that have taken place since the issue of the Convertible Bonds.*
- (3) *As at the Latest Practicable Date, save for Dr. Chen, none of the Directors holds any Shares.*

As illustrated in the table above, the existing public Shareholders should note their shareholdings in the Company will be diluted upon the completion of the Proposed Conversion and the Whitewash Waiver. Accordingly, the shareholding of the existing public Shareholders will be diluted from approximately 61.02% of the issued share capital of the Company as at the Latest Practicable Date to approximately 38.87% of the issued share capital as enlarged by the issue of the Conversion Shares pursuant to the Proposed Conversion. And for illustrative purpose, the shareholding of the existing public Shareholders will be further diluted to approximately 30.17% upon the conversion of the NagaCity Walk Convertible Bonds based on the adjusted Conversion Price.

We also note that the terms of the TSCLK Complex Convertible Bonds and, among other things, the dilutive effect on the shareholdings of the other Shareholders in respect of the Conversion Shares upon the conversion of the Convertible Bonds they held were set out in the 2011 Transaction Circular, and the issue of the TSCLK Complex Convertible Bonds and the allotment and issue of the Conversion Shares upon the exercise of the conversion rights were approved by the then Shareholders at the extraordinary general meeting of the Company duly convened and held on 30th January, 2012. As stated in the 2011 Transaction Circular, upon full conversion of the Convertible Bonds, the shareholding interest of public shareholders would be diluted from approximately 39.69% to 22.65%. The dilutive effects illustrated in the 2011 Transaction Circular were different from the table illustrated above as a result of adjustments to the Conversion Price arising upon the occurrence of the Capital Restructuring events. Please refer to the section headed “Other considerations — Historical corporate events” below for details of the Capital Restructuring events during the period from 13th June, 2011 and up to the Latest Practicable Date.

As discussed with the management of the Company, Dr. Chen and the remaining members of the Board were fully aware of the dilutive effects of the subsequent conversion of the NagaCity Walk Convertible Bonds and will evaluate and monitor the timing and effects of subsequent potential corporate exercises on the Company’s earnings and equity. Nevertheless, as confirmed with Dr. Chen, he did not have an intention to convert the NagaCity Walk Convertible Bonds held as at the Latest Practicable Date, and please refer to the section headed “Conversion of the NagaCity Walk Convertible Bonds” below for further discussions.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### OTHER CONSIDERATIONS

#### Historical corporate events

Set out below is the chronology of the major corporate events during the period from 13th June, 2011 and up to the Latest Practicable Date, in which resulted in the decrease of the shareholding interests by Dr. Chen and parties acting in concert with him and the adjustment of the Conversion Prices of the Convertible Bonds.

Date of announcement	Event(s)	Shareholding held by Dr. Chen and parties acting in concert <i>(no. of shares)</i>	Total issued share capital of the Company <i>(no. of shares)</i>	Approximate percentage of total issued share capital of the Company <i>(%)</i>	Use of proceeds (if any)
30th December, 2011	Very substantial acquisition and connected transaction in relation to the acquisition of 100% equity interest in TSC Inc. upon the Combined Completion, or the acquisition of 100% equity interests in TSC Inc. and City Walk Inc. upon Split Completion pursuant to the Share Purchase Agreement, and the issue of convertible securities and issue of shares under a specific mandate	1,255,795,298	2,082,078,875	60.31%	N.A.
3rd April, 2012	Placing of existing Shares by Dr. Chen	1,041,795,298	2,082,078,875	50.04%	N.A.
20th November, 2012	Placing of existing Shares by Dr. Chen	951,795,298	2,082,078,875	45.71%	N.A.
14th March, 2013	Placing of existing Shares and top-up subscription of new Shares under the general mandate by Dr. Chen	951,795,298	2,282,078,875 <i>(note 1)</i>	41.71%	To promote and implement business developments of the Group
11th December, 2014	Share repurchase by the Company	951,795,298	2,282,078,875	41.71%	N.A.
17th May, 2016	Election of Split Completion by Dr. Chen according to the Share Purchase Agreement, and the completion of NagaCity Walk project	958,945,297	2,282,078,875	42.02%	N.A.
1st September, 2016	Placing of existing Shares and top-up subscription of new Shares under the general mandate by Dr. Chen	958,945,297	2,459,988,875 <i>(note 1)</i>	38.98%	To strengthen the capital base of the Group, and to enhance its financial position and net assets bases for long-term development and growth of the Group

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Date of announcement	Event(s)	Shareholding held by Dr. Chen and parties acting in concert <i>(no. of shares)</i>	Total issued share capital of the Company <i>(no. of shares)</i>	Approximate percentage of total issued share capital of the Company <i>(%)</i>	Use of proceeds <i>(if any)</i>
30th December, 2016	Completion of the TSCLK Complex Project and issue of the TSCLK Complex Convertible Bonds	958,945,297	2,459,988,875	38.98%	N.A.
Potential subsequent event: -					
N.A.	Proposed Conversion	2,360,788,849	3,861,832,427	61.13%	N.A.

*Sources: Relevant announcements published by the Company at [www.hkexnews.hk](http://www.hkexnews.hk)*

*Note:*

- The numbers of the total issued share capital of the Company had been enlarged by the issue of the subscription Shares in each top-up subscription of new Shares under the general mandate.*

As will be seen from the above table at the time of entering into the Share Purchase Agreement in relation to the Acquisition, Dr. Chen controlled over 50% of the issued share capital. Accordingly, no whitewash waiver was required at that time. Since then however his shareholding has been reduced to below 50% which has resulted in a requirement to seek Independent Shareholders' approval for the Whitewash Waiver. Dr. Chen has been the controlling Shareholder of the Company since its listing in 2006, and although he currently does not control more than 50% of the issued share capital of the Company, we believe that any attempt by another party to obtain the control of the Company is remote, and the increase of the shareholding over 50% by Dr. Chen will provide him additional voting rights to continue to focus on the long-term development of the Group's existing business as discussed in the letter from the Board in this circular and in our letter.

### **Conversion of the NagaCity Walk Convertible Bonds**

References are made to the 2011 Transaction Circular and the announcements dated 13th June, 2011, 28th December, 2011, 29th December, 2015, 17th May, 2016, 30th December, 2016, 28th March, 2017, 18th April, 2017 and 12th May, 2017. On 17th May, 2016, Dr. Chen notified the Company of his election of Split Completion pursuant to the Share Purchase Agreement. As each of the conditions precedent to the completion of the NagaCity Walk Project has been satisfied on 17th May, 2016, the completion of NagaCity Walk Project, comprising the transfer of the City Walk Shares to the Company and the issue of the NagaCity Walk Convertible Bonds in aggregate principal amount of US\$94,000,000 to Dr. Chen as consideration for the City Walk Shares, had taken place on the even date.

As discussed in the section headed "Non-concurrent conversion of the NagaCity Walk Convertible Bonds and the TSCLK Complex Convertible Bonds" in the letter from the Board in this circular, the TSCLK Complex Convertible Bonds and the NagaCity Walk Convertible Bonds are two

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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sets of convertible bonds which are governed by two sets of Bond Instruments independently. Independent Shareholders are reminded that there is no requirement under the Bond Instruments for Dr. Chen to convert the NagaCity Walk Convertible Bonds at the same time as the TSCLK Complex Convertible Bonds.

As discussed in the section headed “Other considerations — Historical corporate events” above, the Company had completed several corporate events during the period from 13th June, 2011 and up to the Latest Practicable Date, and assuming the TSCLK Complex Convertible Bonds will be converted in full as well, all of these events resulted in a change in the nominal value of the issued share capital of the Company, and therefore, constituted a Capital Restructuring event under the terms of the NagaCity Walk Convertible Bonds. Accordingly, based on the issued share capital of the Company as at the Latest Practicable Date and assuming the TSCLK Complex Convertible Bonds will be converted in full, the Conversion Price under the NagaCity Walk Convertible Bonds would be adjusted to HK\$0.6582 per Share, and 1,113,993,187 further Conversion Shares would be issued to Dr. Chen and parties acting in concert with him upon the conversion of the NagaCity Walk Convertible Bonds in full. Dr. Chen and parties acting in concert with him would hold approximately 69.83% of the then enlarged issued share capital of the Company. Please refer to the section headed “Reasons for adjustment to the Conversion Price of the NagaCity Walk Convertible Bonds after conversion of the TSCLK Complex Convertible Bonds” in the letter from the Board for the detailed calculation of the adjusted Conversion Price of the NagaCity Walk Convertible Bonds after the Proposed Conversion.

In the event that the Whitewash Waiver was not granted, the TSCLK Complex Convertible Bonds would not be converted into Conversion Shares as the conditions stated in the section headed “Conversion conditions of the TSCLK Complex Convertible Bonds” above were not waivable. Accordingly, no mandatory obligation would arise because the Proposed Conversion will not proceed. For illustrative purposes, if the price at which such offer would be made were the Conversion Price, it would represent:

- (a) a discount of approximately 65.0% to the closing price of HK\$4.37 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 65.9% to the average closing price of approximately HK\$4.49 per Share based on the daily closing prices as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;
- (c) a discount of approximately 66.0% to the average closing price of approximately HK\$4.50 per Share based on the daily closing prices as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day; and
- (d) a discount of approximately 65.4% to the average closing price of approximately HK\$4.42 per Share based on the daily closing prices as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day.

Assuming the Executive has granted the Whitewash Waiver and the Conversion Shares are issued to Dr. Chen and parties acting in concert with him upon the conversion of the TSCLK Complex Convertible Bonds in full, Dr. Chen and parties acting in concert with him will be interested in more

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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than 50% of the total voting rights in the Company. Assuming that there is no other change in the shareholding structure of the Company, Dr. Chen may in future acquire further voting rights in the Company, including the conversion of the NagaCity Walk Convertible Bonds, without triggering any further obligation under 26.1 of the Code to make a mandatory general offer provided always that Dr. Chen and parties acting in concert with him are interested in more than 50% of the total voting rights in the Company. Nevertheless, as confirmed with Dr. Chen, he did not have an intention to convert the NagaCity Walk Convertible Bonds held as at the Latest Practicable Date.

### **Partial or full conversion of the TSCLK Complex Convertible Bonds**

As disclosed in the letter from the Board in this circular, Dr. Chen intended to eliminate the substantial portion of the outstanding Convertible Bonds and to increase his voting rights. Therefore, partial or full conversion of the TSCLK Complex Convertible Bonds differs in terms of timing and duration of conversion only, but does not substantially change the final shareholding percentage of Dr. Chen in the Company as there is no material difference in the shareholding percentage of control which Dr. Chen will have over the Company or the impact of dilution on minority Shareholders' shareholding in the Company. In fact, the full conversion of either the TSCLK Complex Convertible Bonds would minimise the impact of future potential dilution to the shareholdings of the minority Shareholders in the Company if further Capital Restructuring events occur in the future which will result in an adjustment to the number of Conversion Shares to be issued. As at the Latest Practicable Date, the Board had no plan for any Capital Restructuring events which will result in the adjustment of numbers of Conversion Shares and Conversion Price.

### **POSSIBLE FINANCIAL EFFECTS ON THE GROUP**

#### **Earnings**

The TSCLK Complex Convertible Bonds are on a perpetual basis with no maturity date and irredeemable, and the conversion option will be settled by exchanging the Company's new Shares at the option of the holder of the TSCLK Complex Convertible Bonds (i.e. Dr. Chen) as a whole are therefore classified as equity instruments of the Company, and its fair value of which is included in the equity portion upon initial recognition. Accordingly, no gain or loss will be recognised upon the conversion of the TSCLK Complex Convertible Bonds.

Furthermore, according to the terms of the TSCLK Complex Convertible Bonds, the interest rate is at variable rate and payable on "as converted" basis, which means that the interests payable by the Company will be equal to the dividend that would otherwise have been paid on the Conversion Shares into which the TSCLK Complex Convertible Bonds are convertible had the relevant conversion right been exercised prior to the record date applicable to the dividend declaration. Interest on the TSCLK Complex Convertible Bonds will be paid at the time as the Company pays the relevant dividend to the Shareholders. Therefore, the interest expenses remain zero and the interest payable by the Company will be treated as dividend. Accordingly, the Proposed Conversion is not expected to have any material impact on the earnings of the Group.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Net assets

As mentioned above, the TSCLK Complex Convertible Bonds are classified as equity instruments of the Company, and its fair value of which is included in the equity portion upon initial recognition. Upon the exercise of the conversion rights, the balance in the TSCLK Complex Convertible Bonds will be transferred to share capital and share premium, and therefore, there will be no change in the net asset positions of the Company upon the completion of the Proposed Conversion.

For illustrative purpose only, based on the property valuation report set out in Appendix II to this circular, the net tangible assets value of the Group would be approximately USD3.93 billion after including the market values of TSCLK Complex and NagaCity Walk as at 20th March, 2017, representing an uplift of approximately 391.1%. On a proforma basis, the Acquisition would have increased the net tangible assets per Share from US\$0.33 to US\$0.79.

### Working capital

As the TSCLK Complex Convertible Bonds are irredeemable, the Company will not be required to utilise its own cash resources to redeem the TSCLK Complex Convertible Bonds. Accordingly, there will be no impact on the Company's cash and cash balances upon completion of the Proposed Conversion.

### Gearing ratio

According to the 2016 annual report of the Group, the Group had no outstanding external borrowings, in which the Group was ungeared. Both the TSCLK Complex Convertible Bonds and the NagaCity Walk Convertible Bonds are classified as equity instruments of the Company, and their fair values of which are included in the equity portions upon initial recognition, accordingly, the conversion of the TSCLK Complex Convertible Bonds will have no impact on the gearing ratio of the Group.

In view of the above scenario, we consider that there will not be any adverse impact on the earnings, net asset position, working capital and gearing ratio of the Group immediately upon completion of the Proposed Conversion. It should be noted that the abovementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon completion of the Proposed Conversion.

## WHITEWASH WAIVER

### Background

As at the Latest Practicable Date, the total number of issued Shares was 2,459,988,875, of which, Dr. Chen and parties acting in concert with him in aggregate were interested in 958,945,297 Shares, representing approximately 38.98% of the entire issued share capital of the Company. The

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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shareholding of Dr. Chen and parties acting in concert with him will increase to approximately 61.13% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares pursuant to the Proposed Conversion. Upon the Proposed Conversion, 1,401,843,552 Conversion Shares will be issued and allotted to Dr. Chen accordingly.

Under Rule 26.1 of the Code, Dr. Chen and parties acting in concert with him are required to make a mandatory general offer for all the issued Shares not owned or agreed to be acquired by Dr. Chen immediately following the issue of the Conversion Shares pursuant to the Proposed Conversion unless the Whitewash Waiver is obtained.

In this regard, application has been made to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Code to waive the obligations of Dr. Chen to make such a mandatory general offer. Pursuant to the Code, the Whitewash Waiver will be conditional on, among other things, the approval of the Independent Shareholders at the EGM by way of poll in accordance with the requirements of the Code.

Shareholders and potential investors should note that the Executive may or may not grant the Whitewash Waiver. If the Whitewash Waiver is not granted by the Executive or if granted, is not approved by the Independent Shareholders at the EGM, the Proposed Conversion will not proceed. Shareholders should note that the conditions to the Proposed Conversion are not waivable. If any of such conditions is not fulfilled, the Proposed Conversion will not take place and the notice will be deemed to be withdrawn. Shareholders and potential investors are therefore reminded to exercise caution when dealings in the Shares.

Completion of the Proposed Conversion is conditional upon, among other things, the granting of the Whitewash Waiver by the Executive and the approval of the Independent Shareholders of the relevant Resolution by way of poll at the EGM. The Executive has indicated that it intends, subject to, among other matters, the approval of the Independent Shareholders at the EGM, to grant the Whitewash Waiver. If the Whitewash Waiver is approved by the Independent Shareholders, then the obligations by Dr. Chen to make a mandatory general offer under Rule 26 of the Code will be waived.

If the Whitewash Waiver is approved by the Independent Shareholders and the Proposed Conversion will take place, the shareholding of Dr. Chen and parties acting in concert will exceed 50%. In such event, Dr. Chen and parties acting in concert with him may further increase its shareholding in the Company without incurring any further obligations under Rule 26 of the Code to make a general offer (i.e. the conversion of the NagaCity Walk Convertible Bonds and please refer to the section headed "Conversion of the NagaCity Walk Convertible Bonds" for detailed discussion) provided always that Dr. Chen and parties acting in concert with him are interested in more than 50% of the total voting rights in the Company.

In light of (i) the reasons for the Proposed Conversion; and (ii) the issue of the TSCLK Complex Convertible Bonds, including the conversion rights attached thereto, had been duly approved by the then Shareholders at the extraordinary general meeting of the Company held on 30th January, 2012, we are of the opinion that the approval for the Whitewash Waiver, which is a condition to the completion of the Proposed Conversion, is in the interests of the Company and the Shareholders as a whole, and is fair and reasonable for the purpose of proceeding the Proposed Conversion.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### CONCLUSION AND RECOMMENDATION ON THE PROPOSED CONVERSION AND THE WHITEWASH WAIVER

Having considered the principal factors and reasons, and in particular the following:

- (i) the issue of the TSCLK Complex Convertible Bonds, including the conversion rights attached thereto, had been duly approved by the then Shareholders at the extraordinary general meeting of the Company held on 30th January, 2012;
- (ii) no adverse impact on the Group's earnings and financial positions of the Group immediately upon completion of the Proposed Conversion;
- (iii) the Proposed Conversion will not affect the existing operations and management structure of the Group and listing status of the Company. Dr. Chen is currently the single largest Shareholder and under the Code, he is considered to be the controlling Shareholder of the Company;
- (iv) the dilutive effect to the existing public Shareholders caused by the Proposed Conversion was considered by the Shareholders earlier when the terms of the TSCLK Complex Convertible Bonds were approved at the extraordinary general meeting of the Company on 30th January, 2012. And upon the Proposed Conversion, the potential dilutive effect to the existing public Shareholders will be adjusted as a result of adjustments to the Conversion Price arising upon the occurrence of the Capital Restructuring events since the publish of 2011 Transaction Circular and up till the Latest Practicable Date, which has been discussed above; and
- (v) were a mandatory offer obligation made at the Conversion Price the offer price would not be attractive to Shareholders based on the current market prices.

Accordingly, having taken into consideration the above factors, as well as the reasons for and possible benefits of the Proposed Conversion disclosed in our letter, and that the Proposed Conversion is conditional upon the granting of the Whitewash Waiver, we consider that the grant of the Whitewash Waiver to issue the Conversion Shares upon the Proposed Conversion is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the Resolution to be proposed at the EGM in respect of the Proposed Conversion and the Whitewash Waiver.

Yours faithfully,  
For and on behalf of  
**Anglo Chinese Corporate Finance, Limited**  
**Dennis Cassidy**  
*Director — Head of corporate finance*

*Note:*

*Mr. Dennis Cassidy is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Anglo Chinese to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. He has over 35 years of experience in corporate finance.*

## 1. FINANCIAL SUMMARY

The following is a summary of the audited financial results of the Group for each of the three financial years ended 31 December 2014, 2015 and 2016, as extracted from the published financial statements of the Group for each of those financial years. BDO Limited, the independent auditor of the Company, did not issue any qualified opinion on the financial statements of the Group for each of the three years ended 31 December 2014, 2015 and 2016. For each of the three financial years ended 31 December 2014, 2015 and 2016, the Company had (i) no items which are exceptional because of size, nature or incidence; and (ii) no net profit and loss attributable to non-controlling interests.

### Extracted financial information

<b>For the year ended 31 December</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Revenue	531,558	503,655	404,298
Profit before taxation	208,221	189,018	141,961
Income tax	24,062	16,395	5,875
Profit attributable to owners of the Company	184,159	172,623	136,086
Dividend per share (US cents)	3.59	4.56	4.18
Basic earnings per share (US cents)	7.89	7.58	5.96
Diluted earnings per share (US cents)	7.04	7.58	5.96

## 2. FINANCIAL STATEMENTS

The following is the full text of the audited financial statements of the Group for the financial year ended 31 December 2016, as extracted from the 2016 annual report of the Group.

### Consolidated Statement of Income For the year ended 31 December 2016 (Expressed in United States dollars)

	<i>Note</i>	<b>2016</b>	<b>2015</b>
		<i>\$'000</i>	<i>\$'000</i>
<b>Revenue</b>	6	531,558	503,655
Cost of sales		<u>(164,714)</u>	<u>(175,844)</u>
<b>Gross profit</b>		366,844	327,811
Other income	7	5,748	5,611
Administrative expenses		(52,606)	(47,169)
Other operating expenses		<u>(111,765)</u>	<u>(97,235)</u>
<b>Profit before taxation</b>	8	208,221	189,018
Income tax	10	<u>(24,062)</u>	<u>(16,395)</u>

**APPENDIX I****FINANCIAL INFORMATION OF THE GROUP**

	<i>Note</i>	<b>2016</b> \$'000	<b>2015</b> \$'000
<b>Profit attributable to owners of the Company</b>		<u>184,159</u>	<u>172,623</u>
<b>Earnings per share (US cents)</b>			(Re-presented)
Basic	12	<u>7.89</u>	<u>7.58</u>
Diluted	12	<u>7.04</u>	<u>7.58</u>
<b>Consolidated Statement of Comprehensive Income</b>			
<b>For the year ended 31 December 2016</b>			
<b>(Expressed in United States dollars)</b>			
	<i>Note</i>	<b>2016</b> \$'000	<b>2015</b> \$'000
<b>Profit for the year</b>		184,159	172,623
<b>Other comprehensive income for the year</b>			
Items that maybe reclassified subsequently to profit or loss			
— exchange differences from translation of foreign operations		<u>(486)</u>	<u>(2,516)</u>
<b>Total comprehensive income attribute to the owners of the Company for the year</b>		<u>183,673</u>	<u>170,107</u>

**Consolidated Statement of Financial Position**  
**As at 31 December 2016**  
**(Expressed in United States dollars)**

	<i>Note</i>	<b>2016</b> \$'000	<b>2015</b> \$'000
<b>Non-current assets</b>			
Property, plant and equipment	14	810,149	407,080
Interest in leasehold lands held for own use under operating lease	14	27,266	1,308
Intangible assets	15	66,201	69,748
Prepayments for acquisition, construction and fitting-out of property, plant and equipment	19	93,458	47,692
Promissory notes	16	<u>8,647</u>	<u>6,885</u>
		<u>1,005,721</u>	<u>532,713</u>
<b>Current assets</b>			
Consumables	18	1,467	1,177
Trade and other receivables	17	72,559	45,999
Cash and cash equivalents	20	<u>210,912</u>	<u>143,081</u>
		<u>284,938</u>	<u>190,257</u>
<b>Current liabilities</b>			
Trade and other payables	21	36,969	34,824
Current tax liability		<u>2,709</u>	<u>1,570</u>
		<u>39,678</u>	<u>36,394</u>
Net current assets		<u>245,260</u>	<u>153,863</u>
<b>NET ASSETS</b>		<u>1,250,981</u>	<u>686,576</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	22	30,750	28,375
Reserves		<u>1,220,231</u>	<u>658,201</u>
<b>TOTAL EQUITY</b>		<u>1,250,981</u>	<u>686,576</u>

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

(Expressed in United States dollars)

Note	Share Capital		Share premium \$'000	Convertible bonds \$'000	Capital redemption reserve \$'000	Merger reserve \$'000	Capital contribution reserve \$'000	Exchange reserve \$'000	Retained profits \$'000	Total \$'000
	Issued and fully paid \$'000	Treasury shares \$'000								
<b>Balance at 1 January 2015</b>	28,526	(9,004)	287,936	—	—	(12,812)	55,568	63	275,223	625,500
Profit for the year	—	—	—	—	—	—	—	—	172,623	172,623
Other comprehensive income										
- exchange differences from translation of foreign operations	—	—	—	—	—	—	—	(2,516)	—	(2,516)
<b>Total comprehensive income for the year</b>	—	—	—	—	—	—	—	(2,516)	172,623	170,107
Purchase of own shares	22(a)	(494)	—	—	—	—	—	—	—	(494)
Cancellation of treasury shares	22(a)	(151)	9,498	(9,498)	—	151	—	—	—	—
Dividend declared and paid		—	—	—	—	—	—	—	(108,537)	(108,537)
	(151)	9,004	(9,498)	—	151	—	—	(2,516)	64,086	61,076
<b>Balance at 31 December 2015</b>	<u>28,375</u>	<u>—</u>	<u>278,438</u>	<u>—</u>	<u>151</u>	<u>(12,812)</u>	<u>55,568</u>	<u>(2,453)</u>	<u>339,309</u>	<u>686,576</u>
<b>Balance at 1 January 2016</b>	28,375	—	278,438	—	151	(12,812)	55,568	(2,453)	339,309	686,576
Profit for the year	—	—	—	—	—	—	—	—	184,159	184,159
Other comprehensive income										
- exchange differences from translation of foreign operations	—	—	—	—	—	—	—	(486)	—	(486)
<b>Total comprehensive income for the year</b>	—	—	—	—	—	—	—	(486)	184,159	183,673
Issue of shares under placement	22(a)	2,375	—	120,207	—	—	—	—	—	122,582
Share placement expenses	22(a)	—	—	(2,664)	—	—	—	—	—	(2,664)
Convertible bonds issue	22(c)(ii)	—	—	—	378,888	—	—	—	—	378,888
Dividend and distribution declared and paid	11 & 22(c)(ii)	—	—	—	—	—	—	—	(118,074)	(118,074)
	2,375	—	117,543	378,888	—	—	—	(486)	66,085	564,405
<b>Balance at 31 December 2016</b>	<u>30,750</u>	<u>—</u>	<u>395,981</u>	<u>378,888</u>	<u>151</u>	<u>(12,812)</u>	<u>55,568</u>	<u>(2,939)</u>	<u>405,394</u>	<u>1,250,981</u>

**Consolidated Statement of Cash Flows**  
**For the year ended 31 December 2016**  
**(Expressed in United States dollars)**

	<i>Note</i>	<b>2016</b>	<b>2015</b>
		<i>\$'000</i>	<i>\$'000</i>
<b>Operating activities</b>			
Profit before taxation		208,221	189,018
Adjustments for:			
— Depreciation and amortisation		44,312	35,959
— Amortisation of casino licence premium		3,547	3,547
— Interest income		(1,092)	(1,644)
— Realised gain on investment in bonds		—	(329)
— Unrealised exchange gain		(1,786)	—
— Impairment loss on trade receivables		2,082	1,079
— (Gain)/Loss on disposal of property, plant and Equipment		(58)	1
— Write-off of property, plant and equipment		14	521
— Reversal of impairment loss on trade receivables previously recognised		—	(646)
		<u>255,240</u>	<u>227,506</u>
<b>Operating profit before changes in working capital</b>		255,240	227,506
(Increase)/Decrease in consumables		(290)	115
Increase in trade and other receivables		(28,485)	(16,732)
(Decrease)/Increase in trade and other payables		(1,851)	157
		<u>224,614</u>	<u>211,046</u>
<b>Cash generated from operations</b>		224,614	211,046
Tax paid		(22,923)	(15,315)
		<u>201,691</u>	<u>195,731</u>
<b>Net cash generated from operating activities</b>		----- 201,691	----- 195,731
<b>Investing activities</b>			
Interest received		627	1,196
Payment for the purchase of property, plant and equipment and for the construction cost of property		(137,032)	(140,239)
Proceeds from disposal of property, plant and equipment		467	—
Cash acquired from acquisition of subsidiaries	23	234	—
Disposal of investment bonds		—	26,138
Additions in promissory notes		—	(8,952)
		<u>(135,704)</u>	<u>(121,857)</u>
<b>Net cash used in investing activities</b>		----- (135,704)	----- (121,857)



**APPENDIX I****FINANCIAL INFORMATION OF THE GROUP**

	<i>Note</i>	<b>2016</b> \$'000	<b>2015</b> \$'000
<b>Financing activities</b>			
Proceeds from issue of shares under placement	22(a)	122,582	—
Share placement expense	22(a)	(2,664)	
Purchase of own shares		—	(494)
Dividends paid		<u>(118,074)</u>	<u>(108,537)</u>
<b>Net cash generated from/(used in) financing activities</b>		<u>1,844</u>	<u>(109,031)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		67,831	(35,157)
<b>Cash and cash equivalents at beginning of year</b>		<u>143,081</u>	<u>178,238</u>
<b>Cash and cash equivalents at end of year</b>		<u>210,912</u>	<u>143,081</u>
<b>Analysis of cash and cash equivalents</b>			
Cash and bank balances		175,662	74,690
Non-pledged fixed deposits with original maturity of less than three months when acquired		<u>35,250</u>	<u>68,391</u>
Cash and cash equivalents as stated in the consolidated statement of cash flows		<u>210,912</u>	<u>143,081</u>

**Notes to the Consolidated Financial Statements**  
**(Expressed in United States dollars)**

**1 General**

The Company is a company incorporated in the Cayman Islands and has its principal place of business at NagaWorld, Samdech Techo Hun Sen Park, Phnom Penh, Kingdom of Cambodia. Its shares are listed on the Main Board of the Stock Exchange.

The Group is engaged principally in the management and operation of a hotel and casino complex known as NagaWorld in Phnom Penh, the capital city of Cambodia.

***Information about subsidiaries***

Details of the Company's principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation	Place of business	Particulars of issued and paid up share capital	Effective equity held by		Principal activities
				the Company	a subsidiary	
NagaCorp (HK) Limited	Hong Kong	Hong Kong	HK\$10	100%	—	Investment holding
Naga Russia Limited	Cayman Islands	Russia	\$1	100%	—	Investment holding
Naga Russia One Limited	Cayman Islands	Russia	\$1	—	100%	Investment holding
Naga Hotels Russia Limited	Cayman Islands	Russia	\$1	—	100%	Investment holding
NAGAWORLD LIMITED (“NWL”)	Hong Kong	Cambodia	HK\$78,000,000	—	100%	Gaming, hotel and entertainment operations
Ariston Sdn. Bhd. (“Ariston”)	Malaysia	Malaysia & Cambodia	Malaysian Ringgit (“RM”) 56,075,891	—	100%	Holding casino licence and Investment holding
Neptune Orient Sdn. Bhd.	Malaysia	Malaysia & Cambodia	RM250,000	—	100%	Inactive
Ariston (Cambodia) Limited	Cambodia	Cambodia	Cambodian Riel (“KHR”) 120,000,000	—	100%	Inactive

**APPENDIX I****FINANCIAL INFORMATION OF THE GROUP**

Name of subsidiary	Place of incorporation	Place of business	Particulars of issued and paid up share capital	Effective equity held by		Principal activities
				the Company	a subsidiary	
Naga Primorsky Entertainment Limited	Cyprus	Russia	Euro 1,000	—	100%	Investment holding
Naga Primorsky Beach Resorts Limited	Cyprus	Russia	Euro 1,000	—	100%	Investment holding
Naga Entertainment No.3 Limited	Cyprus	Russia	Euro 1,000	—	100%	Investment holding
Naga Sports Limited	Hong Kong	Cambodia	HK\$2	—	100%	Provision and maintenance of slot machine stations
Naga Travel Limited	Hong Kong	Hong Kong	HK\$2	—	100%	Investment holding
Naga Retail Limited	Hong Kong	Cambodia	HK\$2	—	100%	Operation of retail business
Naga Entertainment Limited	Hong Kong	Cambodia	HK\$2	—	100%	Organisation of entertainment events
Naga Services Limited	Hong Kong	Hong Kong	HK\$2	—	100%	Investment holding
Naga Media Limited	Hong Kong	Hong Kong	HK\$2	—	100%	Inactive
Naga Management Limited	Hong Kong	Hong Kong	HK\$2	—	100%	Inactive
Naga Services Company Limited	Vietnam	Vietnam	\$50,000	—	100%	Management consulting services
Naga Management Services Limited	Thailand	Thailand	Thai Baht 3,000,000	—	100%	Management consulting services
NagaJet Management Limited	Cayman Islands	Cambodia	\$1	—	100%	Management of company aircraft
Naga Transport Limited <sup>#</sup>	Cambodia	Cambodia	KHR200,000,000	—	100%	Investment holding
NagaWorld Travel Limited	Cambodia	Cambodia	KHR200,000,000	—	100%	Tourism services

**APPENDIX I****FINANCIAL INFORMATION OF THE GROUP**

Name of subsidiary	Place of incorporation	Place of business	Particulars of issued and paid up share capital	Effective equity held by		Principal activities
				the Company	a subsidiary	
NagaWorld (Macau) Limitada	Macau	Macau	MOP25,000	—	100%	Marketing, sales, consultancy & services in connection with travelling, hotels and resorts
Primorsky Entertainment Resorts City LLC	Russia	Russia	RUB677,360,138	—	100%	Gaming, hotel and entertainment operations
Primorsky Entertainment Resorts City No.2 LLC	Russia	Russia	RUB10,000	—	100%	Inactive
NagaWorld Three Limited	British Virgin Islands	—	\$1	—	100%	Inactive
Naga Lease Limited	Hong Kong	Hong Kong	HK\$1	—	100%	Inactive
TanSriChen Inc.	British Virgin Islands	Cambodia	\$285,000,000	100%	—	Gaming, hotel and entertainment operations
TanSriChen (Citywalk) Inc.	British Virgin Islands	Cambodia	\$95,000,000	100%	—	Investment holding
TAN SRI CHEN INC. (T S C I)	Cambodia	Cambodia	\$1,000,000	—	100%	Leisure and entertainment

The class of shares held is ordinary.

# The shares in Naga Transport Limited are held in trust by a director on behalf of NWL.

## 2 Adoption of new or revised International Financial Reporting Standards

### *Impact of new amendments and interpretations which are effective during the year*

In the current year, the Group has applied, for the first time, the following amendments, revised standards and new interpretations issued by the International Accounting Standards Board (the “IASB”), that are effective for the current accounting period of the Group.

IFRSs (Amendments)	Annual improvements 2012-2014 Cycles
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IFRS 11	Accounting for Acquisition of Interest in Joint Operations

The adoption of the above new or revised standards and interpretations has no significant impact on the Group’s financial statements.

The Group has not applied any amendments, new or revised standards or interpretations that are issued but not yet effective for the current accounting period (note 30).

The Group is in the process of making an assessment of the potential impact of these amendments and new or revised standards or interpretations but the Directors are not yet in a position to conclude the potential impact on the results and the financial position of the Group.

## 3 Basis of preparation

The consolidated financial statements 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 IASB. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost basis.

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 31.

The consolidated financial statements are presented in United States dollars, which is the functional currency of the Company.

#### **4 Principal accounting policies**

##### **(a) *Business combination and basis of consolidation***

The consolidated financial statements comprise the financial statements of the Group. Intercompany transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

##### **(b) *Property, plant and equipment***

###### **(i) *Owned assets***

The following items of property, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses (see note 4(h)).

- buildings held for own use which are situated on leasehold lands, where the fair value of the building could be measured separately from the fair value of the leasehold lands at the inception of the lease (see note 4(q)); and
- other items of property, plant and equipment.

Capital work-in-progress is stated at specifically identified cost, including aggregate cost of development, materials and supplies, wages and other direct expenses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged as expenses in profit or loss during the financial period in which they are incurred.

(ii) *Depreciation*

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	50 years
Renovations, furniture and fittings	5-10 years
Motor vehicles	5 years
Plant and equipment	5-10 years
Aircraft	20 years

No depreciation is provided for capital work-in-progress until it is completed and ready for its intended use.

(c) *Intangible assets**Acquired intangible assets — Casino licence premium*

The premium paid for the licence, and related exclusivity periods, to operate the casino in Phnom Penh is stated at cost less accumulated amortisation and impairment losses (see note 4(h)).

Amortisation is charged to profit or loss on a straight-line basis over the period of exclusivity of the licence.

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired (see note 4(h)).

(d) *Consumables*

Consumables comprising food and beverage, diesel and sundry store items are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase, and other costs incurred in bringing the inventories to their present location and condition. Cost is determined principally on a weighted average basis. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(e) *Financial assets*

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transactions that are directly attributable to the acquisition of the financial assets. Financial assets of the Group are classified as loans and receivables. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables (including trade and other receivables and amounts due from related parties) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary assets. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(i) *Impairment loss on financial assets*

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtors' financial difficulty; or
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. Where any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(ii) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

(iii) *Derecognition*

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IAS 39.



(f) *Trade and other payables*

Trade and other payables (including amounts due to related parties) are initially recognised at fair value net of directly attributable transaction costs incurred, and thereafter stated at amortised cost using the effective interest method. The related interest expense is recognised within “finance costs” in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(i) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

(ii) *Derecognition*

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(g) *Provisions and contingent liabilities*

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at their present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non- occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(h) *Impairment of other assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired, or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;

- interest in leasehold lands held for own use under operating lease; and
- intangible assets.

If any such indication exists, the asset's recoverable amount is estimated.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

(i) ***Income tax***

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The income tax in respect of the gaming and hotel operations of the Company's subsidiary, NWL, represents obligation payments ("Obligation Payments") (refer to note 10(a)).

(j) *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(k) *Commissions and incentives*

Commissions and incentive expenses represent amounts paid and payable to operators, and are included in cost of sales when incurred by the Group.

(l) *Employee benefits*

*Short term employee benefits and contributions to defined contribution retirement scheme*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement scheme and the 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. Any short term employee benefits are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are measured at undiscounted amounts.

The Group operates defined contribution retirement plans namely Mandatory Provident Fund and Employee Provident Fund for its employees in Hong Kong and Malaysia respectively. Contributions to both plans are made based on a percentage of the employee's basic salaries. The Group's employer contributions vest fully with the employees when contributed into the plans.

There is no mandatory retirement plans in Cambodia except for government employees and veterans who are eligible for government-run pension plans.

(m) *Foreign currencies*

Monetary assets and liabilities denominated in foreign currencies are translated into United States dollars at exchange rates ruling at the end of the reporting period. Foreign currency transactions during the year are translated into United States dollars at the exchange rates ruling at the transaction dates. The results of foreign entities are translated into United States dollars at the average exchange

rates for the year; items in the statement of financial position are translated into United States dollars at the rates of exchange ruling at the end of the reporting period. The resulting exchange differences are dealt with as other comprehensive income. All other translation differences are included in profit or loss.

The functional currency of the group entities has been determined as United States dollars rather than Cambodian Riel and Russian Ruble, the domiciled currency in the relation to the Group's operations, on the basis that the gaming and other operation transactions are undertaken in United States dollars.

(n) *Treasury shares*

Own equity instruments which are repurchased (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carry amount and the consideration is recognised in equity.

(o) *Dividends*

Interim dividends are recognised as a liability in the period in which they are declared and final dividends are recognised as a liability when shareholders' approval has been obtained.

(p) *Related parties*

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
- (viii) the entity or any member of a group of which it is a party, provides key management personnel services to the group or the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

(q) *Leases*

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being under finance leases. All other leases are classified as operating leases.

(i) *Assets acquired under finance leases*

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present values of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets in equal annual amounts over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 4(b)(ii). Impairment losses are accounted for in accordance with the accounting policy as set out in note 4(h). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

*(ii) Operating lease*

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

The Group as lessee

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

*(iii) Prepaid land lease*

Interest in leasehold lands held for own use under operating lease is amortised in equal instalments over the period of the respective leases.

*(r) Revenue recognition*

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

- (i) Casino revenue represents net house takings arising from casino operations and is recognised in profit or loss when the stakes are received by the casino and the amounts are paid out to the players.
- (ii) Income from the provision and maintenance of gaming machine stations which comprises revenue in relation to profit sharing arrangements for the gaming machine operations where third parties provide and maintain the gaming machine stations is recognised in profit or loss in accordance with the substance of the relevant agreement when the right to receive such amounts is ascertained.
- (iii) Income from restaurant represents revenue from the provision of food and beverages and is recognised when the service is provided.
- (iv) Rental income under operating leases is recognised on a straight-line basis over the terms of the relevant leases.
- (v) Interest income is recognised as it accrues using the effective interest method.

(vi) Negotiation fee income is recognised when service is rendered.

(vii) Licence fee income is recognised at the time of sale.

(s) ***Joint arrangements***

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangement as joint operations where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

(t) ***Convertible bonds***

Convertible bonds that contain conversion options are classified into equity or liability on initial recognition according to the terms of the convertible bonds.

Convertible bonds issued by the Company (the “Convertible Bonds”) are on a perpetual basis with no maturity date and the bondholder (the “Bondholder”) is not entitled to request the Company to redeem the Convertible Bonds for cash. In addition, the conversion options will be settled by exchanging the Company’s new Shares, at the option of the Bondholder, pursuant to the terms of the Convertible Bonds. The Convertible Bonds as a whole are therefore classified as equity instruments and the fair value of which is included in equity upon initial recognition.

In subsequent periods, the Convertible Bonds will remain in equity until the embedded option is exercised (in which case the balance stated in the Convertible Bonds will be transferred to share capital and share premium). No gain or loss will be recognised upon conversion of the Convertible Bonds.

Transaction costs that relate to the issue of the Convertible Bonds are charged directly to equity.

(u) *Share-based payments*

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition of assets. A corresponding increase in equity is recognised.

5 **Casino licence**

Pursuant to the terms of the Sihanoukville Development Agreement (“SDA”), Supplemental Sihanoukville Development Agreement (“SSDA”) and the Addendum Agreement, the terms of the casino licence were varied and the salient terms of the Casino Licence are as follows:

(a) *Duration of licence*

The Casino Licence is an irrevocable licence with a duration of 70 years from 2 January 1995. The SSDA also states that should the Cambodian Government, for any reason, terminate or revoke the licence at any time before its expiry, it will pay Ariston, a subsidiary of the Company, the amount of monies invested in the business as agreed investment cost and additional mutually agreed damages for the termination and/or revocation of the Casino Licence at any time before the expiry of the period.

(b) *Exclusivity*

Ariston has the right of exclusivity in respect of 200 kilometres of Phnom Penh (except the Cambodia-Vietnam Border Area, Bokor, Kirirom Mountains and Sihanoukville) (the “Designated Area”) for the period to the end of 2035. During this period, the Cambodian Government is prohibited from:

- authorising, licensing or approving the conduct of casino gaming within the Designated Area;
- entering into any written agreement with any party with respect to casino gaming within the Designated Area; and
- issuing or granting any other casino licence.

The SSDA also states that the Cambodia Government will pay Ariston mutually agreed damages if it terminates or revokes its exclusivity rights at any time prior to the expiry of the period.

(c) *Casino complex*

Ariston has the right to locate the casino at any premises or complex within the Designated Area and is entitled to operate such games and gaming machines at its own discretion without the need for any approval from the Cambodian Government. There are no restrictions relating to the operating hours of the casino.



## 6 Revenue

Revenue represents net house takings arising from casino operations and income from other operations as follows:

	<b>2016</b>	<b>2015</b>
	<i>\$'000</i>	<i>\$'000</i>
Casino operations — gaming tables	355,324	343,766
Casino operations — electronic gaming*	145,513	136,834
Hotel room income, sale of food and beverage and others	<u>30,721</u>	<u>23,055</u>
	<u><u>531,558</u></u>	<u><u>503,655</u></u>

\* During the Year, revenue from electronic gaming included a fee of \$60 million (“2016 EGM Fee”) from an investor for the placement and operating of electronic gaming machines (“EGM”) in NagaWorld. During the year ended 31 December 2015, revenue from electronic gaming included negotiation fees of \$40 million from investors for exclusive negotiation of the placement of EGM in NagaWorld.

## 7 Other income

	<b>2016</b>	<b>2015</b>
	<i>\$'000</i>	<i>\$'000</i>
Interest income	1,092	1,644
Rental income	4,642	3,319
Reversal of impairment loss previously recognised	—	646
Others	<u>14</u>	<u>2</u>
	<u><u>5,748</u></u>	<u><u>5,611</u></u>

## 8 Profit before taxation

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

	<b>2016</b>	<b>2015</b>
	<i>\$'000</i>	<i>\$'000</i>
(a) Staff costs (including directors' remuneration):		
Salaries, wages and other benefits	63,312	56,747
Contributions to defined contribution retirement scheme <sup>#</sup>	<u>49</u>	<u>48</u>
Total staff costs*	<u>63,361</u>	<u>56,795</u>
(b) Other items:		
Auditor's remuneration		
— Current year	637	580
— Under/(Over)-provision for prior year	5	(44)
Amortisation of casino licence premium*	3,547	3,547
Depreciation and amortisation*	44,312	35,959
Impairment loss on trade receivables	2,082	1,079
Reversal of impairment loss on trade receivables previously recognised	—	(646)
Write-off of property, plant and equipment	14	521
(Gain)/Loss on disposal of property, plant and equipment	(58)	1
Realised gain on investment in bonds	—	(329)
Operating lease charges for land lease rental	343	201
Operating lease charges for office and car park rental	1,798	1,510
Operating lease charges for hire of equipment	3,757	3,511
Exchange loss, net	<u>545</u>	<u>1,263</u>

\* included in other operating expenses in the consolidated statement of income

# There were no forfeited contributions utilised to offset employers' contributions to retirement schemes during the year.

## 9 Directors' remuneration and senior management remuneration

## (a) Directors' remuneration

The remuneration of the Company's directors is as follows:

	Annual performance bonus \$'000	Discretionary bonus \$'000	Fees \$'000	Basic salaries, allowances and benefits- in-kind \$'000	2016 Total \$'000
<i>Executive directors</i>					
Tan Sri Dr Chen Lip Keong	—	150	—	720	870
Philip Lee Wai Tuck	—	120	—	256	376
Chen Yepern	—	30	—	253	283
Chen Yiy Fon	—	30	—	144	174
<i>Non-executive director</i>					
Timothy Patrick McNally	—	100	150	344	594
<i>Independent non-executive directors</i>					
Michael Lai Kai Jin	—	20	36	—	56
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji					
Sheikh Fadzir	—	20	36	—	56
Lim Mun Kee	—	30	48	—	78
<b>Total</b>	<u>—</u>	<u>500</u>	<u>270</u>	<u>1,717</u>	<u>2,487</u>

	Annual performance bonus \$'000	Discretionary bonus \$'000	Fees \$'000	Basic salaries, allowances and benefits- in-kind \$'000	2015 Total \$'000
<i>Executive directors</i>					
Tan Sri Dr Chen Lip Keong	—	150	—	720	870
Philip Lee Wai Tuck	—	120	—	255	375
Chen Yepern	—	30	—	253	283
Chen Yiy Fon	—	6	—	113	119
<i>Non-executive director</i>					
Timothy Patrick McNally	—	100	150	367	617
<i>Independent non-executive directors</i>					
Michael Lai Kai Jin	—	20	36	—	56
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir	—	20	36	—	56
Lim Mun Kee	—	30	48	—	78
<b>Total</b>	<u>—</u>	<u>476</u>	<u>270</u>	<u>1,708</u>	<u>2,454</u>

Tan Sri Dr Chen Lip Keong (“Dr Chen”) is entitled to an annual performance bonus based on the Group’s consolidated profit before taxation and before the said annual performance bonus (“PBT”) as reported in the consolidated financial statements which shall be paid within one month of the approval of the consolidated financial statements. The performance bonus is calculated in accordance with the following formula:

Less than \$30 million PBT	: \$Nil performance bonus
Between \$30 million to \$40 million PBT	: performance bonus of 2% of PBT
More than \$40 million but up to and including \$50 million	: performance bonus of \$0.8 million plus 3% of additional portion of PBT from \$40,000,001 to \$50,000,000
More than \$50 million	: performance bonus of \$1.1 million plus 5% of additional portion of PBT from \$50,000,001 onwards

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”), the chief executive officer of the Company (the “CEO”), the parties acknowledge and agree that Dr Chen will be entitled to a performance bonus of \$8,051,000 (the “2015 Bonus Entitlement”) and \$9,011,037 (the “2016 Bonus Entitlement”) for the financial years ended 31 December 2015 and 2016.

Pursuant to a resolution passed by the Board on 1 February 2016, the Board considered the matter relating to the payment of the 2015 Bonus Entitlement and resolved to appeal to the generosity and good judgement of Dr Chen to defer such obligation. The Company and Dr Chen agreed that it was in the interests of the Company to defer the 2015 Bonus Entitlement to subsequent years until the achievement of certain key performance indicators (the “KPIs”) set for the year ended 31 December 2016. The Company and Dr Chen agreed that subject to the achievement of the KPIs, the deferral of the 2015 Bonus Entitlement should be extended to the financial year ended 31 December 2016 and the financial year ending 31 December 2017 and beyond at the sole election of Dr Chen and that the parties shall negotiate in good faith a reasonable timeframe which is in the best interests of the Company. Pursuant to a resolution passed by the Board on 8 February 2017, the Board further resolved to appeal to the generosity and good judgement of Dr Chen to defer the 2015 Bonus Entitlement. The Company and Dr Chen agreed that it is in the interests of the Company to further defer the 2015 Bonus Entitlement until the achievement of certain KPIs set for the year ending 31 December 2017.

Pursuant to the resolution passed by the Board on 8 February 2017, the Board also considered the matter relating to the 2016 Bonus Entitlement and resolved to appeal to the generosity and good judgement of Dr Chen to defer the 2016 Bonus Entitlement. The Company and Dr Chen agreed that it is in the interests of the Company to defer the 2016 Bonus Entitlement to subsequent years until the achievement of certain KPIs set for the year ending 31 December 2017. The Company and Dr Chen agreed that subject to the achievement of the KPIs, the deferral of the 2016 Bonus Entitlement should be extended to the financial year ending 31 December 2017 and that the parties should negotiate in good faith a reasonable timeframe which is in the best interests of the Company. For record purposes, Dr Chen has foregone bonus of \$18,600,000 from the financial years 2010 to 2014.

(b) *Five highest paid individuals*

Of the five individuals with highest emoluments, three (2015: three) are directors whose emoluments are disclosed in note 9(a). The aggregate of the emoluments in respect of the two individuals for the year ended 31 December 2016 (2015: two) are as follows:

	<b>2016</b>	<b>2015</b>
	<i>\$'000</i>	<i>\$'000</i>
Basic salaries, housing and other allowances and benefits-in-kind	<u>1,051</u>	<u>878</u>

The emoluments of the two individuals (2015: two) with the highest emoluments are within the following bands:

	<b>2016</b>	<b>2015</b>
	<i>Number of Individuals</i>	<i>Number of Individuals</i>
\$Nil — \$256,400 (approximately HK\$ Nil — HK\$2,000,000)	—	—
\$256,401 — \$320,500 (approximately HK\$2,000,001 — HK\$2,500,000)	—	—
\$320,501 — \$384,600 (approximately HK\$2,500,001 — HK\$3,000,000)	—	1
\$384,601 — \$448,700 (approximately HK\$3,000,001 — HK\$3,500,000)	—	—
\$448,701 — \$512,800 (approximately HK\$3,500,001 — HK\$4,000,000)	1	—
\$512,801 — \$576,900 (approximately HK\$4,000,001 — HK\$4,500,000)	<u>1</u>	<u>1</u>
	<u>2</u>	<u>2</u>

During the year, no emoluments were paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office as a director of any member of the Group or in connection with the management of the affairs of any members of the Group. Save as disclosed above, none of the Directors waived any emoluments during the Year.

#### 10 Income tax

Income tax in profit or loss represents:

	<b>2016</b>	<b>2015</b>
	<i>\$'000</i>	<i>\$'000</i>
Current tax expense		
— Current year	7,504	6,957
— Additional Obligation Payment	<u>16,558</u>	<u>9,438</u>
	<u>24,062</u>	<u>16,395</u>

Reconciliation between tax and accounting profit at applicable tax rate:

	<b>2016</b>	<b>2015</b>
	<i>\$'000</i>	<i>\$'000</i>
Profit before taxation	<u>208,221</u>	<u>189,018</u>
Profits tax using Cambodian corporation tax rate of 20% (2015: 20%)	41,644	37,804
Tax exempt profits from Cambodian operations (note (a))	(41,644)	(37,804)
Obligation Payments (note (a))	7,504	6,957
Additional Obligation Payment	<u>16,558</u>	<u>9,438</u>
	<u>24,062</u>	<u>16,395</u>

*Notes:*

(a) *Income tax in profit or loss*

Income tax represents monthly gaming Obligation Payment of \$410,987 (2015: \$365,322), monthly non-gaming Obligation Payment of \$214,338 (2015: \$214,338) and an additional obligation payment of \$16,558,000 (2015: \$9,438,000) payable to the Ministry of Economy and Finance (the "MOEF") of Cambodia by NWL Gaming Branch and NWL Hotel and Entertainment Branch, branches registered in Cambodia.

(i) *Casino tax and licence fees*

As described in note 5, under the SDA and the SSDA dated 2 January 1995 and 2 February 2000 respectively, the Cambodian Government has granted a casino licence to a subsidiary, Ariston, which in turn assigned the rights to operate gaming activities in Cambodia to NWL.

Pursuant to the SDA, Ariston was granted certain tax incentives in respect of the casino operations which include a profits tax exemption for a period of eight years from commencement of business, and profits thereafter would be subject to a concessionary rate of profits tax of 9% as compared to the normal profits tax rate of 20%. Ariston, in turn, has assigned to NWL all the tax incentives that were granted to Ariston pursuant to the SDA and SSDA relating to the gaming operations. The assignment of these tax incentives was confirmed by the Senior Minister, Minister in charge of the Council of Ministers, in a letter dated 20 November 2000.

It was contemplated by the SSDA that the gaming business of NWL would be regulated by a Casino Law which may prescribe casino taxes and licence fees. However, no Casino Law in respect of casino taxes or licence fees has been promulgated to-date. NWL had obtained a legal opinion that no casino taxes and licence fees are payable until the relevant legislation is enacted.

In May 2000, the MOEF levied an Obligation Payment of \$60,000 per month on NWL Gaming Branch payable from January 2000 to December 2003 in respect of the gaming activities. The MOEF has also confirmed that gaming taxes and licence fees are not payable in respect of periods prior to January 2000. Legal opinion was obtained confirming that the Obligation Payment is not payable prior to January 2000. Since December 2003, the MOEF had been revising the Obligation Payment every year. For the year ended 31 December 2016, the estimated Obligation Payments is \$410,987 per month (2015: \$365,322 per month).

Such payments will be subject to an annual increase of 12.5% thereafter until the full completion of NagaWorld. On 24 December 2007, the MOEF revised the terms of the increase in Obligation Payment with NWL and agreed a 12.5% annual increase for a period of seven years to 2013.

On 16 November 2006, NWL received a letter from the MOEF clarifying the terms of payment of the gaming Obligation Payment to the Cambodian Government. In respect of gaming tax, NWL Gaming Branch shall continue to pay its Obligation Payment, which is subject to an annual increase of 12.5% for a period of seven years until year 2013 which, the MOEF mentions, is a period for NWL to complete the construction of its casino and other associated activities. From year 2014 onwards, the gaming Obligation Payment shall be reviewed on the basis of the “actual position” of NWL.

On 23 September 2008, NWL received a letter from the MOEF regarding the extension of the terms of payment of the gaming Obligation Payment. In respect of gaming tax, NWL Gaming Branch was granted the extension for an additional period of five years up until 2018, the payment of which was subject to annual increase of 12.5% per annum.

In addition, the MOEF has levied a casino taxation certificate fee amounting to \$30,000 per year payable from year 2004 onwards. However, the MOEF in their letter dated 12 November 2004 acknowledges that under the SDA and SSDA, the Casino Licence is valid for 70 years.

Monthly payments for the Obligation Payment are due on the first week of the following month. In the event of late payment within 7 days from the due date, there will be a penalty of 2% on the late payment and interest 2% per month. In addition, after 15 days when official government notice is issued to NWL for the late payment an additional penalty of 25% will be imposed.

(ii) *Corporate and other taxes on gaming activities*

Current tax expense represents Obligation Payments for NWL Gaming Branch and NWL Hotel and Entertainment Branch, another branch registered in Cambodia by NWL.

NWL Gaming Branch enjoys certain tax incentives relating to gaming activities which were granted by the Cambodian Government as stipulated in the SDA and SSDA, including exemption from corporate tax for eight years. Further tax incentives and extension of the corporate tax exemption period to December 2004 were granted to NWL, as set out in the letters from the MOEF dated 10 May 2000, 15 September 2000 and 30 November 2000. Tax incentives granted to NWL up to December 2005 include exemptions from all categories of taxes in respect of gaming activities including advance profits tax, dividend withholding tax, minimum profits tax, value-added tax and revenue tax, and exemptions from unpaid fringe benefits tax and withholding tax prior to 31 December 1999.

NWL has further obtained a clarification letter from the MOEF dated 24 February 2003 confirming exemption from salary tax for its gaming employees prior to January 2000.

As explained in note 10(a)(i) above in respect of gaming activities, NWL has to pay the Obligation Payment. The MOEF confirmed, in a letter to NWL dated 15 September 2000, to clarify that the Obligation Payment is a fixed gaming tax and with the payment of this fixed gaming tax, NWL will be exempted from all category of taxes on gaming activities including advance profits tax, minimum tax and advance tax on distribution of dividends. NWL, however, is obliged to pay taxes on other non-gaming services and activities payable under the Law of Taxation (the “LoT”) of Cambodia.



Furthermore, the Senior Minister of the Council of Ministers of the MOEF in a circular to all casinos dated 7 December 2000 clarified that with the payment of the Obligation Payment on gaming activities, NWL will be exempted from the profits tax, minimum tax, advance tax on dividend distribution and value-added tax.

A legal opinion was obtained confirming that NWL will be exempt from the aforementioned taxes subject to the Obligation Payments being made.

With the imposition of the Obligation Payment or fixed gaming tax currently imposed, no Casino Law in respect of casino taxes and licence fees have been promulgated, and together with the tax incentives mentioned in the SDA and SSDA that NWL would enjoy a concessionary rate of profits tax of 9% after the tax exemption period has expired, it is uncertain what applicable rate of tax will be imposed on the profits of NWL from gaming activities in the future when the Casino Law is eventually promulgated.

In July 2002, the MOEF imposed a non-gaming Obligation Payment on NWL in respect of tax on non-gaming activities of a fixed sum of \$30,500 per month for the six months ended 31 December 2002. The monthly rate of non-gaming Obligation Payment will be reviewed annually. For the year ended 31 December 2016, the estimated provision of non-gaming obligation payment is \$214,338 per month (2015: \$214,338 per month).

The above non-gaming Obligation Payment is considered as a composite of various other taxes such as salary tax, fringe benefit tax, withholding tax, value-added tax, patent tax, tax on rental of moveable and unmoveable assets, minimum tax, advance profit tax, advertising tax and specific tax on entertainment services. The non-gaming Obligation Payment is due to be paid monthly and in the event of default in payment, the penalties and interest imposed are similar to those applicable to the gaming Obligation Payment as stated in note 10(a)(i) above.

During the Year, having discussed with the MOEF, the Group paid an additional Obligation Payment of \$16,558,000 (2015: \$9,438,000) to the MOEF. Additional Obligation Payments (if any) are subject to future developments in this matter.

(iii) *Other jurisdictions*

The Group is not subject to Hong Kong, Malaysian, Cayman Islands or Russian income taxes for the current and prior years.

(b) *Taxes on other businesses*

Profits from NWL's operations in Cambodia, other than NWL Gaming Branch and NWL Hotel and Entertainment Branch, are subject to normal profits tax of 20%. Revenue from other operations of NWL in Cambodia is subject to value-added tax of 10%.

(c) *Amendment to the Law on Investment and Law of Taxation*

Certain amendments to the existing Law on Investment ("LoI") and LoT of Cambodia were promulgated in March 2003.

Under the amendments made to the LoI, profits tax exemption would be preserved for the term granted under the original investment incentives, and the concessionary 9% profits tax rate will be restricted to five years from the expiry of the tax exemption period and thereafter profits would be subject to the normal tax rate of 20%.

Under the previous LoT, dividends can be distributed to shareholders without further withholding taxes. For entities that enjoy profits tax exemption or a concessionary profits tax rate of 9%, the amendments to the LoT will impose an additional tax that effectively increases the profits tax rate to 20%, upon the distribution of dividends. In addition, under the amendments made to the LoT, distribution of dividends to non-residents will be subject to a withholding tax on the distribution net of 20% tax at a rate of 14%, resulting in a net distribution tax of 31.2%.

As explained above, the Casino Law in respect of casino taxes and licence fees is yet to be promulgated. NWL has written a letter to the MOEF to clarify whether the amendments of the LoI and LoT will apply to their gaming business and has received a reply dated 9 June 2003 that the amendments of the LoI and LoT do not apply to casinos as they will be regulated by the Casino Administration Law which is yet to be enacted. However, the amendments to the LoI and LoT will apply to NWL Hotel and Entertainment Branch.

(d) *Deferred taxation*

No provision for deferred taxation has been recognised as there is no significant temporary difference at the end of the reporting period.

**11 Dividends payable to owners of the Company attributable to the year**

	<b>2016</b>	<b>2015</b>
	<i>\$'000</i>	<i>\$'000</i>
Interim dividend declared during the year:		
2015: US cents 2.67 per ordinary share	—	60,612
2016: US cents 2.77 per ordinary share	62,938	—
Final dividend proposed after the end of reporting period:		
2015: US cents 1.89 per ordinary share	—	42,962
2016: US cent 0.82 per ordinary share	<u>20,051</u>	<u>—</u>
	<u>82,989</u>	<u>103,574</u>

The interim dividend of \$62,938,000 for the six-month period ended 30 June 2016 (six months ended 30 June 2015: \$60,612,000) was declared in August 2016 and paid in September 2016.

As further detailed in note 22(c)(ii), distribution on Convertible Bonds will be equal to the dividends that would have been paid on the Conversion Shares. Proposed distribution on the Convertible Bonds after the end of the Year is \$15,332,000. Total interim and final distributions on the Convertible Bonds for the Year amounted to \$27,506,000 (2015: Nil).

**12 Earnings per Share**

The calculation of basic earnings per share is based on the consolidated profit attributable to owners of the Company of \$184,159,000 (2015: \$172,623,000) and the weighted average number of shares of 2,334,273,452 (2015: 2,277,403,832 (re-presented)) in issue during the Year.

The calculation of diluted earnings per share for the Year is based on the consolidated profit attributable to owners of the Company of \$184,159,000 and the weighted average number of shares for the purpose of diluted earnings per share of 2,616,873,080.

	Number of Shares	
	2016	2015 <i>(Re-presented)</i>
Weighted average number of shares in issue during the year used in the basic earnings per share calculation	2,334,273,452	2,277,403,832
Effect of dilution — weighted average number of shares:		
— Convertible Bonds	<u>282,599,628</u>	<u>—</u>
Weighted average number of shares for the purpose of diluted earnings per share	<u>2,616,873,080</u>	<u>2,277,403,832</u>

There were no dilutive potential Shares in existence during the year ended 31 December 2015.

Basic and diluted earnings per share for the year ended 31 December 2015 are re-presented to reflect the bonus element of the placing of Shares during the Year.

### 13 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 most senior executive management (the "SEM") for the purpose of resource allocation and performance assessment.

- Casino operations: this segment comprises all gaming activities at NagaWorld.
- 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, provision for unredeemed 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.

	<b>Casino operations</b>	<b>Hotel and entertainment operations</b>	<b>Total</b>
	\$'000	\$'000	\$'000
<b><i>Segment revenue:</i></b>			
Year ended 31 December 2015 (restated)			
Revenue from external customers	480,600	23,055	503,655
Inter-segment revenue	<u>(989)</u>	<u>34,144</u>	<u>33,155</u>
Reportable segment revenue	<u>479,611</u>	<u>57,199</u>	<u>536,810</u>
Year ended 31 December 2016			
Revenue from external customers	500,837	30,721	531,558
Inter-segment revenue	<u>(3,137)</u>	<u>31,744</u>	<u>28,607</u>
Reportable segment revenue	<u>497,700</u>	<u>62,465</u>	<u>560,165</u>
<b><i>Segment profit:</i></b>			
Year ended 31 December			
2015 (restated)	211,899	31,926	243,825
2016	<u>236,608</u>	<u>35,253</u>	<u>271,861</u>
<b><i>Segment assets:</i></b>			
As at 31 December			
2015 (restated)	666,743	143,838	810,581
2016	<u>766,129</u>	<u>643,202</u>	<u>1,409,331</u>
<b><i>Segment liabilities:</i></b>			
As at 31 December			
2015 (restated)	(29,702)	(96,544)	(126,246)
2016	<u>(28,645)</u>	<u>(130,213)</u>	<u>(158,858)</u>

	<b>Casino operations</b> \$'000	<b>Hotel and entertainment operations</b> \$'000	<b>Total</b> \$'000
<i>Net assets:</i>			
As at 31 December			
2015 (restated)	637,041	47,294	684,335
2016	<u>737,484</u>	<u>512,989</u>	<u>1,250,473</u>
<i>Other segment information</i>			
<i>Capital expenditure:</i>			
Year ended 31 December			
2015 (restated)	96,831	44,107	140,938
2016	<u>71,885</u>	<u>444,674</u>	<u>516,559</u>
<i>Impairment loss on trade receivables</i>			
Year ended 31 December			
2015	1,079	—	1,079
2016	<u>2,082</u>	<u>—</u>	<u>2,082</u>
<i>Reversal of impairment loss on trade receivables</i>			
Year ended 31 December			
2015	(646)	—	(646)
2016	<u>—</u>	<u>—</u>	<u>—</u>

**APPENDIX I****FINANCIAL INFORMATION OF THE GROUP**

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

	<b>2016</b> \$'000	<b>2015</b> \$'000 <i>(restated)</i>
<b>Revenue</b>		
Reportable segment revenue	560,165	536,810
Elimination of inter-segment revenue	<u>(28,607)</u>	<u>(33,155)</u>
<b>Consolidated revenue</b>	<u><u>531,558</u></u>	<u><u>503,655</u></u>
<b>Profit</b>		
Reportable segment profit	271,861	243,825
Other revenue	6	663
Depreciation and amortisation	(47,859)	(39,506)
Unallocated head office and corporate expenses	<u>(15,787)</u>	<u>(15,964)</u>
<b>Consolidated profit before taxation</b>	<u><u>208,221</u></u>	<u><u>189,018</u></u>
<b>Assets</b>		
Reportable segment assets	1,409,331	810,581
Elimination of inter-segment assets	<u>(120,516)</u>	<u>(90,682)</u>
	1,288,815	719,899
Unallocated corporate assets	<u>1,844</u>	<u>3,071</u>
<b>Consolidated total assets</b>	<u><u>1,290,659</u></u>	<u><u>722,970</u></u>
<b>Liabilities</b>		
Reportable segment liabilities	(158,858)	(126,246)
Elimination of inter-segment payables	<u>120,516</u>	<u>90,682</u>
	(38,342)	(35,564)
Unallocated corporate liabilities	<u>(1,336)</u>	<u>(830)</u>
<b>Consolidated total liabilities</b>	<u><u>(39,678)</u></u>	<u><u>(36,394)</u></u>

(b) *Geographical information*

The Group's operations and activities are mainly located in Cambodia. As at 31 December 2016, the Group had non-current assets other than financial instruments and deferred tax assets located in Cambodia and Russia of \$933,049,000 (2015: \$488,221,000) and \$64,025,000 (2015: \$37,607,000), respectively.

#### 14 Property, plant and equipment, and interest in leasehold lands held for own use under operating lease

	Plant and equipment \$'000	Buildings \$'000	Capital work-in- progress \$'000 <i>(note (i))</i>	Renovations, furniture and fittings \$'000	Motor vehicles \$'000	Aircraft \$'000	Total property, plant and equipment \$'000	Interest in leasehold lands held for own use under operating lease \$'000 <i>(note (ii))</i>
<b>Cost:</b>								
At 1 January 2015	35,796	93,845	21,107	230,732	5,749	53,887	441,116	751
Additions	20,667	—	82,595	456	410	2,103	106,231	800
Disposal	(5)	—	—	—	—	—	(5)	—
Written off	(167)	—	(493)	—	(9)	—	(669)	—
Transfer	10,317	15,030	(50,977)	25,630	—	—	—	—
Exchange adjustments	(2)	—	—	—	(4)	—	(6)	—
At 31 December 2015	<u>66,606</u>	<u>108,875</u>	<u>52,232</u>	<u>256,818</u>	<u>6,146</u>	<u>55,990</u>	<u>546,667</u>	<u>1,551</u>
At 1 January 2016	66,606	108,875	52,232	256,818	6,146	55,990	546,667	1,551
Acquisitions of subsidiaries (note 23)	—	95,000	259,000	—	—	—	354,000	26,000
Additions	2,265	—	91,100	303	91	—	93,759	—
Disposal	(644)	—	—	—	(633)	—	(1,277)	—
Written off	(1,503)	—	—	—	—	—	(1,503)	—
Transfer	1,151	5,967	(35,768)	28,650	—	—	—	—
Exchange adjustments	—	—	—	—	2	—	2	—
At 31 December 2016	<u>67,875</u>	<u>209,842</u>	<u>366,564</u>	<u>285,771</u>	<u>5,606</u>	<u>55,990</u>	<u>991,648</u>	<u>27,551</u>

	Plant and equipment \$'000	Buildings \$'000	Capital work-in- progress \$'000 <i>(note (i))</i>	Renovations, furniture and fittings \$'000	Motor vehicles \$'000	Aircraft \$'000	Total property, plant and equipment \$'000	Interest in leasehold lands held for own use under operating lease \$'000 <i>(note (ii))</i>
<b>Accumulated depreciation/ amortisation:</b>								
At 1 January 2015	18,250	9,375	—	70,040	3,299	2,921	103,885	143
Charge for the year	5,930	3,137	—	23,053	861	2,878	35,859	100
Disposal	(4)	—	—	—	—	—	(4)	—
Written off	(139)	—	—	—	(9)	—	(148)	—
Exchange adjustments	(1)	—	—	—	(4)	—	(5)	—
At 31 December 2015	<u>24,036</u>	<u>12,512</u>	<u>—</u>	<u>93,093</u>	<u>4,147</u>	<u>5,799</u>	<u>139,587</u>	<u>243</u>
At 1 January 2016	24,036	12,512	—	93,093	4,147	5,799	139,587	243
Charge for the year	9,256	2,523	—	28,777	892	2,822	44,270	42
Disposal	(250)	—	—	—	(618)	—	(868)	—
Written off	(1,489)	—	—	—	—	—	(1,489)	—
Exchange adjustments	—	—	—	—	(1)	—	(1)	—
At 31 December 2016	<u>31,553</u>	<u>15,035</u>	<u>—</u>	<u>121,870</u>	<u>4,420</u>	<u>8,621</u>	<u>181,499</u>	<u>285</u>
<b>Net book value:</b>								
At 31 December 2016	<u>36,322</u>	<u>194,807</u>	<u>366,564</u>	<u>163,901</u>	<u>1,186</u>	<u>47,369</u>	<u>810,149</u>	<u>27,266</u>
At 31 December 2015	<u>42,570</u>	<u>96,363</u>	<u>52,232</u>	<u>163,725</u>	<u>1,999</u>	<u>50,191</u>	<u>407,080</u>	<u>1,308</u>

Notes:

(i) Capital work-in-progress at net book value relates to the following assets under construction:

	<b>2016</b> \$'000	<b>2015</b> \$'000
Hotel and casino complex	<u>366,564</u>	<u>52,232</u>

Capital work-in-progress is mainly incurred on the hotel and casino complex in Cambodia known as NagaWorld and TSCLK Complex which is constructed on land held under a lease expiring on 31 July 2095 and 14 December 2110 respectively.



(ii) Interest in leasehold lands held for own use under operating lease is located as follows:

	<b>2016</b>	<b>2015</b>
	<i>\$'000</i>	<i>\$'000</i>
Cambodia	<u>27,266</u>	<u>1,308</u>

The Group has four leasehold lands which has a remaining leasehold period expiring on 31 July 2095, 10 January 2038, 31 July 2066 and 14 December 2110 respectively.

In addition to the prepaid lease payments to acquire the interest in the leasehold lands, the Group was obliged to pay the annual operating lease charge of approximately \$254,000 (2015: \$187,000), subject to increment for every 5 or 10 years, as shown in note 24 to the consolidated financial statements.

## 15 Intangible assets

	<b>2016</b>	<b>2015</b>
	<i>\$'000</i>	<i>\$'000</i>
<b>Casino licence premium and extended exclusivity premium:</b>		
<b>Cost:</b>		
At 1 January and 31 December	<u>108,000</u>	<u>108,000</u>
<b>Accumulated amortisation:</b>		
At 1 January	38,252	34,705
Charge for year	<u>3,547</u>	<u>3,547</u>
At 31 December	<u>41,799</u>	<u>38,252</u>
Net book value	<u>66,201</u>	<u>69,748</u>

On 12 August 2005, Ariston, a subsidiary of the Company, and the Cambodian Government entered into an Addendum Agreement which extended the exclusivity period of the Casino Licence within the Designated Area for the period to the end of 2035 in consideration for the surrender by Ariston of the rights and concessions granted under the SDA signed on 2 January 1995 and SDA signed on 2 February 2000, both between Ariston and the Cambodian Government (except for the right to operate the casino within the Designated Area) including, but not limited to, the rights granted in respect of the development in O'Chhoue Teal, Naga Island and Sihanoukville International Airport (the "Assigned Assets"). The Assigned Assets had previously been assigned to Ariston Holdings Sdn. Bhd., a related company that is beneficially owned by the ultimate controlling shareholder of the

Company, Dr Chen, on 30 August 2002. In order to fulfill its obligations under the Addendum Agreement, Ariston proposed to enter into an agreement with Ariston Holdings Sdn. Bhd., pursuant to which Ariston Holdings Sdn. Bhd. would surrender all rights, title, benefits and interests in and to the Assigned Assets to the Cambodian Government with an effective date of 12 August 2005 in consideration for \$105 million.

The \$105 million liability in respect of the extended exclusivity period has been settled as follows:

- On 11 May 2006, the Company issued 202,332,411 ordinary shares of \$0.0125 each to Dr Chen pursuant to an agreement with, amongst others, Ariston and Ariston Holdings Sdn. Bhd. The fair value of the 202,332,411 ordinary shares was \$50 million of which \$2,529,155 was the par value of the ordinary shares issued and \$47,470,845 was the premium on the issue of the ordinary shares; and
- On 16 August 2006, the remaining \$55 million due to Ariston Holdings Sdn. Bhd. was settled by way of a capital contribution of \$55 million by the ultimate controlling shareholder of the Company.

Please refer to note 5 in respect of the Casino Licence.

## 16 Promissory Notes

The promissory notes (the “Promissory Notes”) in total amount of RUB469,100,000 (approximately \$8,647,000) (2015: \$6,885,000) bought from a bank in Russia 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. The Promissory Notes were pledged to the same bank for issuance of a bank guarantee amounting to RUB400,000,000 in favour of Primorsky Krai Development Corporation for the Group’s gaming and resort development project in Russia.

## 17 Trade and other receivables

	<b>2016</b>	<b>2015</b>
	<i>\$'000</i>	<i>\$'000</i>
Trade receivables	32,319	13,864
Less: Allowance for impairment loss	<u>(4,344)</u>	<u>(2,262)</u>
	27,975	11,602
Deposits, prepayments and other receivables	<u>44,584</u>	<u>34,397</u>
	<u><u>72,559</u></u>	<u><u>45,999</u></u>

Included in trade and other receivables are trade debts (net of impairment losses) with the following ageing analysis as at the end of the reporting period:

	<b>2016</b>	<b>2015</b>
	<i>\$'000</i>	<i>\$'000</i>
Current to within 1 month	22,213	8,864
1 to 3 months	2,182	1,015
3 to 6 months	1,494	190
6 to 12 months	1,144	—
More than 1 year	<u>942</u>	<u>1,533</u>
	<u><u>27,975</u></u>	<u><u>11,602</u></u>

The analysis of trade receivables which are past due but not impaired is as follows:

	<b>2016</b>	<b>2015</b>
	<i>\$'000</i>	<i>\$'000</i>
Less than 1 month overdue	20,658	8,355
1 to 3 months overdue	375	1,015
3 to 6 months overdue	1,432	190
6 to 12 months	1,135	—
More than 1 year overdue	<u>451</u>	<u>1,223</u>
	<u><u>24,051</u></u>	<u><u>10,783</u></u>

The balances which are past due but not impaired relate mostly to Junket VIP operators and local operators who have good track records with the Group, or were active during the Year.

The Group recognises impairment losses in accordance with the policy in note 4(e)(i). The Group's credit policy is set out in note 27(c).

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

	<b>2016</b>	<b>2015</b>
	<i>\$'000</i>	<i>\$'000</i>
At 1 January	2,262	1,829
Impairment loss recognised	2,082	1,079
Reversal of impairment loss previously recognised	<u>—</u>	<u>(646)</u>
At 31 December	<u><u>4,344</u></u>	<u><u>2,262</u></u>

As at 31 December 2016, the Group's trade receivables of \$4,344,000 (2015: \$2,262,000) were individually determined to be impaired. The impaired trade receivables relate to balances due to certain inactive junket operators which were expected to be irrecoverable as it had been long outstanding despite various collection actions taken.

The amounts due from related parties are unsecured, interest-free and repayable on demand.

#### 18 Consumables

Consumables comprise food and beverage, diesel and sundry store items.

#### 19 Prepayments for acquisition, construction and fitting-out of property, plant and equipment

As at the end of the Year, prepayments for construction and fitting-out relate to contractual advances made for various construction activities in NagaWorld, TSCLK Complex and other jurisdictions.

#### 20 Cash and cash equivalents

	<b>2016</b>	<b>2015</b>
	<i>\$'000</i>	<i>\$'000</i>
Cash and bank balances	175,662	74,690
Fixed deposits	<u>35,250</u>	<u>68,391</u>
	<u>210,912</u>	<u>143,081</u>

As at 31 December 2016, fixed deposits bear interest of 1.2% to 1.80% (2015: 0.12% to 10.67%) per annum and mature at various times up to and including January 2017 (2015: mature at various times up to and including February 2016).

Cash at bank earns interest at floating rates based on daily bank deposits rates.

The bank balances and fixed deposits are deposited with credit worthy banks with no recent history of default.

The carrying amounts of these assets approximate their fair values.

## 21 Trade and other payables

	<b>2016</b>	<b>2015</b>
	<i>\$'000</i>	<i>\$'000</i>
Trade payables (note)	2,624	2,624
Unredeemed casino chips	12,305	16,089
Deferred revenue	1,170	1,649
Deposits	339	718
Construction creditors	5,826	3,333
Accruals and other creditors	<u>14,705</u>	<u>10,411</u>
	<u><u>36,969</u></u>	<u><u>34,824</u></u>

*Note:*

Included in trade and other payables are trade creditors with the following ageing analysis as at the end of the reporting period:

	<b>2016</b>	<b>2015</b>
	<i>\$'000</i>	<i>\$'000</i>
Due within 1 month or on demand	2,463	2,606
Due after 1 month but within 3 months	31	—
Due after 3 months but within 6 months	47	—
Due after 6 months but within 1 year	65	—
Due after 1 year	<u>18</u>	<u>18</u>
Total	<u><u>2,624</u></u>	<u><u>2,624</u></u>

## 22 Capital and reserves

(a) *Share capital*(i) *Authorised:*

	<b>2016</b>	<b>2015</b>
	<i>\$'000</i>	<i>\$'000</i>
8,000,000,000 ordinary shares of \$0.0125 each	<u><u>100,000</u></u>	<u><u>100,000</u></u>

(ii) *Issued and fully paid and held in treasury:*

	2016		2015	
	<i>Number of shares</i>	<i>\$'000</i>	<i>Number of shares</i>	<i>\$'000</i>
<b>Issued and fully paid:</b>				
Ordinary shares of \$0.0125 each				
At 1 January	2,269,988,875	28,375	2,282,078,875	28,526
Issue of shares under placement (Note (c))	190,000,000	2,375	—	—
Cancellation of treasury shares (Note (b))	—	—	(12,090,000)	(151)
At 31 December	<u>2,459,988,875</u>	<u>30,750</u>	<u>2,269,988,875</u>	<u>28,375</u>
<b>Treasury shares:</b>				
At 1 January	—	—	(11,490,000)	(9,004)
Purchase of own shares (Note (a))	—	—	(600,000)	(494)
Cancellation of treasury shares (Note (b))	—	—	12,090,000	9,498
At 31 December	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

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

*Note:*

- (a) During the year ended 31 December 2015, the Company repurchased its own shares on the Stock Exchange as follows:

<b>Month/year</b>	<b>Number of shares repurchased</b>	<b>Highest price paid per share <i>HK\$</i></b>	<b>Lowest price paid per share <i>HK\$</i></b>	<b>Aggregate price paid <i>\$'000</i></b>
January 2015	<u>600,000</u>	<u>6.350</u>	<u>6.290</u>	<u>490</u>

Transaction costs of \$4,000 were incurred in 2015 for the repurchase.

- (b) The 12,090,000 repurchased shares were cancelled in December 2015. The issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of \$151,000 was transferred from share premium to the capital redemption reserves. The premium paid on the purchase of the shares of \$9,347,000 was charged to share premium.
- (c) On 9 September 2016, the Company allotted and issued 190,000,000 new ordinary shares of \$0.0125 each at subscription price of HK\$5 per share pursuant to the Placing and Subscription Agreement dated 1 September 2016. Transaction costs of \$2,664,000 were incurred for the share issued.

(iii) *Capital management*

The Group's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide a return to shareholders by pricing services commensurately with the level of risk.

The gearing ratio at the end of reporting period was as follows:

	<b>2016</b>	<b>2015</b>
	<i>\$'000</i>	<i>\$'000</i>
Debt	—	—
Cash and cash equivalents	<u>(210,912)</u>	<u>(143,081)</u>
Net debt	<u>(210,912)</u>	<u>(143,081)</u>
Equity	<u>1,250,981</u>	<u>686,576</u>
Net debt to equity ratio	<u>N/A</u>	<u>N/A</u>

The Capital structure of the Group consists of equity attributable to owners of the Company only, comprising share capital and reserves. Management may consider any opportunity of debt financing when necessary. The Group sets the amount of capital to reflect the perceived level of risk. The Group manages the capital structure and makes adjustments in the light of changes in economic and business conditions and the risk characteristics of the underlying assets.

(b) *Reserves*

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 108 of the consolidated financial statements.

(c) *Nature and purpose of reserves*

(i) *Share premium*

Under the Companies Law of the Cayman Islands, the share premium account of the Company is distributable to the shareholders provided that immediately following that date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts when they fall due in the ordinary course of business.

(ii) *Convertible bonds*

On 17 May 2016 and 30 December 2016, the Company issued Convertible Bonds with a principal amount of \$94,000,000 and \$275,000,000 on a perpetual basis with no maturity date in relation to the acquisition of TanSriChen (Citywalk) Inc. and TanSriChen Inc. respectively (as mentioned in note 23). The Convertible Bonds are denominated in United States dollars. The Convertible Bonds can be converted into Shares of the Company at the Bondholder's option in accordance with terms of the Convertible Bonds. Based on the initial conversion price of HK\$1.5301 (equivalent to \$0.1962) of the Convertible Bonds, 1,881,019,166 new ordinary shares (the "Conversion Shares") will be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds. Pursuant to the terms of the Convertible Bonds, the conversion price and the number of Conversion Shares in respect of the Convertible Bonds are subject to further adjustment in the event of any future capital restructuring. Distributions on the Convertible Bonds will be equal to the dividends that would otherwise have been paid on the Conversion Shares. Distributions shall be paid to the Bondholder on the date on which the relevant dividend is paid to the Shareholders.

On initial recognition, the total fair value of the Convertible Bonds amounting to \$378,888,000 was determined by the fair value of the assets and liabilities acquired through acquisitions of subsidiaries at respective acquisition dates as detailed in note 23 and were included in equity.

The interim distribution of \$12,174,000 (2015: Nil) for the six months period ended 30 June 2016 was declared in August 2016 and paid in September 2016. Proposed distribution on the Convertible Bonds after the end of the Year amounted to \$15,332,000. Total interim and final distributions on the Convertible Bonds for the Year amounted to \$27,506,000 (2015: Nil).



(iii) *Merger reserve*

The merger reserve relates to the pooling of interests under the share swap agreement between, amongst others, the former shareholders of the combined entities, the Company and the then sole ultimate controlling shareholder dated 6 June 2003. The amount represents the fair value of the share capital of the combined entities and the carrying value of assets and liabilities combined into the Group pursuant to the restructuring aforementioned.

(iv) *Capital contribution reserve*

The capital contribution reserve comprises the fair value of assets contributed to the Company by the ultimate controlling shareholder.

(v) *Capital redemption reserve*

The capital redemption reserve arose from cancellation of 12,090,000 treasury shares during the year ended 31 December 2015. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, upon the cancellation, the par value of the cancelled treasury shares was transferred from share premium accounts.

(vi) *Exchange reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign entities.

(d) ***Distributable reserves***

At 31 December 2016, the aggregate amount of reserves available for distribution to owners of the Company was \$379,454,000 (2015: \$278,218,000) within which \$395,981,000 (2015: 278,438,000) related to the share premium of the new Shares issued under placement in past years and \$55,000,000 (2015: \$55,000,000) related to the capital contribution reserve, which the Directors have no current intention of distributing.

After the end of the reporting period, the Directors proposed a final dividend for Shareholder and distribution for the Bondholder of US cent 0.82 per Share/ Conversion Share (2015: US cents 1.89 per Share) amounting to \$35.4 million (2015: \$43.0 million). The dividend and distribution have not been recognised as a liability at the end of the reporting period.

## 23 Acquisitions of assets and liabilities through acquisition of subsidiaries

On 17 May 2016 and 30 December 2016, the Group acquired 100% of the equity interest of TanSriChen (Citywalk) Inc. and its wholly-owned subsidiary (collectively the “Citywalk Group”) which is the owner of NagaCity Walk, an underground linkway connecting NagaWorld Hotel and Naga2 and TanSriChen Inc. which is the owner of TSCLK Complex, at a consideration of \$94,000,000 and \$275,000,000 respectively, which were satisfied by the issuance of the Convertible Bonds by the Company (note 22(c)(ii)). Dr. Chen was the sole shareholder of both TanSriChen (Citywalk) Inc. and TanSriChen Inc. before and at the time of the acquisitions.

The fair values of identifiable assets and liabilities of the Citywalk Group and TanSriChen Inc. as at the respective date of acquisitions were:

	<b>Citywalk Group</b>	<b>TanSriChen Inc.</b>	<b>Total</b>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Property, plant and equipment (note 14)	95,000	259,000	354,000
Interest in leasehold lands held for own use under operating lease (note 14)	—	26,000	26,000
Deposit	20	—	20
Cash and cash equivalents	—	234	234
Amount due from related parties	—	137	137
Amount due to shareholders	—	(1,084)	(1,084)
Amount due to a holding company	(137)	—	(137)
Other payables	(261)	(21)	(282)
	<u>94,622</u>	<u>284,266</u>	<u>378,888</u>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>

The fair value of considerations transfer:

Issuance of the Convertible Bonds at fair value (Note 22(c)(ii))	<u>94,622</u>	<u>284,266</u>	<u>378,888</u>
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The acquisitions were considered as acquisition of assets and liabilities and the considerations were settled by the issuance of the Convertible Bonds. The fair values of the Convertible Bonds issued in connection with the acquisitions are determined based on the fair values of the identifiable assets and liabilities acquired which amounted to \$94,622,000 and \$284,266,000 respectively.

## 24 Leases

*Operating lease — Lessee*

At the end of the reporting period, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016					2015					
	In respect of:					In respect of:					
	Office, staff quarters and car	park	Equipment rental	Gaming machines stations and tables and games	Total	Land lease	Office, staff quarters and car	park	Equipment rental	Gaming machines stations and Tables games	Total
	Land lease	park rental	Equipment rental	tables games	Total	Land lease	park rental	Equipment rental	Tables games	Total	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Within 1 year	307	760	1,536	969	3,572	225	1,124	1,536	1,001	3,886	
1 to 5 years	1,237	730	1,062	960	3,989	944	1,434	2,598	1,310	6,286	
After 5 years	<u>24,816</u>	<u>522</u>	<u>—</u>	<u>—</u>	<u>25,338</u>	<u>20,401</u>	<u>579</u>	<u>—</u>	<u>—</u>	<u>20,980</u>	
	<u>26,360</u>	<u>2,012</u>	<u>2,598</u>	<u>1,929</u>	<u>32,899</u>	<u>21,570</u>	<u>3,137</u>	<u>4,134</u>	<u>2,311</u>	<u>31,152</u>	

The Group has entered into lease arrangements in respect of land in Phnom Penh, Cambodia which forms the site for the NagaWorld hotel and entertainment complex with integrated casino facilities currently under construction. The lease agreement is for a period of 99 years and does not include any provisions for renewal upon expiry or contingent rentals. Provisions for periodic adjustments to reflect market rentals are included in the lease agreement and in the commitments shown above.

The Group also entered into lease agreement in respect of land for the construction of NagaCity Walk between the Municipality of Phnom Penh and the TanSriChen Inc. for a term of 50 years. Under the terms of the lease agreement, upon the expiry of the initial lease term of 50 years, the lease shall be automatically renewed at the option of the Company for another term in accordance with the laws of Cambodia.

Please refer to note 14(ii) for further details in respect of the lands.

*Operating lease — Lessor*

At the end of the reporting period, the Group's total future minimum lease receivables under non-cancellable operating are as follows:

	<b>2016</b>	<b>2015</b>
	<i>\$'000</i>	<i>\$'000</i>
Within 1 year	1,633	—
1 to 5 years	9,390	—
After 5 years	<u>10,818</u>	<u>—</u>
	<u>21,841</u>	<u>—</u>

The lease was negotiated for an original term of 10.5 years. The terms of the lease also provide for periodic rent adjustments according to the then prevailing market conditions. Rent is calculated at the higher of base rent or 8% on turnover generated from the tenant plus 5% on turnover generated from its licensee, operator or sub-tenant. No contingent rental was recognised during the Year (2015: Nil).

**25 Capital commitments**

The Group had the following capital commitments as at the end of the reporting period:

	<b>2016</b>	<b>2015</b>
	<i>\$'000</i>	<i>\$'000</i>
Hotel and casino complex		
— contracted but not incurred	<u>370,234</u>	<u>224,829</u>

The capital commitments relating to the hotel and casino complex are expected to be incurred over one year in accordance with phased construction plans.

**26 Equity settled share-based transactions**

The Company has adopted a share option scheme upon listing of the Company's shares on the Main Board of the Stock Exchange on 19 October 2006 (the "Old Scheme") which has expired on 18 October 2016. A new share option scheme was approved by the Shareholder on 20 April 2016 (the "Existing Scheme"). Under the Old Scheme and the Existing Scheme, the Directors are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at nil consideration to subscribe for shares of the Company.

The Company did not grant any share options during the Year (2015: Nil) and there are no outstanding share options at the end of the reporting period (2015: Nil).

**27 Risk management****(a) *Financial risk management objectives and policies***

Exposures to political and economic risks, credit, interest rate and foreign currency risks arise in the normal course of the Group's business. The Group has risk management policies and guidelines which set out its overall business strategies, its tolerance of risk and its general risk management philosophy and has established processes to monitor and control the hedging of transactions in a timely and accurate manner. Such policies are regularly reviewed by the Board and regular reviews are undertaken to ensure that the Group's policy guidelines are adhered to.

**(b) *Political and economic risks***

The Group's activities are carried out in Cambodia, a country which, until recently, has had a history of political instability. While the political climate has been more stable in recent years, its political and legal frameworks are still evolving and the economic and legal environments may change significantly in the event of a change of government. Although the Cambodian Government has been pursuing reform policies in recent years, no assurance can be given that the Cambodian Government will continue to pursue such policies or that such policies may not be significantly altered. There is also no guarantee that the Cambodian Government's pursuit of reforms will be consistent or effective. Changes in LoT and LoI and in policies affecting the industry in which the Group operates could have a significant negative effect on its operating results and financial condition.

**(c) *Credit risk***

The credit policy on gaming receivables is five to thirty days (2015: five to thirty days) from the end of tour. The credit policy on non-gaming receivables is thirty days from end of month (2015: thirty days from end of month). Trade receivables relate mostly to Junket operators. At the end of the reporting period, the Group has a certain concentration of credit risk at 20% (2015: 18%) of the total trade and other receivables that were due from the five largest operators.

The Group recognises impairment losses on trade and other receivables in accordance with the policy in note 4(e)(i). The Group has a credit policy in place and the exposure to credit risk is monitored on a regular basis. The Group grants credit facilities, on an unsecured basis, to selected Junket VIP operators. Credit evaluations are performed on all customers requesting credit facilities.

The Group does not provide any guarantees which would expose the Group to credit risk.

(d) *Liquidity risk*

The contractual maturities of financial liabilities of the Group are shown as below:

	<b>2016</b>	<b>2015</b>
	<i>\$'000</i>	<i>\$'000</i>
Less than one year	<u>36,969</u>	<u>34,824</u>

(e) *Interest rate risk*

To date the Group's funding requirements have largely been met by cash flows generated from its operations. In respect of income from monetary assets, effective interest rates and terms are as follows:

	<b>2016</b>		<b>2015</b>	
	<b>Effective interest rate</b>	<b>One year or less</b>	<b>Effective interest rate</b>	<b>One year or less</b>
	<i>%</i>	<i>\$'000</i>	<i>%</i>	<i>\$'000</i>
Bank deposits				
— On demand	0.01 to 0.8	149,340	0.01 to 0.8	46,994
— Fixed term of 7 days or less	N/A	—	0.12	10,069
— Within one year	1.20 to 1.80	<u>35,250</u>	1.60 to 10.67	<u>58,322</u>
		184,590		115,385
Promissory Notes	6.6	<u>8,647</u>	6.6	<u>6,885</u>
		<u>193,237</u>		<u>122,270</u>

The Group has no significant interest bearing assets except fixed rate bank deposits and the Promissory Notes detailed in notes 20 and 16 respectively. The Group policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements and rates are approximately fixed when necessary. The directors considered that the Group's cash flow interest rate risk is minimal.

(f) *Foreign currency risk*

The Group's income is principally earned in United States dollars. The Group's expenditure is principally paid in United States dollars and to a lesser extent in Cambodian Riels and Russian Ruble. The Group does not therefore have significant exposure to foreign currency risk. The Group does not enter into currency hedging transactions since it considers that the cost of such instruments outweigh the potential cost of exchange rate fluctuations.

(g) *Fair values*

Financial instruments not measured at fair value include Promissory Notes, cash and cash equivalents, trade and other receivables and trade and other payables. The carrying values of these financial instruments approximately fair values.

28 **Related party transactions**

In addition to the information disclosed in the note 23 to the consolidated financial statements, significant transactions entered into between the Group and its related parties are as follows:

(a) *Compensation of key management personnel*

	<b>2016</b>	<b>2015</b>
	<i>\$'000</i>	<i>\$'000</i>
Basic salaries, housing and other allowances and benefits in kind	7,491	8,497
Bonus	<u>893</u>	<u>792</u>
	<u>8,384</u>	<u>9,289</u>

(b) *Others (note)*

	<b>2016</b>	<b>2015</b>
	<i>\$'000</i>	<i>\$'000</i>
Travel expenses	—	36
Expenses paid on behalf of related companies	<u>—</u>	<u>118</u>

*Note:* The Group transacted with related companies, the controlling beneficiary of which is Dr Chen, the ultimate controlling shareholder of the Company, for the provision of travel and tour services and hotel accommodation to the Group and expenses paid on behalf of the related companies.

As at 31 December 2016, amounts due from related companies of \$263,000 (2015: \$413,000) are included in trade and other receivables as disclosed in note 17 to the consolidated financial statements. The balance is unsecured, interest-free and repayable on demand. The maximum balance during the Year was \$413,000 (2015: \$413,000).

**29 Ultimate controlling party**

At 31 December 2016, Dr Chen owned equity interests in 958,945,297 ordinary shares out of the 2,459,988,875 issued ordinary shares of the Company, of which 7,150,000 ordinary shares were beneficially owned by Dr Chen and the remaining 951,795,297 ordinary shares were indirectly held by a discretionary trust named ChenLa Foundation. By virtue of being the founder of ChenLa Foundation, Dr Chen was taken to be interested in the 951,795,297 ordinary shares held by ChenLa Foundation.

**30 Possible impact of amendments and new or revised standards issued but not yet effective for the annual accounting year ended 31 December 2016**

Up to the date of issue of these consolidated financial statements, the IASB has issued the following amendments and new or revised standards which are not yet effective for the annual accounting year ended 31 December 2016, potentially relevant to the Group's financial statements, and have not been early adopted in these consolidated financial statements.

IFRSs (Amendments)	Annual Improvements 2014-2016 Cycles <sup>5</sup>
Amendments to IAS 7	Statement of Cash Flows <sup>1</sup>
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>1</sup>
Amendments to IFRS 2	Classification and Measurement of Share-Based Payment <sup>2</sup>
IFRS 9	Financial Instruments <sup>2</sup>
IFRS 15	Revenue from Contracts with Customers <sup>2</sup>
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers <sup>2</sup>
IFRS 16	Leases <sup>3</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
IFRIC 22	Foreign Currency Transactions and Advance Consideration <sup>2</sup>

1 Effective for annual periods beginning on or after 1 January 2017

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for annual periods beginning on or after 1 January 2019

4 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

5 The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018; the amendment to IFRS 12 is effective for annual periods beginning on or after 1 January 2017.



***Amendments to IAS 7 — Statement of Cash Flows***

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

***Amendments to IAS 12 — Recognition of Deferred Tax Assets for Unrealised Losses***

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

***Amendments to IFRS 2 — Classification and Measurement of Share-based Payment***

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

***IFRS 9 — Financial Instruments***

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”).

IFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in IAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities.

***IFRS 15 — Revenue from Contracts with customers***

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 supersedes existing revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

IFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

IFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under IFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

***Amendments IFRS 15 — Clarifications to IFRS 15 Revenue from Contracts with customers***

The amendments to IFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

***IFRS 16 — Leases***

IFRS 16, which upon the effective date will supersede IAS 17 — Leases and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

***Amendments to IFRS 10 and IAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

***Amendments to IFRIC 22 — Foreign Currency Transactions and Advance Consideration***

IFRIC 22 clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency.

**31 Key sources of estimation uncertainty****(i) *Impairment allowance for bad and doubtful debts***

The policy for impairment allowance for bad and doubtful debts on trade and other receivables of the Group is based on the evaluation of recoverability and outstanding period of accounts, and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer, including Junket VIP operators and local operators. In determining whether impairment loss should be recorded in profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from individual trade and other receivables. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly.

**(ii) *Recognition of the 2016 EGM fee***

Part of the Group's income is generated from the 2016 EGM fee from an investor for placing gaming machines in NagaWorld (note 6). IFRS requires that recognition criteria are applied to separately identifiable components of a single transaction in order to reflect the substance of the transaction and the selling price is allocated to the identified components. In assessing the consideration being allocated to the 2016 EGM fee, management exercised judgement and estimates on identifying components in the transaction (including the 2016 EGM fee) based on the nature, terms and commercial substances of the transaction; and estimating the fair values of the total consideration and each of the identified components.

**(iii) *Measurement of a reliable estimate of such additional obligation payment***

As mentioned in note 10 to the consolidated financial statements, Casino Law which is to cover taxation of gaming activities in Cambodia, has yet to be promulgated. Significant management

judgement on measurement of a reliable estimate of additional obligation payment is required and is dependent on future development of this matter. The Group carefully evaluates tax exposure of transactions occurred during the Year and observes the development of the Casino Law to exercise such judgement.

### **32 Contingent Liabilities**

Based on the formula stated in Clause 3.3 of the service agreement entered into between the Company and Dr Chen, the CEO, the parties acknowledge and agree that Dr Chen will be entitled to the 2015 Bonus Entitlement of \$8,051,000 and the 2016 Bonus Entitlement of \$9,011,037 for the financial years ended 31 December 2015 and 2016.

Pursuant to a resolution passed by the Board on 1 February 2016, the Board considered the matter relating to the payment of the 2015 Bonus Entitlement and resolved to appeal to the generosity and good judgement of Dr Chen to defer such obligation. The Company and Dr Chen agreed that it was in the interests of the Company to defer the 2015 Bonus Entitlement to subsequent years until the achievement of certain key performance indicators (the “KPIs”) set for the year ended 31 December 2016. The Company and Dr Chen agreed that subject to the achievement of the KPIs, the deferral of the 2015 Bonus Entitlement should be extended to the financial year ended 31 December 2016 and the financial year ending 31 December 2017 and beyond at the sole election of Dr Chen and that the parties shall negotiate in good faith a reasonable timeframe which is in the best interests of the Company. Pursuant to a resolution passed by the Board on 8 February 2017, the Board further resolved to appeal to the generosity and good judgement of Dr Chen to defer the 2015 Bonus Entitlement. The Company and Dr Chen agreed that it is in the interests of the Company to further defer the 2015 Bonus Entitlement until the achievement of certain KPIs set for the year ending 31 December 2017.

Pursuant to the resolution passed by the Board on 8 February 2017, the Board also considered the matter relating to the 2016 Bonus Entitlement and resolved to appeal to the generosity and good judgement of Dr Chen to defer the 2016 Bonus Entitlement. The Company and Dr Chen agreed that it is in the interests of the Company to defer the 2016 Bonus Entitlement to subsequent years until the achievement of certain KPIs set for the year ending 31 December 2017. The Company and Dr Chen agreed that subject to the achievement of the KPIs, the deferral of the 2016 Bonus Entitlement should be extended to the financial year ending 31 December 2017 and that the parties should negotiate in good faith a reasonable timeframe which is in the best interests of the Company. For record purposes, Dr Chen has foregone bonus of \$18,600,000 from the financial years 2010 to 2014.

Except for the above, and as disclosed elsewhere in the consolidated financial statements, there were no other contingent liabilities as at 31 December 2016.

### **33 Non-cash transaction**

As detailed in note 23, certain assets and liabilities of the Citywalk Group and TanSriChen Inc. were acquired at the respective acquisition dates by the Group. The considerations of the acquisitions were satisfied by the issuance of the Convertible Bonds at fair value of \$94,622,000 and \$284,266,000 respectively.

## 34 Statement of financial position of the Company

	2016 \$'000	2015 \$'000
<b>Non-current assets</b>		
Property, plant and equipment	338	335
Investments in subsidiaries	<u>394,391</u>	<u>15,503</u>
	394,729	15,838
	-----	-----
<b>Current assets</b>		
Deposits, prepayments and other receivables	724	657
Amounts due from subsidiaries	321,479	272,387
Cash and cash equivalents	<u>73,160</u>	<u>18,267</u>
	395,363	291,311
	-----	-----
<b>Current liabilities</b>		
Accruals and other payables	947	553
Amounts due to subsidiaries	<u>53</u>	<u>3</u>
	1,000	556
	-----	-----
<b>Net current assets</b>	<u>394,363</u>	<u>290,755</u>
	-----	-----
<b>NET ASSETS</b>	<u>789,092</u>	<u>306,593</u>
	-----	-----
<b>CAPITAL AND RESERVES</b>		
Share capital (Note)	30,750	28,375
Reserves	<u>758,342</u>	<u>278,218</u>
	789,092	306,593
	-----	-----
<b>TOTAL EQUITY</b>	<u>789,092</u>	<u>306,593</u>
	-----	-----

Note:

*Capital and reserves of the Company*

	Share capital	Treasury shares	Share premium	Convertible bonds	Capital redemption reserve	Capital contribution reserve	Accumulated losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2015	28,526	(9,004)	287,936	—	—	55,000	(41,320)	321,138
Purchase of own shares	—	(494)	—	—	—	—	—	(494)
Cancellation of treasury shares	(151)	9,498	(9,498)	—	151	—	—	—
Profit for the year	—	—	—	—	—	—	94,486	94,486
Dividend declared and paid	—	—	—	—	—	—	(108,537)	(108,537)
At 31 December 2015	<u>28,375</u>	<u>—</u>	<u>278,438</u>	<u>—</u>	<u>151</u>	<u>55,000</u>	<u>(55,371)</u>	<u>306,593</u>
At 1 January 2016	28,375	—	278,438	—	151	55,000	(55,371)	306,593
Issues of shares under placement	2,375	—	120,207	—	—	—	—	122,582
Share placement expenses	—	—	(2,664)	—	—	—	—	(2,664)
Convertible bonds issued	—	—	—	378,888	—	—	—	378,888
Profit for the year	—	—	—	—	—	—	101,767	101,767
Dividend and distribution declared and paid	—	—	—	—	—	—	(118,074)	(118,074)
At 31 December 2016	<u>30,750</u>	<u>—</u>	<u>395,981</u>	<u>378,888</u>	<u>151</u>	<u>55,000</u>	<u>(71,678)</u>	<u>789,092</u>

### 3. INDEBTEDNESS STATEMENT

As at the close of business on 31 March 2017, being the latest practicable date for the purpose of preparing this indebtedness statement, the Group owes an amount to a director of approximately US\$2,064,000.

As at the close of business on 31 March 2017, being the latest practicable date for the purpose of preparing this indebtedness statement, the Group has no contingent liability other than as disclosed in the section headed “2. Financial Statements” of this Appendix I.

Save as disclosed in this section headed “3. Indebtedness Statement” and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, as at 31 March 2017, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, outstanding bank borrowings or indebtedness, including bank overdrafts or loans, mortgages, charges, other indebtedness in the nature of borrowing, finance lease or hire purchase commitments, guarantees or any other material contingent liabilities.

**4. MATERIAL CHANGE**

The Directors confirm that there is no material change in the financial or trading position or outlook of the Group since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Group were made up and up to the Latest Practicable Date.

*The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of the incorporation in this circular, received from Colliers International (Hong Kong) Limited, an independent valuer, in connection with its valuation as at 20 March 2017 of the property interests of NagaCorp Ltd..*



Colliers International (Hong Kong) Ltd  
**Valuation & Advisory Services**

Company Licence No: C-006052

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18 Harbour Road Wanchai  
Hong Kong

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9 June 2017

The Board of Directors  
NagaCorp Ltd.  
Samdech Techo Hun Sen Park  
Phnom Penh  
The Kingdom of Cambodia

Dear Sirs,

**RE: Valuation of NagaCorp Ltd. portfolio of properties:**

- (1) NagaWorld - located to the south of Samdech Hun Sen's Park and east of the Ministry of Culture and Religion Land, Phnom Penh, The Kingdom of Cambodia ("Naga I")
- (2) TSCLK Integrated Complex - located across from Naga I at Lot 1, Village 1, Sangkat Tonle Basaac, Khan Chamkamon, Phnom Penh, the Kingdom of Cambodia ("Naga II")
- (3) NagaCity Walk - located underneath the south sidewalk of NagaWorld and connected to the TSCLK Integrated Complex, Phnom Penh, the Kingdom of Cambodia ("NagaCity Walk")
- (4) NagaWorld FBO Hangar facility - located at Phnom Penh International Airport, Phnom Penh, the Kingdom of Cambodia ("FBO Hangar")
- (5) The Primorsky Entertainment Resort City (PERC) gaming and entertainment resort currently under development - located in IEZ Primorye, Artem, circa 50 km from Vladivostok, The Russian Federation ("Vladivostok")
- (6) Office Unit No. 2806 on 28th Floor, Central Plaza, No.18 Harbour Road, Wanchai, Hong Kong (Hong Kong)



**INSTRUCTIONS**

In accordance with your instructions to provide opinions of the market values of the above properties (hereinafter referred to as “the Properties”) held by NagaCorp Ltd. (the “Company” and together with its subsidiaries the “Group”) in the Kingdom of Cambodia, Hong Kong and the Russian Federation, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for providing you with our opinions pursuant to the requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Codes on Takeovers and Mergers and Share Buy-backs of Hong Kong of the value as at 20 March 2017 (the “date of valuation” or “Valuation Date”).

**PURPOSE OF VALUATIONS**

For incorporation into a public circular pursuant to the requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Codes on Takeovers and Mergers and Share Buy-backs of Hong Kong.

**BASIS OF VALUATION**

Our valuations are made on the basis of Market Value which is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

**THE VALUERS**

The valuations have been carried out by:

Govinda Singh FCCA FCMA MRICS is a member of the Royal Institution of Chartered Surveyors, a registered valuer and a chartered certified accountant. He is suitably qualified to carry out the valuation and has over 10 years of experience in the valuation of properties of this magnitude and nature. He has over 17 years of global experience in the hotels, gaming, tourism, and hospitality and leisure industry including across Asia.

David Faulkner FRICS FHKIS RPS (GP) MAE is a Fellow of the Royal Institution of Chartered Surveyors, a Fellow of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor under the Surveyors Registration Ordinance (Cap. 417) in the Hong Kong Special Administrative Region (“Hong Kong”). He is suitably qualified to carry out the valuation and has over 36 years of experience in the valuation of properties of this magnitude and nature, and over 30 years of experience in Hong Kong and various Asian countries.

Neither the valuers nor Colliers International (Hong Kong) Limited are aware of any pecuniary interest or conflict that could reasonably be regarded as being capable of affecting the ability to give an unbiased and objective, opinion of the value of the Properties.

**VALUATION STANDARDS**

In valuing the Properties, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and Rule 11 of The Codes on Takeovers and Mergers and Share Buy-backs of Hong Kong. Our valuation has been carried out in accordance with the Hong Kong Institute of Surveyors Valuation Standards on Properties (2012 Edition) published by the Hong Kong Institute of Surveyors and the International Valuation Standards of the International Valuation Standards Council (ISVC). Colliers International (Hong Kong) Limited is accredited under ISO 9001:2008.

**VALUATION RATIONALE**

We have considered three valuation methods in valuing the Properties. These are:

- (i) Market Approach;
- (ii) Income Approach — Direct Capitalisation Method; and
- (iii) Cost Approach.

**Market Approach** - We have considered the Market Approach by making reference to comparable sales or asking prices as available in the market for Properties (1), (2) and (3) above. Comparison is based on prices realised on actual transactions, asking price of ‘comparable’ properties or offerings. Comparable properties with ‘similar’ operations, sizes, character and locations are analysed, and carefully weighed against all respective advantages and disadvantages of each property in order to arrive at a fair comparison of value.

**Direct Capitalisation Method** - We have supported our valuations using the Direct Capitalisation method. This is done by applying a simple multiple or capitalisation rate to the level of rent or net income that a property can be expected to generate. We have assumed that the Company will continue to manage and operate the Properties in a competent and efficient manner. The multiple and capitalisation rates are derived from market rates of return for such investments taking into account the established performance of the property, its location and the risk profile of each individual asset.

**Cost Approach** - In valuing the property interests of Properties (4), (5) and (6) listed above, we have adopted the Cost Approach, which is defined as “providing an indication of value using the economic principal that a buyer will pay no more for an asset than the cost to obtain an asset of quality, whether by purchase or construction”. This can be further described as current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

**TITLE INVESTIGATIONS**

We have been shown copies of various title documents including copies of the leases, licences and official plans relating to the property interests and have made relevant enquiries. We have not, however, been provided with the original documents to verify the ownership, nor to ascertain the existence of any amendments that may not appear on the shown copies.

In regards to the subsisting mortgages and title investigation, we have been advised by the Company to assume that all titles and licences are in order. We are not aware of any title defects, easements, or right of way affecting the Properties, and our valuations assume that none exists, except where stated.

All legal documents disclosed in this letter and valuation certificates are for reference only. No responsibility is assumed for any legal matters concerning the legal title to the property interests set out in this letter or in the valuation certificates.

**INFORMATION**

We have relied to a considerable extent on the information provided by the Company on such matters as tenancy schedules, statutory notices, easements, tenure, floor areas, building plans and all other relevant matters. Dimensions, measurements and areas included in the valuation are based on information contained in the documents provided to us and are, therefore, only approximations.

We have also been advised by the Company that no material factors or information have been omitted or withheld from the information supplied and we consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuations are reasonable and we have no reason to doubt the truth and accuracy of the information and materials for the valuations provided to us by the Company, which we assume to be accurate and fit to use for such purposes.

**SITE INSPECTION**

Inspection of Properties (1), (2), (3) and (4) located in Cambodia was carried out on 20 March 2017 by Govinda Singh.

He has inspected the exteriors and, where possible, the interiors of Properties (1), (2), (3) and (4). However, we have not carried out investigations to determine the suitability of the ground conditions and services for any development thereon. Our valuations have been prepared on the assumption that these aspects are satisfactory. No structural survey has been made, but, in the course of our inspection, we did not note any serious defects. No environmental investigations were carried out and we are unable to report whether the Properties are free of rot, infestation or any other environmental issue. No tests were carried out on any of the services.

We have not carried out detailed on-site measurements to verify the correctness of the floor areas in respect of the Properties but have assumed that the areas shown on the documents and plans provided to us are correct.

No inspection has been made of the Vladivostok property and we have had to rely on the information presented to us by the Company as to the state of the land and development as at the date of valuation. We also had regard to land values in the region in forming our opinion of value for this property.

### **VALUATION ASSUMPTIONS**

Our valuation has been made on the assumption that the property interests can be sold in the open market in their existing state, with the benefit of vacant possession, without the benefit of deferred term contract, leaseback, joint venture, management agreement or any similar arrangements which could affect the value of the property interest.

No allowance has been made in our valuation for any charges, mortgages or amounts owing neither on the property interest valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

All information on the Properties provided by the Company is assumed to be accurate and correct.

We have assumed all proper ownership titles of, and all relevant planning and other approvals for all the Properties have been properly obtained, and all payable land premiums, land-use rights fees and other relevant fees have been fully settled and the Properties can be freely transferred, sublet, mortgaged or otherwise disposed of.

All Properties have the required permits and licenses in place to operate.

We have been provided with the tenancy schedule of the Property (3). However, we have not examined the standard tenancy agreement, the licence agreement, the gaming licence or lease documents for each specific tenancy. Our assessment is based on the assumption that all leases are executed and in accordance with the provisions stated in the tenancy schedules provided to us. We assume that all tenancies are valid, binding and enforceable.

We have not carried out any valuation on a redevelopment basis, nor the study of possible alternative options.

No acquisition costs or disposal costs have been taken into account in the valuations.

We have assumed there are no environmental issues or problems affecting the properties.

Additional specific valuation assumptions used, for each of the Properties, are shown on the attached valuation certificates.

**CURRENCY**

Unless otherwise stated, all monetary figures stated in this report are in United States dollars (US\$).

Our valuation certificates are attached.

**DISCLOSURE**

This report is furnished for the purposes stated, and for no other use, without the express permission of Colliers International (Hong Kong) Limited. The report is subject to our standard caveats and assumptions attached hereto.

**VALUATIONS**

Our valuation of the subject assets are set out on the valuation certificates attached hereto, which together with this covering letter form our valuation report.

Yours sincerely,

For and on behalf of

**Colliers International (Hong Kong) Limited**

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Govinda Singh  
*FCCA FCMA MRICS*  
Director  
Valuation & Advisory Services — Asia

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David Faulkner  
*FRICS FHKIS RPS (GP) MAE*  
Managing Director  
Valuation & Advisory Services — Asia

## SUMMARY OF VALUES

**Property Interests owned by NagaCorp Ltd. in the Kingdom of Cambodia**

<b>No</b>	<b>Property</b>	<b>Market Value upon completion as at 20 March 2017</b>
1.	NagaWorld Building located to the south of Samdech Hun Sen's Park and east of the Ministry of Culture and Religion Land, Phnom Penh, The Kingdom of Cambodia ("Naga I")	US\$1,900,000,000
2.	TSCLK Integrated Complex located at Lot 1, Village 1, Sangkat Tonle Basaac, Khan Chamkamon, Phnom Penh, the Kingdom of Cambodia ("Naga II")	US\$3,000,000,000
3.	NagaCity Walk located underneath the south sidewalk of NagaWorld and connecting to the TSCLK Integrated Complex, Phnom Penh, the Kingdom of Cambodia ("NagaCity Walk")	US\$128,000,000
4.	NagaWorld FBO Hangar facility located at Phnom Penh International Airport, Phnom Penh, the Kingdom of Cambodia ("FBO Hangar")	US\$44,000,000
	Sub-total:	<u>US\$5,072,000,000</u>

**Property Interests owned by NagaCorp Ltd. in the Russian Federation**

<b>No</b>	<b>Property</b>	<b>Market Value as at 20 March 2017</b>
5.	Primorsky Entertainment Resort City (PERC), located at IEZ Primorye, Artem, circa 50 km from Vladivostok, The Russian Federation ("Vladivostok")	US\$350,000,000
	<b>Sub-Total:</b>	<u>US\$350,000,000</u>

**Property Interests leased by NagaCorp Ltd. in Hong Kong**

<b>No</b>	<b>Property</b>	<b>Market Value as at 20 March 2017</b>
6.	Office Unit No. 2806 on 28th Floor, Central Plaza, No.18 Harbour Road, Wanchai, Hong Kong (Hong Kong)	No commercial value
	Sub-Total:	<u>Nil</u>
	<b>Total:</b>	<u>US\$5,422,000,000</u>

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value as at 20 March 2017
1. NagaWorld Building located to the south of Samdech Hun Sen's Park and the east of the Ministry of Cult and Religion Land, Phnom Penh, The Kingdom of Cambodia ("the Property")	<p>The Property comprises two blocks of buildings which includes a hotel and a casino within an entertainment complex completed in 2007.</p> <p>The Property is built on a land parcel that has a total area of approximately 14,160 sq m.</p> <p>The casino block is an 8-storey building with a total gross floor area of approximately 20,918 sq m.</p> <p>The hotel block is a 14-storey building with a total gross floor area of approximately 67,945 sq m which offers 713 guest rooms, conference and convention facilities, food and beverage, recreation facilities, spa, etc.</p> <p>The casino currently offers 154 VIP tables, 87 mass tables and 1,648 Electronic Gaming Machines (EGM).</p> <p>The Hotel / Casino portion is held for a term of 99 years commencing from 1<sup>st</sup> August 1996 for gaming, hotel and entertainment business purposes.</p>	Upon our inspection, and the information provided, the Property was occupied by the Company as an entertainment complex.	US\$1,900,000,000

*Notes:*

- According to the lease agreement dated 27 February 1996 ("Lease Agreement") between Municipality of Phnom Penh ("Municipality") and International Land Company Limited ("ILC"), the land located between the south of Samdech Second Prime Minister's Park and the east of Cult Ministry land ("Hotel-Casino land parcel") with site area of about 14,160 sq.m has been granted to ILC for a lease term of 70 years commencing from 1 August 1996 and ILC is entitled to run the business of hotel and tourism services.
- According to the supplementary agreement dated 16 August 2000, the Hotel-Casino land parcel has been transferred from ILC to Neptune Orient SDN Bhd ("NOSB") and NOSB has inherited the rights of ILC under the Lease Agreement dated 27 February 1996.
- According to the Sale and Purchase of Leasehold Interest dated 30 August 2002 between NOSB and Naga Resorts & Casinos Limited ("NRCL"), the Hotel-Casino land parcel together with the improvements on the said land parcel was transferred to NRCL for a lease term of 70 years commencing from 1 August 1996.
- According to the supplementary agreement dated 12 March 2008, the lease term for the Hotel-Casino land parcel was extended to 99 years from 1 August 1996.
- The Company is capable to fully enjoy the rights and obligations encumbered under the Lease Agreement for a period up to 99 years while the renewal lease terms will be at the maximum of 50 years which is subject to agreement between parties.

6. The Company has been duly registered in Cambodia as a branch of a foreign company which can fully enjoy the rights and obligations conferred under the Lease Agreement. The Company can also hold ownership of the Hotel-Casino land parcel as long as the term of Lease Agreement.
7. The following assumptions are further made in the course of our valuation:
  - i. the Company is able to fully enjoy the rights over the Hotel-Casino land parcel and legally operate it as long as the Lease Agreement;
  - ii. good and alienable title to the land use rights of the Property can be proved to be free from any unduly onerous or unusual covenants, restrictions or outgoing upon the completion of the proposed development;
  - iii. there are no easements or rights of way affecting the Property;
  - iv. the Property is free from and clear of any and all charges, liens and encumbrances of any onerous or unusual nature likely to affect the value thereof;
  - v. the Property is able to be disposed of freely to local or overseas purchasers;
  - vi. the Property is to be delivered with immediate vacant possession;
  - vii. Naga Resorts & Casinos Limited is entitled to exclusively own the right of a casino license (“Casino Licence”). The Casino Licence grants the Company monopoly status for gaming activities until 2035 within a 200km radius of Phnom Penh;
  - viii. the Property is owner operated by Naga; and
  - ix. the inspection was carried out by Govinda Singh on 20 March 2017. The Property was well maintained and in good condition at the time of visit.
8. The key parameters of our valuation are set out below.

The Property is mature in its market place and is located in the capital city of Cambodia, Phnom Penh. It benefits from its location in a core part of the city with relatively easy access to the international airport. It enjoys a monopoly on gaming within a 200km radius of Phnom Penh which expires in 2035 i.e. circa 18 years remaining; with its current gaming licence expiring in 2065. Unlike properties in other jurisdictions such as Macau SAR, the Property has no restrictions on the number of tables and machines and gaming space it can offer. There are no other primary competitors in the Mekong region, with Singapore positioned as a more high-end destination.

The Property has a good mix of mass gaming versus VIP revenue, with the main source markets for the latter being Malaysia, Singapore, and Greater China. Mass gaming contributes a significantly highest gross profit margin than VIP gaming, and management continues to focus on driving this segment, whilst implementing initiatives to further improve VIP profitability.

The Property has a well-established historical performance with strong cash flows and high margins, aided by a low cost labour and tax environment in addition to its monopoly status. Between 2014 and 2016, gaming revenue at the property increased by a CAGR of 9.5%, underpinned by a 21% increase between 2014 and 2015, and an additional 6% in 2016.

As visitation and airlift to Phnom Penh continues to increase, the Property is likely to continue to benefit, however growth in performance may be limited by its current physical size, facilities and amenities.



**Direct Capitalisation**

There is a dearth of transactions in the gaming sector in Asia. As such, we have mostly relied on anticipated capitalisation rates and valuation expectation by the market for such properties listed on The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”), for comparison purposes. This has then been adjusted to reflect the risk profile of the Property’s operating environment.

As a supporting approach to the valuation, we have also taken into account the direct capitalisation method based on a multiple of net income. This is made in reference to that expected to be achieved by the property’s peers, and then adjusted to reflect the discrepancies, product offering and operating environment. According to market analysts reports the expected enterprise value/EBITDA for Hong Kong listed Macau gaming properties is on average 18.8x. We have applied a multiple of 8.5x, a discount of 55%, to the expected net income for the Property. This represents a capitalisation rate (cap rate) of 11.8%, a significant premium on the 5.4% expected for Macau properties, and reflects the desired country and equity risk premium required for investments in Cambodia.

**Potential Tax Liability**

For compliance with Rule 11.3 of the Codes on Takeovers and Mergers and Shares Buy-backs, we have discussed with the Company any potential tax liability that may result from a sale of the Property. There is no capital gains tax in Cambodia, with any net capital gains treated as income and subject to income tax at 20%. The Company is exempt from income tax on gaming activities.

As advised by the Company, there is no intention to dispose of the Property. Therefore the likelihood of any potential tax liability is remote.

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value “as is” as at 20 March 2017												
2. TSCLK Integrated Complex, Lot 1, Village 1, Sangkat Tonle Basaac, Khan Chamkamon, Phnom Penh, the Kingdom of Cambodia (“the Property”)	<p>The Property is located close to the junction of Boulevard Samdach Preah Sihanouk and Preah Sisovath. It is bounded by the Cambodia Korea Cultural Center to the north, the Belgium Honorary Consulate to the west, and the new Electoral Commission building. It is opposite to, and connects to the existing Naga I property via an underground walkway (NagaCity Walk).</p> <p>According to the development scheme provided by the Company, the proposed development is an integrated building consisting of a hotel, casino, retail, car parking, and entertainment facilities. It has a site area of about 7,766 sq m. The site is generally levelled and roughly ‘L’ shaped.</p> <p>The total gross floor area of the Property is approximately 108,764 sq m with the following usage:</p> <table border="1"> <thead> <tr> <th>Usage</th> <th>Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Hotel (902 rooms)</td> <td>54,593</td> </tr> <tr> <td>Casino</td> <td>28,666</td> </tr> <tr> <td>Theatre</td> <td>5,748</td> </tr> <tr> <td>Car park (392 spaces)</td> <td>19,757</td> </tr> <tr> <td>Total</td> <td>108,764</td> </tr> </tbody> </table> <p>The casino will offer 100 VIP tables, 200 mass tables and 2,000 Electronic Gaming Machines (EGM). The land is leased for a period of 99 years from December 2011.</p>	Usage	Gross Floor Area (sq.m.)	Hotel (902 rooms)	54,593	Casino	28,666	Theatre	5,748	Car park (392 spaces)	19,757	Total	108,764	<p>Upon our inspection and the information provided, the Property was being developed by the Company as an entertainment complex.</p>	<p>US\$3,000,000,000</p> <p><b>Market Value ‘upon completion’ as at 20 March 2017</b></p> <p>US\$3,000,000,000</p>
Usage	Gross Floor Area (sq.m.)														
Hotel (902 rooms)	54,593														
Casino	28,666														
Theatre	5,748														
Car park (392 spaces)	19,757														
Total	108,764														

By Sor Chor No 23, the Company obtained planning approval on 28 October 2011, with the Construction Permit granted under Sor Chor No 90 on 17 August 2015. The Property is in its final stages of construction completion, with a targeted completion in September, and soft opening date of October, 2017. Total development cost is expected to be US\$285,000,000. We have been advised by the Company that construction costs outstanding at the date of valuation amounted to US\$14,000,000.

Given the stage of completion, and total development costs already committed, we are of the opinion that the market value ‘as is’ is the same as that of ‘as upon completion’.

*Notes:*

- In accordance with the information provided by Company, the registered owner of the Property is “TanSriChen Inc.” (“TSC Inc.”).
- We are instructed by the Company to assess the market value of the Property upon completion of the proposed development above and we are advised the completion date for the proposed development would be within a year from the date of valuation.

3. In the course of our valuation, we have been provided with the following information:
- i. Based on the relevant Sor Chor Nor n. 419 and 500, the Royal Government of Cambodia has granted TSC Inc. the legal and effective ownership of the land subject to the issuance of land title and the fulfillment of certain procedural conditions. The Company does not foresee any legal impediment with regard to issuance of the land title in the name of TSC Inc. as the owner once TSC Inc. performs all requirements before filing request for registration.
  - ii. The Company has been duly registered in Cambodia as a branch of a foreign company which can fully enjoy the rights and obligations conferred under the Lease Agreement dated 27 February 1996 between Municipality and ILC (“Lease Agreement”). The Company can also hold ownership of the Hotel-Casino land parcel as long as the term of Lease Agreement.
  - iii. The Company is capable to fully enjoy the rights and obligations encumbered under the Lease Agreement for a period up to 99 years from December 2011, while the renewal lease terms can be negotiated not less than two years from the expiry of the current term.
  - iv. The Company is able to fully enjoy the rights over the Hotel-Casino land parcel and legally operate it as long as the Lease Agreement.
  - v. Naga Resorts & Casinos Limited is entitled to exclusively own the right of the Casino License.
4. The following assumptions are made in addition in the course of our valuation.
- i. the proposed development of the Property has complied with the government lease and other statutory requirements upon the completion of the proposed development;
  - ii. good and alienable title to the land use rights of the Property can be proved to be free from any unduly onerous or unusual covenants, restrictions or outgoing upon the completion of the proposed development;
  - iii. the Property ownership obtained by way of a Sor Chor Nor, is legal and valid. TSC Inc. has obtained all the relevant approvals upon the completion of the proposed development;
  - iv. there are no easements or rights of way affecting the Property upon the completion of the proposed development;
  - v. the Property is free from and clear of any and all charges, liens and encumbrances of any onerous or unusual nature likely to affect the value thereof upon the completion of the proposed development;
  - vi. the Property is able to be disposed of freely to local or overseas purchasers upon the completion of the proposed development;
  - vii. the Property is to be delivered with immediate vacant possession upon the completion of the proposed development; and
  - viii. the Property was inspected on 20 March 2017 and it was noted that construction was well underway to meet the anticipated opening date.

5. The key parameters of our valuation are set out below.

The Property is located in the capital city of Cambodia, Phnom Penh and benefits from its location in a core part of the city with relatively easy access to the international airport. It enjoys a monopoly on gaming within a 200km radius of Phnom Penh which expires in 2035 i.e. circa 18 years remaining; with its current gaming licence expiring in 2065. Unlike properties in other jurisdictions such as Macau SAR, the Property has no restrictions on the number of tables and machines and gaming space it can offer. There are no other competitors in the Mekong region, with Singapore seen as a more high-end destination. Furthermore, the Property will have a unique offering different from that in other Asian jurisdictions, given its low cost environment and attraction as a more affordable entertainment destination, for example, compared to that in Macau and Singapore.

The Property is set to complement the existing and well established Naga I property, and is expected to capture existing frustrated and latent demand currently being experienced at the existing property. It will offer a significantly higher number of tables and games compared to the existing Naga I, and will be positioned at attracting the higher margin mass gaming market, which will be combined with a strong VIP gaming offering, and significant non-gaming amenities. We expect the property to build on the success of Naga I, with strong cash flows and high margins, aided by a low cost labour and tax environment in addition to its monopoly status, and maturing in the fourth full year of its operations.

As visitation and airlift to Phnom Penh continues to increase, the Property is likely to continue to benefit, however growth in performance may be limited by its current physical size of facilities and amenities.

### **Direct Capitalisation**

There is a dearth of transactions in the gaming sector in Asia. As such, we have mostly relied on anticipated capitalisation rates and valuation expectation by the market for such properties listed on the Hong Kong Stock Exchange for comparison purposes. This has then been adjusted to reflect the risk profile of the Property's operating environment.

As a supporting approach to the valuation, we have also taken into account the direct capitalisation method based on a multiple of net income. This is made in reference to that expected to be achieved by the property's peers, and then adjusted to reflect the discrepancies, product offering and operating environment. According to market analysts reports the expected enterprise value/EBITDA for Hong Kong listed Macau properties is on average 18.8x. We have applied a multiple of 8.0x, a discount of 57%, to the expected net income for the Property in its stabilised year. This represents a cap rate of 12.5%, a significant premium on the 5.4% expected for Macau properties, and reflects the desired country and equity risk premium required for investments in Cambodia.

### **Potential Tax Liability**

For compliance with Rule 11.3 of the Codes on Takeovers and Mergers and Shares Buy-backs, we have discussed with the Company any potential tax liability that may result from a sale of the Property. There is no capital gains tax in Cambodia, with any net capital gains treated as income and subject to income tax at 20%. The Company is exempt from income tax on gaming activities.

As advised by the Company, there is no intention to dispose of the Property. Therefore the likelihood of any potential tax liability is remote.

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value as at 20 March 2017												
3. NagaCity Walk located underneath the south sidewalk of Naga I and connecting to Naga II, Phnom Penh, the Kingdom of Cambodia (“the Property”)	<p>NagaCity Walk is located underneath the south sidewalk of NagaWorld and directly connects to the Naga II development.</p> <p>It is a retail walkway with the ground floor and lower ground levels connecting to the existing NagaWorld building, the proposed TSCLK Integrated Complex and the Tourist Park development at its western and eastern ends respectively. It has a site area of about 8,184.5 sq m. The site is generally levelled and roughly rectangular-shaped.</p> <p>NagaCity Walk development has a total gross floor area of approximately 9,823 sq m for retail use. The area breakdown is as follows:</p> <table border="1"> <thead> <tr> <th>Level</th> <th>Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Ground Floor</td> <td>1,413</td> </tr> <tr> <td>Lower Ground Floor</td> <td>7,487</td> </tr> <tr> <td>Mezzanine</td> <td>790</td> </tr> <tr> <td>Roof</td> <td>133</td> </tr> <tr> <td>Total</td> <td>9,823</td> </tr> </tbody> </table> <p>The Property was completed in 2016. According to the information provided, the NagaCity Walk will be held under a long lease term as being of leasehold tenure for a term up to 50 years.</p> <p>It is currently let to one tenant who then sub-lets individual units.</p>	Level	Gross Floor Area (sq.m.)	Ground Floor	1,413	Lower Ground Floor	7,487	Mezzanine	790	Roof	133	Total	9,823	Upon our inspection and the information provided, the Property was occupied by a tenant as a high-end duty free retail mall.	US\$128,000,000
Level	Gross Floor Area (sq.m.)														
Ground Floor	1,413														
Lower Ground Floor	7,487														
Mezzanine	790														
Roof	133														
Total	9,823														

*Notes:*

1. According to the Company, the registered owner of the Property is “TAN SRI CHEN INC. (T S C I)” (“TSCI Cambodia”).
2. In the course of our valuation, we have been provided with the following information:
  - i. Based on the relevant Sor Chor Nor n. 650, the Royal Government of Cambodia has granted in principle to TSCI Cambodia a long term lease or ownership subject to the execution of a lease agreement with Municipality of Phnom Penh (“MPP”) and the payment of compensation to be assessed by the Privatization Commission of Ministry of Economy and Finance. Thus, management do not foresee any legal impediment with regard to the lease as long as TSCI Cambodia has obtained approval in principle from MPP prior to signing the lease agreement with MPP. According to the existing laws and regulations, a long term lease is 15 years or more and subject to renewable upon agreement between parties.
  - ii. By Kor Sor Phor Vi No 120, which was approved in May 2012 by the Governor of Phnom Penh, and June 2012 by the Ministry of Economy and Finance, a lease of 50 years was granted to TSCI Cambodia by MPP starting from the date of the agreement.

3. The following assumptions are made in the course of our valuation.
- i. the Property has complied with the government lease and other statutory requirements upon the completion of the proposed development;
  - ii. good and alienable title to the land use rights of the Property can be proved to be free from any unduly onerous or unusual covenants, restrictions or outgoings upon the completion of the proposed development;
  - iii. the Property ownership obtained by way of a Sor Chor Nor, is legal and valid. TSCI Cambodia has obtained all the relevant approvals upon the completion of the proposed development;
  - iv. there are no easements or rights of way affecting the Property upon the completion of the proposed development;
  - v. the Property is free from and clear of any and all charges, liens and encumbrances of any onerous or unusual nature likely to affect the value thereof upon the completion of the proposed development;
  - vi. the Property is able to be disposed of freely to local or overseas purchasers upon the completion of the proposed development;
  - vii. the Property is to be delivered with immediate vacant possession; and
  - viii. the Property was inspected by Govinda Singh on 20 March 2017 and appears to be in good condition being a modern purpose built facility.
4. In undertaking the valuation of the retail unit for lease of the Property, we have adopted the following major assumptions based on the Property's actual net income, analysed market data found and the professional judgement of the valuer. The salient details are as follows:

The property is wholly let to one tenant for a period of 10 years and 6 months as of the earlier of the completion of the facilities (August 2016) and the opening of Naga II (Q3 2017). The tenant has a good parent guarantee in place.

The Property is located at the lower ground level connecting Naga I and Naga II and benefits from significant onsite footfall both from the casino and wider area. Opened in August 2016, it is still going through its growth period, with this set to be extended upon the opening and ramp-up of Naga II. The Property offers a wide variety of high-end and luxury duty free shops with relatively few comparable shopping malls in the area. It is the only extensive on-site duty free shopping facility and benefits from its location connecting the two Naga integrated resorts.

### **Direct Capitalisation**

As a supporting approach to the valuation, we have also taken into account the direct capitalisation method based on a multiple of net income. This is made in reference to that expected to be achieved by the property's peers, and then adjusted to reflect the discrepancies, product offering and operating environment. There is a dearth of transactions in the Cambodia market, however we are aware of recent sales of strata titles being sold at an adjacent mixed-use development. Reports indicate that these have been transacting at yields of 6% or 16.7x. This is in line with shopping malls in other key capital cities such as Bangkok. We have applied a multiple of 11.5x, a discount of 31%, to the expected rent for the Property. This represents a cap rate of 8.7%, a significant premium on desired retail yields in the more established capital cities of South East Asia.

**Potential Tax Liability**

For compliance with Rule 11.3 of the Codes on Takeovers and Mergers and Shares Buy-backs, we have discussed with the Company any potential tax liability that may result from a sale of the Property. There is no capital gains tax in Cambodia, with any net capital gains treated as income and subject to income tax at 20%. The Company is exempt from income tax on gaming activities.

As advised by the Company, there is no intention to dispose of the Property. Therefore the likelihood of any potential tax liability is remote.

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value “as is” as at 20 March 2017
4. NagaWorld FBO Hangar Facility at Phnom Penh International Airport, Phnom Penh, the Kingdom of Cambodia (“the Property”)	<p>The Property is located within Phnom Penh International Airport which is 10km west of Phnom Penh city centre.</p> <p>According to the development scheme provided by the Company, it is a fixed-base operator (FBO) with hangar facility to provide aeronautical services. The hangar facility has a site area of about 7,500 sq m. The site is generally levelled and roughly rectangular-shaped.</p> <p>The Property consists of two plots of leasehold land, and is currently under construction. Facilities will include:</p> <p>Hangar building and M&amp;E - 6,755 sq m  FBO building - 2,308 sq m  Car park (49 spaces) - 1,657 sq m  Total - 9,063 sq m</p>	Upon our recent inspection and the information provided, the Property was under construction.	<p>US\$44,000,000</p> <p><b>Market Value ‘upon completion’ as at 20 March 2017</b></p> <p>US\$44,000,000</p>

By Sor Chor No 126, the Company obtained planning and construction approval on 3 September 2014. The Property is in its final stages of construction completion, with a targeted completion and soft opening date of October 2017. Total development cost is expected to be US\$44,000,000, of which US\$6,597,000 remains outstanding as of the valuation date.

Given the stage of completion, and total development costs already committed, we are of the opinion that the market value ‘as is’ is the same that of as ‘upon completion’.

*Notes:*

1. The registered owner of the Property is NagaWorld Ltd.
2. The Property includes two plots of leasehold land: via Sor Chor no.33 dated 8 January 2013, a 7,500 sq m plot of land for a period of 25 years for the provision of hangar facilities. The second plot of land is for a 3,000 sq m site and for an initial period of 10 years, with consecutive five year renewals. This site is to be used for car parking, storage and sewage disposal facilities to support the hangar activities.
3. The following assumptions are made in the course of our valuation.
  - i. the proposed development of the Property has complied with the government lease and other statutory requirements upon the completion of the proposed development;
  - ii. good and alienable title to the land use rights of the Property can be proved to be free from any unduly onerous or unusual covenants, restrictions or outgoing upon the completion of the proposed development;
  - iii. the Property ownership obtained, is legal and valid. NagaWorld Ltd. has obtained all the relevant approvals upon the completion of the proposed development.



- iv. there are no easements or rights of way affecting the Property upon the completion of the proposed development;
  - v. the Property is free from and clear of any and all charges, liens and encumbrances of any onerous or unusual nature likely to affect the value thereof upon the completion of the proposed development;
  - vi. the Property is able to be disposed of freely to local or overseas purchasers upon the completion of the proposed development;
  - vii. the Property is to be delivered with immediate vacant possession upon the completion of the proposed development; and
  - viii. a brief site inspection was done by Govinda Singh on 21 March 2017 and construction appears well underway to meet the targeted completion date.
4. In undertaking the valuation of the Property, we have adopted the following major assumptions based on the Property's actual cost and the professional judgement of the valuer. The salient details are as follows:

For the Property at Phnom Penh International Airport, which is held under development by the Group, we have valued in accordance with the latest development proposal provided to us using the cost approach. In addition, we have taken into consideration the construction costs that have already been expended and the outstanding construction costs (based on the signed contracts) that will be expended to complete the development to reflect the quality of the completed development. This is based on actual expenditure provided by the Company and are as recorded in the latest financial statements.

The Property is a specialised building, built on leased government owned land within the existing airport grounds, which will be used to mainly handle VIP guests arriving on the Group's airlines in Phnom Penh. It is currently wholly near completion with commencement of operations expected in Q3 2017. Upon completion the Property will include a hangar together with commensurate facilities, storage and car parking.

#### **Potential Tax Liability**

For compliance with Rule 11.3 of the Codes on Takeovers and Mergers and Shares Buy-backs, we have discussed with the Company any potential tax liability that may result from a sale of the Property. There is no capital gains tax in Cambodia, with any net capital gains treated as income and subject to income tax at 20%. The Company is exempt from income tax on gaming activities.

As advised by the Company, there is no intention to dispose of the Property. Therefore the likelihood of any potential tax liability is remote.

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value “as is” as at 20 March 2017																
5. The proposed development in Vladivostok under the name ‘Primorsky Entertainment Resort City’ (PERC), the Russian Federation (“the Property”)	<p>The Property is located within IEZ Primorye, in Artem, around 50 km from Vladivostok. IEZ Primorye is a special zone created by The Russian Federation for the specific purpose of gaming and entertainment activities.</p> <p>According to the development scheme provided by the Company, the proposed development will be phased with Phase 1 being an integrated building consisting of a hotel, casino, retail, car parking, and entertainment facilities. It has a site area of about 47,451 sq m. The site has a long beach front and is generally levelled</p> <p>The total gross floor area of the Property is approximately 55,839 sq m.</p> <table border="1"> <thead> <tr> <th>Usage</th> <th>Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Hotel (300 rooms)</td> <td>17,171</td> </tr> <tr> <td>Casino</td> <td>2,468</td> </tr> <tr> <td>Meetings and events</td> <td>1,954</td> </tr> <tr> <td>F&amp;B, Entertainment, Circulation etc</td> <td>31,310</td> </tr> <tr> <td>Retail</td> <td>677</td> </tr> <tr> <td>Car park</td> <td>2,259</td> </tr> <tr> <td>Total</td> <td>55,839</td> </tr> </tbody> </table> <p>Phase 1 of the development is expected to be completed in 2019. The casino will offer 100 tables and 500 electronic gaming machines. In addition, it will have 300 hotel rooms. The land is leased for an initial period of 10 years after which, following completion of the development, it will revert to a freehold title.</p>	Usage	Gross Floor Area (sq.m.)	Hotel (300 rooms)	17,171	Casino	2,468	Meetings and events	1,954	F&B, Entertainment, Circulation etc	31,310	Retail	677	Car park	2,259	Total	55,839	<p>We have not inspected this property and have relied upon the information provided to us by the Company and the Project Manager. We have been instructed that land clearing and piling has commenced on the site.</p>	<p>US\$350,000,000</p> <p><b>Market value ‘upon completion’ as at 20 March 2017</b></p> <p>US\$615,000,000</p>
Usage	Gross Floor Area (sq.m.)																		
Hotel (300 rooms)	17,171																		
Casino	2,468																		
Meetings and events	1,954																		
F&B, Entertainment, Circulation etc	31,310																		
Retail	677																		
Car park	2,259																		
Total	55,839																		

The Company obtained planning approval to begin construction upon signing of sub-lease No1 dated 6 September 2013. The Property is in its initial stages of construction completion, with a targeted soft opening date in Q1 2019. A design and build contract was awarded to the sum of US\$299.5m on 1 July 2016, and construction has begun on the site, with an anticipated completion date of October 2018.

We are aware that the investment agreement between the Group and the Primorsky Krai Development Corporation, the state licensor and sub-lessee, dated September 2013, requires a minimum investment of US\$350,000,000 to fulfill all conditions of granting the casino licence, which was dated April 2016. Once the full amount is invested, the gaming licence is assumed as automatically granted under the terms of the investment agreement. We are aware that as 28 February 2017 US\$8.3m has already been expended on the development. This is in addition to the design and build contract awarded. The estimated total development is therefore expected to be circa US\$350,000,000.

Given the stage of completion, and total development costs already committed, together with the capital expected to be invested to fulfil the requirements of the casino licence, we are of the opinion that the market value of the Property ‘as is’, is US\$350,000,000, and, ‘upon completion’, US\$615,000,000.

*Notes:*

1. The registered owner of the Property is the Company according to the novation agreement dated 6 September 2013. The land is leased from the Primorsky state government for an initial period of 10 years after which we are told by the Company that it can acquire the freehold for a nominal consideration, providing the development conditions are met. The entire plot consists of four parcels:
  - a. Lot 20 — 53,236 sq m
  - b. Lot 21 — 27,672 sq m
  - c. Lot 22 — 115,834 sq m (Phase 1)
  - d. Lot 25 — 19,341 sq m
  
2. The following assumptions are made in the course of our valuation.
  - i. the proposed development of the Property has complied with the government lease and other statutory requirements upon the completion of the proposed development;
  - ii. good and alienable title to the land use rights of the Property can be proved to be free from any unduly onerous or unusual covenants, restrictions or outgoing upon the completion of the proposed development;
  - iii. the Property ownership obtained by way of a cadastral, is legal and valid. The Company has obtained all the relevant approvals upon the completion of the proposed development.
  - iv. there are no easements or rights of way affecting the Property upon the completion of the proposed development;
  - v. the Property is free from and clear of any and all charges, liens and encumbrances of any onerous or unusual nature likely to affect the value thereof upon the completion of the proposed development;
  - vi. the Property is able to be disposed of freely to local or overseas purchasers upon the completion of the proposed development; and
  - vii. the Property is to be delivered with immediate vacant possession upon the completion of the proposed development.
  - viii. the Property will be completed in accordance with the development schedule advised to us, without any unexpected or unforeseen delay.
  - ix. We assume that the company will seek and obtain the freehold interest in the land without undue problem upon completion of the proposed development.
  
3. In undertaking the valuation of the Property, we have adopted the following major assumptions based on the analysed market data found and the professional judgement of the valuer. The salient details are as follows:

**Cost Approach**

For the property in Vladivostok, which is held under development by the Group, we have valued in accordance with the latest development proposal provided to us using the cost approach. We have assumed that the Property will be completed in accordance with the Group's latest development proposals provided to us and the relevant approvals for the proposals have been

obtained. We have also taken into account the cost of development including construction costs, finance costs, professional fees and developer's profit which duly reflects the risks associated with the development of the property. In addition, we have taken into consideration the construction costs that have already been expended and the outstanding construction costs (based on the signed contracts) that will be expended to complete the development to reflect the quality of the completed development.

We have not visited the site and have relied heavily on the Company and the project manager in regard to information regarding costs and construction progress.

We have taken into account the award of the construction contract and the capital commitment this entails, in addition to the specific zoning of the site and its highest and best use 'as is'. We have also been mindful of the Company's commitment to the project, together with the minimum investment requirement in order to retain the casino licence in arriving at our opinion of value under the cost approach for the property.

Vladivostok is located in the Northern Russian Far East region of Primorsky and is host to one of Russia's planned International Entertainment Zone (IEZ). The Property, once developed, will hold one of the four gaming licences to be allowed. It will benefit from its access to the unpenetrated Northern China and North Asia markets, with its low gaming tax (even lower than Cambodia) and favorable visa policy especially for Mainland China which should provide it with significant competitive advantages. The first integrated resort in the IEZ, Tigre de Cristal, opened in October 2016, and plans are already on the way for Phase II of its development. Analysts' expectations are that the market can reach US\$1.7bn by 2020, however there are some downside risks given that the territory is still relatively new, in addition to the inherent country risks.

In supporting our valuation we have also considered land values in the region. However, land transactions are sparse and mostly agricultural in nature with little relative value. The Property currently sub-leases 216,083 sq m of land from the state at US\$39,938 per annum. We understand from the Company that within 15 years following the completion of the integrated resort, the Company has an option to acquire the freehold title for a nominal sum. We have also carried our own further checks as to the likely costs that the Property will require to bring to fruition. Given that the design and build contract was only recently awarded, it is unlikely that costs would vary materially from that stated.

To further support our valuation, we have further considered, but not relied upon, the gross development value of the project less total costs to build.

Despite not carrying out an inspection of the Property, we are satisfied that we have enough information to undertake the valuation, subject to the assumptions as stated above.

#### **Potential Tax Liability**

For compliance with Rule 11.3 of the Codes on Takeovers and Mergers and Shares Buy-backs, we have discussed any potential tax liability with the Company that may result from a sale of the Property. There are no capital gains tax in The Russian Federation with any income subject to corporation (income) tax at a special rate of 0% as the Property is located in a Special Economic Zone designated for tourism purposes.

As advised by the Company, there is no intention to dispose of the Property. Therefore the likelihood of any potential tax liability is remote.

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value upon completion as at 20 March 2017
6. Office Unit No. 2806 on 28 <sup>th</sup> Floor, Central Plaza, No.18 Harbour Road, Wan chai, Hong Kong (“the Property”)	<p>The Property is located in the northern part of Wanchai district, with Harbour Road to its north, Fleming Road to its east and Gloucester Road to its south.</p> <p>Central Plaza, being the third tallest building in Hong Kong, is a 78-storey office tower completed in 1992. Most of the units in the building enjoy an open harbor view. Public transportation such as bus, minibus and taxi are readily available nearby while MTR Wanchai Station can be reached by a short walk through a footbridge.</p> <p>As scaled off from the Approved Building Plan, the saleable area of the Property is approximately 462.17 sq m.</p> <p>The Property comprises certain shares of and in Inland Lot No. 8643 and is held under Conditions of Sale No.12060 for a term commencing from 25 January 1989 and expiring on 30 June 2047. The Government Rent of the Property is 3% of the rateable value of the Property.</p> <p>According to the information provided by the Company, the Property is leased at a monthly rental of HK\$312,872 for a term of 3 years commencing from 15 December 2015 and expiring on 14 December 2018.</p>	As informed by the Company and the information provided, the Property was occupied by the Company as office use.	No commercial value

*Notes:*

1. Pursuant to the Approved Wan Chai North Outline Zoning Plan No. S/H25/4 dated 28 February 2014, the property is zoned as commercial use.
2. The Property is subject to the following encumbrances:
  - i. Joint Venture Agreement with Plan vide Memorial no. UB4488661 dated 18 July 1990.
  - ii. Modification Letter with Plan vide Memorial no.UB4706622 dated 2 February 1991.
  - iii. Deed of Dedication Re Part with Plans in favor of the Government of Hong Kong vide Memorial no. UB4931178 dated 1 August 1991.

- iv. Modification Letter vide Memorial no. UB4931179 dated 1 August 1991.
- v. Modification Letter vide Memorial No. UB5194111 dated 26 February 1992.
- vi. Letter with Car-Parking Layout Plan vide Memorial no. UB5353741 dated 15 July 1992.
- vii. Deed of Variation of Deed of Dedication M/N 4931178 with Plans in favor of the Government of Hong Kong vide Memorial no. UB5523139 dated 12 December 1992.
- viii. Modification Letter vide Memorial no. UB5551652 dated 21 January 1993.
- ix. Supplemental Agreement to the Joint Venture Agreement M/N 4488661 vide Memorial no. UB7718493 dated 26 February 1999.
- x. Deed of Variation of Joint Venture Agreement of M/N 4488661 vide Memorial no. UB7782328 dated 3 July 1995.

**Potential Tax Liability**

For compliance with Rule 11.3 of the Codes on Takeovers and Mergers and Shares Buy-backs, we have discussed with the Company any potential tax liability that may result from a sale of the Property.

As advised by the Company, there is no intention to dispose of the Property, and given its nil market value, the likelihood of any potential tax liability is remote.

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Code for the purpose of giving information with regard to the Group.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than that relating to Dr. Chen and parties acting in concert with him) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement in this circular misleading.

Dr. Chen accepts full responsibility for the accuracy of the information contained in this circular relating to himself and parties acting in concert with him, and confirms that having made all reasonable enquiries, to the best of his knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

## 2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital and the issued and fully paid up share capital of the Company were as follows:

<i>Authorised share capital:</i>	<i>US\$</i>
8,000,000,000 Shares	100,000,000.00

<i>Issued and fully paid share capital:</i>	
2,459,988,875 Shares	30,749,860.94

Upon the conversion of the Convertible Bonds, the authorised share capital and the issued and fully paid up share capital of the Company will be as follows:

<i>Authorised share capital:</i>	<i>US\$</i>
8,000,000,000 Shares	100,000,000.00

*Issued and fully paid share capital:*

	<i>Number of Shares</i>	<i>Issued and fully paid up share capital (US\$)</i>
At the Latest Practicable Date	2,459,988,875	30,749,860.94
Conversion Shares to be issued upon conversion of the TSCLK Complex Convertible Bonds in full (assuming there is no other change in the nominal value of the issued share capital of the Company or any other Capital Restructuring following the Latest Practicable Date and prior to the conversion of the TSCLK Complex Convertible Bonds)	1,401,843,552	17,523,044.40
Conversion Shares to be issued upon conversion of the NagaCity Walk Convertible Bonds in full (assuming: (i) the TSCLK Complex Convertible Bonds have been converted in full by the time of the conversion of the NagaCity Walk Convertible Bonds; and (ii) there is no other change in the nominal value of the issued share capital of the Company or any other Capital Restructuring following the Latest Practicable Date and prior to the conversion of the NagaCity Walk Convertible Bonds in full) ( <i>Note 1</i> )	1,113,993,187	13,924,914.84
Total	4,975,825,614	62,197,820.18

*Note:*

- (1) The information is solely for illustrative purposes in order to reflect the expected shareholding structure assuming that the NagaCity Walk Convertible Bonds will be converted in full. For the avoidance of doubt, the number of Shares to be issued to Dr. Chen and parties acting in concert with him upon the conversion of NagaCity Walk Convertible Bonds may be subject to further adjustments in the event of any future Capital Restructuring(s).



All Shares currently in issue rank pari passu in all respects with each other including in particular, as to dividend, voting rights and return on capital. All the Conversion Shares will rank pari passu in all respects with each other, including in particular, as to dividend, voting rights and return on capital, and will rank pari passu in all respects with all Shares in issue as at the date of allotment and issue of the Conversion Shares.

During the period since 31 December 2016 (being the date to which the latest published audited financial statements of the Company were made up) and up to the Latest Practicable Date, no new Shares had been issued by the Company.

As at the Latest Practicable Date, other than the TSCLK Complex Convertible Bonds and the NagaCity Walk Convertible Bonds, the Company does not have any options, warrants or convertible securities in issue and has not entered into any agreement for the issue of any convertible securities, options, warrants or derivatives of the Company.

### 3. MARKET PRICES

The table below sets out the closing prices of the Shares as quoted on the Stock Exchange on: (i) the last day on which trading of the Shares took place in each of the calendar month during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

<b>Date</b>	<b>Closing price per Share (HK\$)</b>
30 September 2016	5.10
31 October 2016	4.79
30 November 2016	4.77
30 December 2016	4.48
27 January 2017	4.56
28 February 2017	4.25
27 March 2017 (Last Trading Day)	4.37
31 March 2017	4.44
28 April 2017	4.31
31 May 2017	4.00
6 June 2017 (Latest Practicable Date)	3.85

The highest closing price per Share and the lowest closing price per Share as quoted on the Stock Exchange during the Relevant Period were HK\$5.1000 on 30 September 2016 and HK\$3.85 on 6 June 2017, respectively.

The Conversion Price of HK\$1.5301 per Share in respect of the TSCLK Complex Convertible Bonds represents a discount of approximately 60.26% to the closing price of HK\$3.85 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

#### 4. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO); or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange are as follows:

##### Interest in Shares

Name of director	Capacity	Number of Shares held	Approximate % of total issued Shares (Note 1)
Dr. Chen	Founder of a discretionary trust (Note 2)	951,795,297(L)	38.69(L)
Dr. Chen	Beneficial owner	7,150,000(L)	0.29(L)
Dr. Chen	Beneficial owner (Note 3)	479,175,614(L)	19.48(L)
Dr. Chen	Beneficial owner (Note 4)	1,401,843,552(L)	56.99(L)

##### Notes:

- (1) Based on 2,459,988,875 Shares in issue as at the Latest Practicable Date.
- (2) Dr. Chen is the founder of ChenLa Foundation. ChenLa Foundation indirectly holds, through LIPKCO ENTERPRISES LIMITED (formerly known as Cambodia Development Corporation) and Fourth Star Finance Corp., a total of 951,795,297 Shares. As a founder of ChenLa Foundation, Dr. Chen is taken to be interested in the Shares held by ChenLa Foundation. Details of the interests in the Company held by ChenLa Foundation, LIPKCO ENTERPRISES LIMITED and Fourth Star Finance Corp. are set out in the section headed “Substantial Shareholders’ and Other Persons’ Interests and Short Positions in Shares and Underlying Shares” in this Appendix III below.
- (3) Dr. Chen is interested in the NagaCity Walk Convertible Bonds. Assuming there is no other change in the nominal value of the issued share capital of the Company or any other Capital Restructuring and/or the shareholding structure of the Company following the Latest Practicable Date, the conversion of the NagaCity Walk Convertible Bonds in full will result in the issue to Dr. Chen and parties acting in concert with him of 479,175,614 Conversion Shares based on the Conversion Price of HK\$1.5301 per Share.
- (4) Dr. Chen is interested in the TSCLK Complex Convertible Bonds. Assuming there is no other change in the nominal value of the issued share capital of the Company or any other Capital Restructuring and/or the shareholding structure of the Company following the Latest Practicable Date, the conversion of the TSCLK Complex Convertible Bonds in full will result in the issue to Dr. Chen and parties acting in concert with him of 1,401,843,552 Conversion Shares based on the conversion price of HK\$1.5301 per Share.
- (5) The letter “L” denotes the person’s long position in the Shares.

**Interests in Debentures of the Company**

As disclosed above, Dr. Chen beneficially owns two separate series of Convertible Bonds in an aggregate amount of US\$94,000,000 and US\$275,000,000, respectively.

Save as disclosed above, none of the Directors and chief executive of the Company have any interests and short position in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO); or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange as at the Latest Practicable Date.

**5. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES****Positions in Shares and Underlying Shares**

As at the Latest Practicable Date, so far as known to the Directors and chief executive of the Company, persons other than the Directors or chief executive of the Company who have an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein, were as follows:

**(1) Substantial Shareholders (as defined in the Listing Rules)**

<b>Name of Shareholders</b>	<b>Capacity</b>	<b>Number of Shares held</b>	<b>Approximate % of total issued Shares (Note 1)</b>
ChenLa Foundation	Interest of controlled corporation (Note 2)	951,795,297(L)	38.69(L)
Fourth Star Finance Corp.	Beneficial owner	789,534,854(L)	32.09(L)

(2) *Other Persons*

Name of Shareholders	Capacity	Number of Shares held	Approximate % of total issued Shares (Note 1)
LIPKCO ENTERPRISES LIMITED (formerly known as Cambodia Development Corporation)	Beneficial owner	162,260,443(L)	6.60(L)

*Notes:*

- (1) Based on 2,459,988,875 Shares in issue as at the Latest Practicable Date.
- (2) Such interests are held by Fourth Star Finance Corp. and LIPKCO ENTERPRISES LIMITED which in turn are controlled by ChenLa Foundation of which Dr. Chen is the founder. Both of Dr. Chen and Mr. Chen Yiy Fon are directors of Fourth Star Finance Corp.
- (3) The letter “L” denotes the entity’s long position in the Shares.

Save as disclosed, so far as known to the Directors and chief executive of the Company, there is no person other than the Directors or chief executive of the Company who has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

## 6. FURTHER INFORMATION RELATING TO THE COMPANY AND THE WHITEWASH WAIVER

As at the Latest Practicable Date:

- (1) save as disclosed in the paragraph headed “4. Disclosure of Interests” above, none of the Directors had any interests in the securities, shares, options, warrants, derivatives or convertible securities in the Company;
- (2) none of the subsidiaries of the Company, or pension funds of the Company or of a subsidiary of the Company, or advisers to the Company as specified in class (2) of the definition of “associate” in the Code owned or controlled any securities, shares, options, warrants, derivatives or convertible securities in the Company;
- (3) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Code (whether by way of option, indemnity or otherwise) with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” in the Code;

- (4) no securities, shares, options, warrants, derivatives or convertible securities of the Company were managed by fund managers (other than exempt fund managers) connected with the Company during the Relevant Period;
- (5) none of the Directors or the Company had borrowed or lent any Shares or other securities, options, warrants, derivatives or convertible securities of the Company;
- (6) save as disclosed in the sections headed “Background” and “Proposed Conversion of the TSCLK Complex Convertible Bonds” in the Letter from the Board to this circular in relation to the issue of the TSCLK Complex Convertible Bonds to Dr. Chen, none of the Directors had dealt for value in any Shares or other securities, options, warrants, derivatives or convertible securities of the Company during the Relevant Period; and
- (7) save for Dr. Chen who is required to abstain from voting at the EGM, none of the Directors were interested in any Shares and accordingly, none of the Directors intends to vote for or against the proposed Resolution approving the proposed conversion of the TSCLK Complex Convertible Bonds in full and the Whitewash Waiver.

#### **7. OTHER ARRANGEMENTS IN RELATION TO THE WHITEWASH WAIVER**

- (1) As at the Latest Practicable Date, no benefit (other than statutory compensation) was or would be given to any Director as compensation for loss of office or otherwise in connection with the proposed conversion of the TSCLK Complex Convertible Bonds in full and/or the Whitewash Waiver.
- (2) As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) between Dr. Chen or any party acting in concert with him and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the proposed conversion of the TSCLK Complex Convertible Bonds in full and/or the Whitewash Waiver.
- (3) As at the Latest Practicable Date, save as the agreements or arrangements involving Dr. Chen regarding the proposed conversion of the TSCLK Complex Convertible Bonds and the Whitewash Waiver as disclosed in this circular, there was no agreement or arrangement between any Directors and any other persons which is conditional on or dependent upon the outcome of, or otherwise connected with, the proposed conversion of the TSCLK Complex Convertible Bonds in full and/or the Whitewash Waiver.
- (4) As at the Latest Practicable Date, there was no material contract entered into by Dr. Chen in which any other Director had a material personal interest.

## 8. DIRECTORS' SERVICE CONTRACTS

Pursuant to a service agreement dated 16 May 2007 between Dr. Chen and the Company (as amended and renewed by letters of appointment dated 24 May 2011 and 5 April 2013 and supplemental letters dated 1 February 2016 and 8 February 2017, and with an expiry date of 15 May 2019), Dr. Chen is entitled to a fixed remuneration of US\$60,000 per month and an annual performance bonus based on the Group's consolidated profit before tax ("**PBT**") as reported in the Company's consolidated audited accounts and which shall be paid within one month of the approval of the consolidated audited accounts for the relevant financial year. The performance bonus is calculated in accordance with the following formula:

<b>PBT achieved</b>	<b>Amount of performance bonus</b>
Less than US\$30 million	Nil performance bonus
Between US\$30 million and US\$40 million	Performance bonus of 2% of PBT
More than US\$40 million but up to and including US\$50 million	US\$800,000 plus 3% of the additional portion of PBT from US\$40,000,001 to US\$50,000,000
More than US\$50 million	US\$1,100,000 plus 5% of the additional portion of PBT from US\$50,000,001 onwards

Based on the formula above, Dr. Chen would be entitled to a performance bonus of US\$8,050,899 (the "**2015 Bonus Entitlement**") and US\$9,011,037 (the "**2016 Bonus Entitlement**") for the financial years ended 31 December 2015 and 2016 respectively. Pursuant to resolutions passed by the Board on 8 February 2017, the Board resolved to appeal to the generosity and good judgement of Dr. Chen to defer the 2015 Bonus Entitlement and the 2016 Bonus Entitlement. Pursuant to the supplemental letter dated 8 February 2017 between Dr. Chen and the Company, the Company and Dr. Chen agreed that it is in the interests of the Company to further defer the 2015 Bonus Entitlement until the achievement of certain key performance indicators ("**KPIs**") set for the year ending 31 December 2017. In addition, the Company and Dr. Chen also agreed that it is in the interests of the Company to defer the 2016 Bonus Entitlement until the achievement of certain KPIs set for the year ending 31 December 2017. For the avoidance of doubt, Dr. Chen has forgone bonuses of US\$18,600,000 for the financial years ended 31 December 2010, 2011, 2012, 2013 and 2014.

Save as disclosed in this section headed "8. Directors' Service Contracts", as at the Latest Practicable Date, none of the Directors had any service contract in force with the Company or any of its subsidiaries or associated companies (i) which (including both continuous and fixed term contracts) had been entered into or amended within six months prior to the date of publication of the Announcement; (ii) which were continuous contracts with a notice period of 12 months or more; or (iii) which were fixed term contracts with more than 12 months to run irrespective of the notice period.

## 9. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, the Group was not engaged in any material litigation or arbitration and no material litigation or arbitration was pending or threatened against any member of the Group.

## 10. MATERIAL CONTRACTS

The following material contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on of the Company or any of its subsidiaries, have been entered into by members of the Group within two years immediately preceding the date of the Announcement and is or may be material:

- (1) the second supplement agreement dated 28 December 2015 in respect of the original Share Purchase Agreement dated 13 June 2011 and as amended by a supplemental agreement dated 28 December 2011 was entered into between the Company and Dr. Chen. The purpose of the second supplemental agreement was to extend the completion date and the long stop date of the transaction stipulated in the Share Purchase Agreement from 13 June 2016 to a date falling on or before 31 December 2017 (or such other date as the parties may agree in writing), particulars of which are set out in the announcement of the Company dated 29 December 2015; and
- (2) the placing and subscription agreement dated 1 September 2016 was entered into among (i) the Company; (ii) Fourth Star Finance Corp. as the subscriber; (iii) Dr. Chen as the guarantor; (iv) Morgan Stanley & Co. International Plc, China Merchants Securities (HK) Co., Limited and Union Gaming Securities Asia Limited, collectively as the placing agents. Pursuant to the placing and subscriptions agreement, the placing agents have agreed to place and the subscriber has agreed to sell, a total of 190,000,000 existing Shares to not less than six independent placees at a placing price of HK\$5.00 per Share while the subscriber has conditionally agreed to subscribe for 190,000,000 new Shares at a subscription price of HK\$5.00 per Share, particulars of which are set out in the announcements of the Company dated 1 September 2016 and 9 September 2016.

## 11. EXPERTS AND CONSENTS

The qualifications of the experts who have given opinion or advice contained in this circular are set out below:

<b>Name</b>	<b>Qualification</b>
Anglo Chinese	a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
BDO Limited	Certified Public Accountants
Colliers	Independent Professional Valuer

Each of Anglo Chinese, BDO Limited and Colliers has given and has not withdrawn its written consent to the issue of this circular with, if applicable, the inclusion herein of its letter and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of Anglo Chinese, BDO Limited and Colliers did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of Anglo Chinese, BDO Limited and Colliers was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2016, being the date to which the latest published audited accounts of the Company were made up.

## **12. GENERAL INFORMATION**

- (a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal office of the Company in Hong Kong is at Suite 2806, 28th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (b) The address of Dr. Chen is at Suite 2806, 28th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (c) The company secretary of the Company is Ms. Lam Yi Lin, who is an associate member of The Hong Kong Institute of Chartered Secretaries.
- (d) The auditor of the Company is BDO Limited.
- (e) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

## **13. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection: (i) on the website of the Company (<http://www.nagacorp.com>); (ii) on the website of the SFC ([www.sfc.hk](http://www.sfc.hk)); and (iii) during normal office hours from 9:30 a.m. to 12:30 p.m. and from 2:30 p.m. to 5:30 p.m. on any weekday, except Saturdays, Sundays and public holidays at the Company's principal place of business in Hong Kong at Suite 2806, 28th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, from the date of this circular up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for each of the two years ended 31 December 2015 and 2016;



- (c) the letter from the Board, the text of which is set out in this circular;
- (d) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed “Letter from the Independent Board Committee” in this circular;
- (e) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed “Letter from the Independent Financial Adviser” in this circular;
- (f) the property valuation report from Colliers, the text of which is set out in Appendix II to this circular;
- (g) the written consents referred to in the paragraphs under the heading “Experts and Consents” in this Appendix III;
- (h) the material contracts referred to in the paragraphs under the heading “Material Contracts” in this Appendix III;
- (i) the service agreements referred to in the paragraphs under the heading “Directors’ Service Contracts” in this Appendix III; and
- (j) this circular.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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NAGACORP

金界控股有限公司

NAGACORP LTD.

金界控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

Stock code: 3918

### NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of NagaCorp Ltd. (the “Company”) will be held at Chatham Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Admiralty, Hong Kong on Friday, 21 July 2017 at 2:30 p.m. for the purpose of considering and, if thought fit, passing the following resolution, with or without amendments, as an ordinary resolution of the Company:

#### ORDINARY RESOLUTION

“**THAT** the proposed conversion of the unsecured convertible bonds in the aggregate principal amount of US\$275,000,000 issued by the Company to Tan Sri Dr Chen Lip Keong (“**Dr. Chen**”) on the completion of the sale and purchase of the entire issued share capital of TanSriChen Inc. (“**TSCLK Complex Convertible Bonds**”) and the whitewash waiver (the “**Whitewash Waiver**”) granted or to be granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegates pursuant to Note 1 on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers and Share Buy-backs in respect of any obligation of Dr. Chen to make a mandatory general offer for all the issued shares of the Company not already owned or agreed to be acquired by Dr. Chen and parties acting in concert with him which might otherwise arise as a result of the allotment and issue to Dr. Chen and parties acting in concert with him of an aggregate of 1,401,843,552 conversion shares pursuant to the conversion of the TSCLK Complex Convertible Bonds in full be and is hereby approved, and that the directors of the Company be and are hereby authorised to execute all such documents with or without amendments and to do all such acts and things as they consider desirable, necessary or expedient in connection with, or to give effect to any matters relating to or in connection with, the conversion of the TSCLK Complex Convertible Bonds in full and the Whitewash Waiver.”

By Order of the Board  
NagaCorp Ltd.  
**Timothy Patrick McNally**  
*Chairman*

Hong Kong, 9 June 2017

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Notes:*

1. A shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and, on a poll, vote in accordance with the articles of association of the Company. A proxy need not be a shareholder of the Company.
2. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s); and for this purpose seniority shall be determined as the person so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.
3. In order to be valid, a form of proxy must be deposited at the Company's share registrar, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof.
4. The completion and return of the form of proxy shall not preclude shareholders of the Company from attending in person and voting at the EGM (or any adjournment thereof) if they so wish.
5. For ascertaining the shareholders' entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 17 July 2017 to Friday, 21 July 2017, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the EGM, all completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 14 July 2017.
6. In accordance with Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the above resolution will be put to vote at the EGM by way of poll. An explanation of the detailed procedures of voting by poll will be provided to the shareholders at the EGM.

As at the date of this notice, the directors of the Company are:

*Executive Directors*

Tan Sri Dr Chen Lip Keong, Philip Lee Wai Tuck, Chen Yiy Fon and Chen Yepern

*Non-executive Director*

Timothy Patrick McNally

*Independent Non-executive Directors*

Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir, Lim Mun Kee and Michael Lai Kai Jin