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**NAGACORP LTD.**

**金界控股有限公司\***

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

**Stock code: 3918**

**INSIDE INFORMATION  
ABOUT A  
DISCLOSEABLE TRANSACTION  
IN RELATION TO AN INVESTMENT IN  
A GAMING AND RESORT DEVELOPMENT PROJECT IN  
THE RUSSIAN FEDERATION  
AND  
RESUMPTION OF TRADING**

The Board is pleased to announce that on 6 September 2013, the Company entered into the Investment Agreement with the Primorsky Administration acting by its Governor; CDPT, the registered lessee of the Land; DIC, the state authorised body with responsibility for the IEZ.

Pursuant to the Investment Agreement, the Group has agreed to invest not less than US\$350 million (approximately HK\$2.7 billion or approximately RUB11.6 billion) in developing a hotel and casino resort complex in the Primorye Region of Russia under the name 'Primorsky' Entertainment Resort City (PERC). The proposed investment amount was mutually agreed between the parties based on arm's length negotiation as representing the capital commitment needed to develop a world-class hotel, casino and entertainment, the freehold interest of which is ultimately intended to be owned by the Group, and to landscape the immediate surrounding area, all as contained within the IEZ. In addition to the Investment Agreement, the Company entered into the Sublease Agreement with CDPT and DIC on 6 September 2013 for the purposes of procuring the sub-leasehold rights over the Land pending completion of the Project.

In due course, after establishing the Subsidiary, the Subsidiary will apply for the Casino Permit pursuant to the federal laws of Russia. A casino permit for operating in the IEZ is unlimited in time and would permit the Group to conduct all gambling activities within the Casino Hotel Complex.

Since one or more of the applicable Percentage Ratios is more than 5% but less than 25%, the Project constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements of the Listing Rules. The Directors are of the view that the Project constitutes inside information. Accordingly, this announcement is also issued pursuant to the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Directors consider that the terms of the Project are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

At the request of the Company, trading in Shares on the Stock Exchange was halted with effect from 9:00 a.m. on Friday, 6 September 2013, pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on Monday, 9 September 2013, following the publication of this announcement.

**As the Project remains conditional on settling and agreeing with CDPT the general investment plan and implementation plan applicable to the Project and the provision of a guarantee in favour of CDPT for RUB 100 million (approximately HK\$23 million or approximately US\$3 million) for each of the four plots comprising the Land (total, RUB 400 million (approximately HK\$94 million or approximately US\$12 million)) and will require various consents and approvals from relevant Russian authorities over the course of its implementation, the Project may or may not ultimately be realised. Accordingly, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

The Board is pleased to announce that on 6 September 2013, the Company entered into the Investment Agreement with the Primorsky Administration, CDPT and DIC, pursuant to which the Group has agreed to invest not less than US\$350 million (approximately HK\$2.7 billion or approximately RUB11.6 billion) in developing a hotel and casino resort complex in the Primorye Region of Russia under the name 'Primorsky' Entertainment Resort City (PERC). In addition, the Company entered into the Sublease Agreement with CDPT and DIC on 6 September 2013 for the purposes of procuring the sub-leasehold rights over the Land pending completion of the Project.

The Primorye Region is in the Far Eastern economic region of Russia and has the city of Vladivostok as its administrative center. The IEZ is one of four designated casino gaming zones established in Russia within which casino gaming is now permitted following a general nationwide embargo on gaming activities imposed in 2009.

## **SUMMARY OF THE PRINCIPAL TERMS OF THE INVESTMENT AGREEMENT**

### **Date**

6 September 2013

### **Parties**

- (i) the Primorsky Administration
- (ii) CDPT
- (iii) DIC
- (iv) the Company

### **Establishment of the Subsidiary(ies)**

It is currently expected that the Company will establish one or more indirect wholly-owned subsidiaries in Russia for the purposes of undertaking the Project. Once the Subsidiaries have been established, the rights and obligations of the Company under the Investment Agreement will be transferred to and assumed by one or more of those Subsidiaries. The Company intends to fund the proposed investment amount through equity and/or debt. As at the end of the first half of 2013, the Company had net cash of approximately US\$220 million (approximately HK\$1.7 billion or approximately RUB7.3 billion).

### **The Project**

The Group has agreed to invest not less than US\$350 million (approximately HK\$2.7 billion or approximately RUB11.6 billion) in developing the Casino Hotel Complex. The proposed investment amount was mutually agreed between the parties based on arm's length negotiation as representing the capital commitment needed to develop a world-class hotel, casino and entertainment, the freehold interest of which is ultimately intended to be owned by the Group, and to landscape the immediate surrounding area, all as contained within the IEZ.

Pursuant to the terms of the Investment Agreement, the Group will develop the Casino Hotel Complex on the Land. It is intended that the Casino Hotel Complex, to be called, ‘Primorsky’ Entertainment Resort City (PERC), will be a sustainable resort, that will include approximately 1,000 hotel suite units. The Directors anticipate that the process of obtaining all necessary permits for the construction of the Casino Hotel Complex may take in the order of one to two years. Thereafter, it is envisaged that the Project will be completed within four years from the date of obtaining all approvals. Accordingly the Directors expect that the Casino Hotel Complex would not begin operations before 2018.

The Company intends to forward-sell hotel suites within the Casino Hotel Complex to both Russian and foreign buyers under the concept ‘Primorsky My Second Home’, thereby helping to promote the tourism potential of the Primorye Region. The Investment Agreement provides for the rights of the Group to pre-sell the hotel suites, in accordance with the applicable laws of Russia, before and during the construction phase. The Group will target prospective buyers mainly from North East China, South Korea and Japan.

Pursuant to the Investment Agreement, the Group will be responsible for the development and operation of the Casino Hotel Complex and the Primorsky Administration and/or other third parties will be responsible for the build-out of all infrastructure and essential services necessary to develop and operate the IEZ.

The Project remains conditional on settling and agreeing with CDPT the general investment plan and the implementation plan applicable to the Project, which the Directors aim to achieve within approximately four months after the Investment Agreement comes into force and effect.

The Investment Agreement and the Sublease Agreement will come into force and effect from the moment of their state registration with the competent Russian state authorities.

### **Gaming Tax**

After establishing the Subsidiary, it will, in due course, apply for the Casino Permit pursuant to the federal laws of Russia. A casino permit for operating in the IEZ would be unlimited in time and would permit the Group to conduct all gambling activities within the Casino Hotel Complex.

Russia currently offers a favourable tax environment for gaming business as compared to other more established gaming jurisdictions. The only gaming tax is a monthly gaming tax of approximately US\$4,200 (approximately HK\$32,550 or approximately RUB138,600) per gaming table and a monthly gaming tax of approximately US\$250 (approximately HK\$1,938 or approximately RUB8,250) per gaming machine.

In establishing its Subsidiaries, the Group intends to adopt a suitable tax-efficient structure, taking advantage, where appropriate, of one or more jurisdictions having a preferential double tax treaty with Russia.

## **SUMMARY OF THE PRINCIPAL TERMS OF THE SUBLEASE AGREEMENT**

### **Date**

6 September 2013

### **Parties**

- (i) CDPT
- (ii) DIC
- (iii) the Company

### **The Land**

CDPT is the registered lessee in respect of the land making up the IEZ which comprises approximately 2.6 million square metres of, as yet, largely undeveloped land (including the Land). In addition to being the registered lessee, it is proposed that CDPT will also register its interest as transferee in the master investment agreement relating to the development of all land situated in the IEZ. The Land Lease is for a period of approximately 15 years which commenced on 22 July 2010 and extends to 20 July 2025.

Under the Sublease Agreement, CDPT has agreed to sublease to the Group the Land for a period of approximately 12 years commencing with effect from 6 September 2013 and ending on 20 July 2025. The Group, on establishment of the Subsidiary has to register the Sublease Agreement with the relevant competent authority.

It is the Company's intention to acquire the freehold interest in the Casino Hotel Complex (which includes the hotel suite units) on completion of its construction by payment of a fee as explained in the subsequent paragraph.

CDPT has confirmed that it has valid and existing leasehold rights over the Land for the period to 20 July 2025 and has undertaken that it is not in breach nor has committed or failed to commit an act which would result in a breach of the Land Lease, and has valid and legal authority and power to sublease to the Group the Land for the entire duration of the lease term.

The Land under the Sublease Agreement will be used by the Group to build and develop the hotel, casino and resort complex with retail, entertainment, multi-purpose hall suitable for theatres and MICE purposes as well as restaurants and food and beverage outlets and other recreational activities.

During the period of construction of the Casino Hotel Complex, the Group shall pay an annual rent for the sublease of the Land which has been determined on the basis of an arm's length negotiation. The estimated annual rent applicable to the four plots comprising the Land will be approximately RUB2,595,157 (approximately US\$78,641 or approximately HK\$609,343) plus value-added tax.

The Group has also agreed to pay an one-time payment of approximately RUB4,542,065 (approximately US\$137,638 or approximately HK\$1,066,477), plus value-added tax, which shall accrue from the date of the Sublease Agreement and shall be payable by the Group upon the state registration of the Sublease Agreement with the local authority. The one-time payment was determined on the basis of an arm's length negotiation.

Upon completion of the Casino Hotel Complex (which includes the hotel suite units), the title to the Casino Hotel Complex and the relevant land on which it is built can be registered in the name of the Subsidiary in consideration for the payment of a fee calculated by reference to the cadastral land values as determined by the Russian state authorities from time to time. These land rates are unrelated to the value of the Casino Hotel Complex itself at that time. It is the Company's intention to acquire the freehold interest in the Casino Hotel Complex on completion of its construction.

The Group will also be required to put up a bank guarantee in favour of CDPT of RUB100 million (approximately HK\$23 million or approximately US\$3 million) for each plot (total: RUB400 million (approximately HK\$94 million or approximately US\$12 million)). The guarantee must be in a form reasonably satisfactory to CDPT and is expected to be issued within two months of the parties approving the general investment plan relating to the Project.

## **REASONS FOR AND BENEFIT OF THE TRANSACTION**

The Group has proven its ability to develop world-class gaming facilities in frontier markets having successfully built and operated NagaWorld in Phnom Penh, Cambodia for many years. It continues to evaluate gaming opportunities across the region and in this vein, responded to a request for concepts made by the Primorsky Administration. The Group's proposal was one of a number that the Primorsky Administration expressed a keen interest in pursuing.

Vladivostok is closely located to a range of important tourism markets, including South Korea, Japan and China. The Directors are of the view that the Project will enable the Group to participate in an exciting new casino market offering the potential for attractive investment returns. Russia currently offers a favourable tax environment for gaming business as compared to other more established gaming jurisdictions.

The Directors consider that the terms of the Project are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

Since one or more of the applicable Percentage Ratios is more than 5% but less than 25%, the Project constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements of the Listing Rules. The Directors are of the view that the Project constitutes inside information. Accordingly, this announcement is also issued pursuant to the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

**As the Project remains conditional on settling and agreeing with CDPT the general investment plan and implementation plan applicable to the Project and the provision of a guarantee in favour of CDPT for RUB 100 million (approximately HK\$23 million or approximately US\$3 million) for each of the four plots comprising the Land (total, RUB 400 million (approximately HK\$94 million or approximately US\$12 million)) and will require various consents and approvals from relevant Russian authorities over the course of its implementation, the Project may or may not ultimately be realised. Accordingly, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **GENERAL INFORMATION**

The Company is an investment holding company incorporated in the Cayman Islands, the Shares of which are listed on the main board of the Stock Exchange. The principal activity of the Group is the operation of a hotel casino entertainment complex, NagaWorld, in Phnom Penh, the capital city of Cambodia.

The Primorsky Administration is the ultimate controller of CDPT and administers the regional government of the Primorye Region, Russia. CDPT, the registered lessee of the Land, and DIC have been established by the Primorsky Administration to oversee the development, management and promotion of the IEZ.

DIC is the state authorised authority within the Primorye Region responsible for the development of regional tourism (vested with the power to grant and issue gaming permits in the IEZ).

The Directors confirm that, to the best of their knowledge, information and belief having made all reasonable enquiries, the Primorsky Administration, CDPT and DIC are third parties independent of and not connected with the Company or any of its connected persons.

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## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“Board”	the board of Directors
“Cambodia”	the Kingdom of Cambodia
“Casino Hotel Complex”	a hotel and casino complex to be built and developed by the Group on the Land pursuant to the Investment Agreement



“Casino Permit”	the permit permitting the organising and carrying out of gambling games within the IEZ, as will be applied for by the Group from the DIC
“CDPT”	Open Joint Stock Company “Corporation of Development of Primorsky Territory”, an open joint stock company ultimately controlled by the Primorsky Administration
“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 (stock code: 3918)
“connected person”	has the meaning ascribed to it under the Listing Rules
“DIC”	Department of International Cooperation and Tourism Development of the Primorsky Territory
“Director(s)”	the director(s) of the Company for the time being
“Group”	the Company and its subsidiaries from time to time
“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
“IEZ”	The Gambling Zone of the Primorye Region, Russia, which for the Company’s internal purposes has been identified as the ‘Integrated Entertainment Zone’ (IEZ)
“Investment Agreement”	the investment agreement dated 6 September 2013 entered into between the Company, the Primorsky Administration, CDPT and DIC, the principal terms of which are summarised in the section headed “Summary of the principal terms of the Investment Agreement”
“Land”	four (4) plots of land situated in the IEZ, with a total area of approximately 21.6 hectares (or approximately 216,000 square metres)

“Land Lease”	the Lease Agreement No.1 dated 22 July 2010 in respect of land owned by the Primorsky Territory (and which includes the Land) with a lease term extending to 20 July 2025 and which Lease Agreement has been assigned to CDPT pursuant to an assignment agreement certified as registered by the relevant authority on 5 September 2013
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Percentage Ratio(s)”	the percentage ratio(s) as set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction
“Primorsky Administration”	The Administration of Primorsky Territory of the Russian Federation
“Project”	the development of a gaming and resort project under the name ‘Primorsky’ Entertainment Resort City (PERC) to be located within the IEZ, such development to be carried out pursuant to the terms of the Investment Agreement and the Sublease Agreement
“RUB”	Russian Roubles, the lawful currency of Russia
“Russia”	The Russian Federation
“Share(s)”	ordinary share(s) of US\$0.0125 each in the issued share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sublease Agreement”	the sublease agreement dated 6 September 2013 entered into between the Company, CDPT and DIC, the principal terms of which are summarised in the section headed “Summary of the principal terms of the Sublease Agreement”
“Subsidiary”	one or more wholly owned indirect subsidiaries to be established by the Company in Russia for the purposes of undertaking the Project

“US\$” United States dollars, the lawful currency of the United States of America

% per cent.

\* denotes Chinese translation of the name of the Company is provided for identification purposes only.

*Unless stated otherwise, translations of quoted currency values are made on an approximate basis and at the rates of US\$1 = RUB33, US\$1 = HK\$7.75 and RUB1 = HK\$0.2348. Percentage and figures expressed have been rounded.*

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

Hong Kong, 9 September 2013

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

*Executive Directors*

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

*Please also refer to the electronic version of the same on the Company’s website [www.nagacorp.com](http://www.nagacorp.com), [www.irasia.com](http://www.irasia.com) and the website of The Stock Exchange of Hong Kong Limited.*