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Confirmation of your representation: By accepting and accessing the attached Offering Memorandum you are deemed to have represented to Credit Suisse (Hong Kong) Limited and Morgan Stanley & Co. International plc (collectively, the “Initial Purchasers”) that (1)(i) you are not in the United States as defined in Regulation S (“Regulation S”) under the U.S. Securities Act of 1933 (the “Securities Act”) and, to the extent you will purchase the securities described in the attached Offering Memorandum, you will be doing so pursuant to Regulation S or (ii) you are acting on behalf of, or you are, a qualified institutional buyer (“QIB”), as defined in Rule 144A under the Securities Act, and (2) you consent to the delivery of the attached Offering Memorandum and any amendments or supplements thereto by electronic transmission.

The attached Offering Memorandum has been made available to you in electronic form. You are reminded that documents may be altered when transmitted electronically and consequently none of NagaCorp Ltd. (the “Issuer”), its subsidiaries or the Initial Purchasers or any of their respective directors, employees, representatives, affiliates or agents accept any liability or responsibility whatsoever in respect of any discrepancies between the Offering Memorandum distributed to you electronically and the hard copy version. A hard copy version will be provided to you upon request.

Restrictions: The attached Offering Memorandum is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described therein. The information in the attached Offering Memorandum is not complete and may be changed.

THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE OR LOCAL SECURITIES LAWS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation to subscribe for or purchase any of the securities described herein, and access has been limited so that it shall not constitute a general advertisement or solicitation in the United States or elsewhere. If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Initial Purchaser or any affiliate of any Initial Purchaser is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Initial Purchaser or affiliate on behalf of the Issuer in such jurisdiction.

You are reminded that you have accessed the attached Offering Memorandum on the basis that you are a person into whose possession it may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located. If you have gained access to this electronic transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

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NAGACORP

金界控股有限公司

NagaCorp Ltd.

*(established and existing in the Cayman Islands with limited liability)***US\$300,000,000 9.375% Senior Notes due 2021****Issue Price: 99.362%**

NagaCorp Ltd. (“we,” “us” or the “Company”) is offering (the “Offering”) US\$300,000,000 9.375% Senior Notes due 2021 (the “Notes”). The Notes will bear interest at the rate of 9.375% per year. Interest on the Notes is payable semi-annually in arrears on May 21 and November 21 of each year (each, an “Interest Payment Date”) commencing on November 21, 2018. The Notes will mature on May 21, 2021.

The Notes will be guaranteed (the “Note Guarantees”) by certain of the Company’s subsidiaries (the “Guarantors”). The Notes and the Note Guarantees will be senior unsecured obligations of the Company and the Guarantors and will rank pari passu in right of payment with all of their senior indebtedness and senior in right of payment to any of their subordinated indebtedness. The Notes and the Note Guarantees will be effectively subordinated to any secured obligations of the Company and the Guarantors and will be structurally subordinated to the obligations of the Company’s subsidiaries that do not guarantee the Notes. For a more detailed description of the Notes and the Note Guarantees, see “Description of the Notes.”

At any time on or after May 21, 2020, we may redeem some or all of the Notes at the redemption price listed in “Description of the Notes—Optional Redemption.” Prior to May 21, 2020, we may redeem some or all of the Notes by paying a “make-whole” premium. Prior to May 21, 2020, we may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds from certain equity offerings. In addition, we may redeem the Notes in whole, but not in part, at any time at a price equal to their principal amount plus accrued interest, in the event of certain changes in withholding tax laws. We may also redeem Notes if a gaming authority requires holders of Notes to be licensed, qualified or found suitable under applicable law and such holder is not so licensed or qualified or is found unsuitable.

We will be required to redeem all of the Notes following a Reorganization Event (as defined in “Description of the Notes—Special Mandatory Redemption for Reorganization Event”) at the redemption price listed in “Description of the Notes—Special Mandatory Redemption for Reorganization Event.”

Investing in the Notes involves certain risks. See “Risk Factors” to read about factors you should consider before buying the Notes.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933 (the “Securities Act”) or the securities laws of any other jurisdiction and may not be offered or sold within the United States, except pursuant to an exemption from, or in transactions not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold within the United States to qualified institutional buyers in reliance on Rule 144A under the Securities Act (“Rule 144A”) and outside the United States in offshore transactions in reliance on Regulation S under the Securities Act (“Regulation S”). Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of the Notes and distribution of this Offering Memorandum, see “Plan of Distribution” and “Transfer Restrictions.”

The Notes are expected to be rated “B1” by Moody’s Investors Service, Inc. (“Moody’s”), and “B” by S&P Global Ratings, a division of the McGraw-Hill Companies Inc. (“Standard & Poor’s”). A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

It is expected that the delivery of the Notes will be made through the book-entry facilities of The Depository Trust Company (“DTC”) on or about May 21, 2018.

Approval in-principle has been received for the listing and quotation of the Notes on the Singapore Exchange Securities Trading Limited (the “SGX-ST”). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Offering Memorandum. Approval in-principle for the listing and quotation of the Notes on the SGX-ST is not to be taken as an indication of the merits of the Company, our subsidiaries, our associated companies or the Notes.

*Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers
(in alphabetical order)*

Credit Suisse**Morgan Stanley**

Offering Memorandum dated May 14, 2018

CONTENTS

SECTION	PAGE
SUMMARY	1
THE OFFERING	5
SUMMARY CONSOLIDATED FINANCIAL AND CERTAIN OPERATING DATA	10
RISK FACTORS	13
USE OF PROCEEDS	43
CAPITALIZATION AND INDEBTEDNESS	44
SELECTED CONSOLIDATED FINANCIAL DATA	45
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	47
INDUSTRY OVERVIEW	73
REGULATORY OVERVIEW OF THE CASINO BUSINESS IN CAMBODIA	90
BUSINESS	94
MANAGEMENT	132
PRINCIPAL SHAREHOLDERS	137
DESCRIPTION OF THE NOTES	138
TAXATION	195
PLAN OF DISTRIBUTION	198
TRANSFER RESTRICTIONS	204
LEGAL MATTERS	207
GENERAL INFORMATION	208
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS	F-1

NOTICE TO INVESTORS

We have not authorized anyone to provide any information other than that contained in this Offering Memorandum. We and the Initial Purchasers take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. None of NagaCorp Ltd., its subsidiaries, Credit Suisse (Hong Kong) Limited and Morgan Stanley & Co. International plc (together, the “**Initial Purchasers**”) or any of their respective affiliates has authorized anyone to provide you with any additional or different information. This Offering Memorandum may only be used where it is legal to offer and sell the Notes. The information in this Offering Memorandum may only be accurate as of the date of this Offering Memorandum or other dates as indicated herein. Since the date of this Offering Memorandum there may have been changes in our business, financial condition and results of operations or otherwise that could affect the accuracy or completeness of the information set out in this Offering Memorandum.

This Offering Memorandum is being provided on a confidential basis in connection with an offering exempt from registration under the Securities Act and applicable U.S. state securities laws solely for the purpose of enabling prospective investors to consider the purchase of the Notes. None of us, the Initial Purchasers or any of our or their respective affiliates is authorizing the use of this Offering Memorandum for any other purpose. This Offering Memorandum is based on information provided by us and other sources identified in this Offering Memorandum. None of the Initial Purchasers, GLAS Trust Company LLC (the “**Trustee**”), GLAS Trust Company LLC (the “**Paying Agent**”), GLAS Trust Company LLC (the “**Transfer Agent**”) and GLAS Trust Company LLC (the “**Registrar**”) makes any representation or warranty, express or implied, as to the accuracy or completeness of such information, and nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation by any of them. The Initial Purchasers, the Trustee, the Paying Agent, the Transfer Agent and the Registrar assume no responsibility or liability for the accuracy or completeness of any of the information contained herein (financial, legal or otherwise) or any other information provided by us in connection with the offering of the Notes or their distribution. Each person receiving this Offering Memorandum acknowledges that such person has not relied on the Initial Purchasers and the Trustee, the Paying Agent, the Transfer Agent and the Registrar or any person affiliated with any of them in connection with any investigation of the accuracy of such information or its investment decisions. To the fullest extent permitted by law, the Initial Purchasers disclaim any responsibility for the contents of this Offering Memorandum or for any statement made or purported to be made by the Initial Purchasers or on their behalf in connection with the Company or the issue and offering of the Notes. The Initial Purchasers accordingly disclaim all and any liability whether arising in tort or contract or otherwise which they might otherwise have in respect of this Offering Memorandum or any such statement.

The distribution of this Offering Memorandum and the offer and sale of the Notes offered hereby are restricted by law in certain jurisdictions. You should inform yourselves about and comply with all applicable laws and regulations in force in any jurisdiction in connection with the distribution of this Offering Memorandum and the offer and sale of the Notes. None of us, the Initial Purchasers or any of our or their respective affiliates, directors, officers, employees, agents or advisors is making any representation or undertaking to any investor regarding the legality of an investment in the Notes.

In making an investment decision, you should rely on your own examination of us and the terms of the Offering, including the merits and risks involved. You should not construe the contents of this Offering Memorandum as legal, business, financial or tax advice. You should consult your own attorney, business advisor, tax advisor or other professional advisor.

None of us, the Initial Purchasers or our or their respective affiliates is offering to sell the Notes in any jurisdiction where the offer or sale is not permitted. This Offering Memorandum does not constitute an offer of, or an invitation to purchase, any of the Notes in any jurisdiction in which such offer or invitation would be unlawful. No action has been taken in any jurisdiction that would permit a public offering to occur in any jurisdiction.

We reserve the right to withdraw this Offering of the Notes at any time and we and the Initial Purchasers reserve the right to reject any commitment to subscribe for the Notes, in whole or in part. We also reserve the right to allot to you less than the full amount of Notes sought by you. The Initial Purchasers and certain related entities may acquire for their own account a portion of the Notes.

In connection with the issue and distribution of the Notes, Morgan Stanley, or any person acting for it may, subject to applicable laws and regulations, over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period of time. However, neither Morgan Stanley nor any person acting on its behalf is under any obligation to do so. Furthermore, such stabilization, if commenced, may be discontinued at any time and must be brought to an end after a limited period.

In this Offering Memorandum, all references to:

- “**Cambodia**” refers to the Kingdom of Cambodia;
- “**Government**” refers to the Royal Government of Cambodia;
- “**Government Agencies**” refer to government agencies, and local government agencies, such as sub-district administrative organizations, provincial administrative organizations and municipalities;
- “**Greater China**” refers to mainland China, Macau, Hong Kong and Taiwan;
- “**HK\$**” refers to the lawful currency of Hong Kong;
- “**Riel**” refers to the lawful currency of Cambodia;
- “**Rubles**” or “**RUB**” refer to the lawful currency of Russia;
- “**U.S. Dollar**” or “**US\$**” refer to the lawful currency of the United States;
- “**United States**” or “**U.S.**” refer to the United States, its territories and possessions, any State of the United States and the District of Columbia;
- “**we,**” “**our,**” “**ourselves,**” “**us**” or the “**Group**” refer to the Company or the Company and its subsidiaries, taken as a whole, as the context may require; and
- “**you**” or “**your**” refer to potential investors in, or purchasers of the Notes.

Any reference in this Offering Memorandum to any law, regulation or notification is a reference to such law, regulation or notification as the same may have been, or may from time to time be, amended, supplemented or replaced.

NOTE TO PROSPECTIVE PURCHASERS IN THE UNITED STATES

The Notes have not been, and will not be, registered under the Securities Act, or any U.S. state securities laws. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States. Pursuant to the Offering, the Notes may not be offered or sold in the United States except that the Notes may be offered or sold to persons who are qualified institutional buyers as defined in Rule 144A in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The Notes are not transferable except in accordance with the restrictions

described under “*Transfer Restrictions*.” Each purchaser of Notes will be deemed to have made certain acknowledgements, representations and agreements as set forth herein. For a description of these and certain other restrictions on offers, sales and transfers of Notes and distribution of this Offering Memorandum, see “*Plan of Distribution*” and “*Transfer Restrictions*.”

The Notes which are being offered in the Offering have not been approved or disapproved by the U.S. Securities and Exchange Commission (the “SEC”), any U.S. state securities commission, any other U.S. regulatory authority or any foreign securities commission or regulatory authority. The foregoing authorities have not confirmed the accuracy or determined the adequacy of this Offering Memorandum, nor have they passed upon or endorsed the merits of the Offering. Any representation to the contrary is a criminal offense in the United States. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Notes offered hereby within the United States by a dealer, whether or not participating in the Offering, may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

AVAILABLE INFORMATION

Subject to the following sentence, and for so long as the Notes remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) of the Securities Act, we will furnish, upon the request of any holder of Notes, such information as is specified in paragraph (d)(4) of Rule 144A under the Securities Act, to such holder or beneficial owner or to a prospective purchaser of such Notes or interest therein who is a qualified institutional buyer within the meaning of Rule 144A, in order to permit compliance by such holder or beneficial owner with Rule 144A in connection with the resale of such Notes or any beneficial interest therein in reliance on Rule 144A. Notwithstanding the above, we will not provide such information if, at the time of such request, we are subject to the reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended (the “Exchange Act”), or we are exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

ENFORCEABILITY OF CIVIL LIABILITIES

We are a limited liability company established in the Cayman Islands. Substantially all of our Directors and executive officers reside outside the United States, and all of our assets are located outside the United States. As a result, it may be difficult for investors to effect service of process upon such persons within the United States, or to enforce against us in court, judgments obtained in U.S. courts, including judgments predicated upon the civil liability provisions of the federal securities laws of the United States.

We have been advised by our Cayman counsel, Maples and Calder (Hong Kong) LLP, that the courts of Cayman Islands are unlikely (i) to recognize or enforce against our Company or our directors or officers judgements of courts of the United States predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States; or (ii) in original actions brought in the Cayman Islands, to impose liabilities against our Company or our directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States, so far as the liabilities imposed by those provisions are penal in nature. In those circumstances, although there is no statutory enforcement in the Cayman Islands of judgements obtained in the United States, the courts of the Cayman Islands will recognize as a valid judgement, a final and conclusive judgment in personam obtained in any state or federal court located in the Borough of Manhattan, The City of New York, New York without retrial on the merits based on the principal that a judgement of a competent foreign court imposes on the debtor an obligation to pay the sum for which judgement has been given provided certain conditions are met (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) and would enforce such foreign judgement in the Cayman Islands provide that (a) such courts had proper jurisdiction over the parties subject to such judgement; (b) such courts did not contravene the rules of natural justice of the Cayman Islands; (c) such judgement was not obtained by fraud; (d) the enforcement of the judgement would not be contrary to the public policy

of the Cayman Islands; (e) the judgement must be final and conclusive and for a liquidated sum; and (f) such judgement must not be inconsistent with a Cayman judgement in respect of the same matter. A Cayman Islands Court may stay enforcement proceedings if concurrent proceedings are brought elsewhere.

We have been advised by our Cambodian legal advisor, HML Law Group & Consultants, that judgments of courts outside Cambodia are not enforceable in Cambodian courts. Under Cambodian law, a foreign judgment would be recognized if, among other things, there is a guarantee of reciprocity between Cambodia and the foreign country in which the court is based. As of 2018, Cambodia has not established any treaty or such reciprocity with a foreign country. Therefore, there can be no assurance that a foreign judgment will be enforced by the courts of Cambodia. A foreign court judgment could be offered and accepted into evidence in a proceeding on the underlying claim in a Cambodian court and may be given such evidentiary weight as the Cambodian court may deem appropriate in its sole discretion. A claimant may be required to pursue claims in Cambodian courts on the basis of Cambodian law. A purchaser of the Notes may not be able to enforce judgments against us obtained in the United States based upon certain of the civil liability provisions of the securities laws of the United States or any states thereof in Cambodian courts, and Cambodian courts may not enter judgments in original actions brought in Cambodian courts based solely upon the civil liability provision of the securities laws of the United States or any state thereof. Re-examination of the underlying claim would be required before the Cambodian court. There can be no assurance that the claims or remedies available under Cambodian law will be the same, or as extensive as those available in other jurisdictions.

For more details, see *“Risk Factors — Risks Relating to the Notes and Note Guarantees — You may have difficulty enforcing judgements obtained against us.”*

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this Offering Memorandum, references to “**2015**”, “**2016**” and “**2017**” refer to our financial years ended December 31, 2015, 2016 and 2017, respectively. Our consolidated financial statements as of and for the years ending December 31, 2015 and 2016 (the “**2016 Financial Statements**”) and as of and for the year ending December 31, 2017 (the “**2017 Financial Statements**”) were audited by BDO Limited, independent public accountants, in accordance with International Financial Reporting Standards (“**IFRS**”), as stated in their reports included elsewhere in this Offering Memorandum. The 2016 Financial Statements and the 2017 Financial Statements (together, the “**Financial Statements**”) are included elsewhere in this Offering Memorandum. Unless otherwise stated, all our financial information is stated in accordance with IFRS and our financial statements are presented on a consolidated basis. Our reporting currency is the U.S. Dollar, and accordingly our Financial Statements are presented in U.S. Dollars.

Figures and percentages are rounded to one decimal place, where appropriate. Any discrepancies in the tables included in this Offering Memorandum between the amounts listed and the totals are due to rounding.

The information on our website, or the websites of any of our subsidiaries, or any website directly or indirectly linked to such websites, is not incorporated by reference into this Offering Memorandum and should not be relied upon.

INDUSTRY AND MARKET DATA

This Offering Memorandum includes certain market share, statistical and industry data and third-party projections and forecasts regarding growth and performance of the industry we operate and invest in that we have obtained from industry publications and surveys, publicly available documents and government publications, Global Market Advisors (“**GMA**”), and from internal sources. Industry

publications and surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but except for any data we provided to GMA in connection with the preparation of their report dated April 2018 (the “GMA Report”), we cannot assure you that such data is complete or accurate. Information, including estimates, expectations and forecasts relating to, in particular, the Cambodian gaming industry, that appear under the section headed “*Industry Overview*” in this Offering Memorandum, was derived from the GMA Report. GMA is an independent gaming industry consultant in the gaming industry and has been commissioned by us to provide the GMA Report. While reasonable actions have been taken to ensure that information from the GMA Report is extracted accurately and in its proper context, we (except with respect to any data we provided to GMA in connection with the preparation of the GMA Report), the Initial Purchasers nor any of our or their respective affiliates has independently verified any of the data or ascertained the underlying economic assumptions relied upon therein. Similarly, third-party projections cited in this Offering Memorandum are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. The industry and market data contained in this Offering Memorandum, including under “*Industry Overview*,” which are derived from the GMA Report, has not been updated since the date of such report. No assurances are or can be given that any estimated figures will be achieved. In addition, financial and other data with respect to Cambodia and other countries provided in this Offering Memorandum may be subsequently revised in accordance with those countries ongoing maintenance of its economic and other data, and such revised data will not be distributed by us to any holder of the Notes. As a result, you are cautioned against undue reliance on such information.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains, and any amendment or supplement to this Offering Memorandum may contain, “forward-looking” statements that relate to future events, which are, by their nature, subject to significant risks and uncertainties. Statements regarding our future financial position and results of operations, strategy, plans, objectives, goals and targets, and any statements preceded by, followed by or that include the words “believe,” “expect,” “plan,” “aim,” “intend,” “will,” “may,” “project,” “estimate,” “forecast,” “anticipate,” “predict,” “seek,” “should” or similar words or expressions, are forward-looking statements.

These forward-looking statements include, without limitation, statements relating to:

- estimated financial information and projections regarding the Group, and our future development and economic performance;
- future earnings, cash flow and liquidity;
- potential growth opportunities;
- our cost of capital and financing plans;
- our investment strategy;
- our relationship with the Government;
- the competitive position and the effects of competition on our business;
- development of additional revenue sources;
- the amount and nature of future capital expenditures;
- delays or changes in the development of our businesses;
- the condition of and changes in the local, Cambodian, Asian or global economies;

- the performance of third parties under material agreements; and
- regulatory changes and future Government policy relating to the gaming industry in Cambodia, including with respect to the adoption of a casino law.

The future events referred to in these forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause the actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future and are not a guarantee of future performance. Important factors that could cause the actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- number of visitors and volume of gaming;
- the quality of service and scope of facilities offered by our facilities;
- termination of any agreements with supplier or customers, or regulatory licenses or permits;
- competition from other companies in the gaming industry, in Cambodia and regionally;
- risks associated with changes in customers' preferences and the relative prices of alternative gaming options;
- win rates in the gaming business which are subject to luck and fluctuation;
- compliance by third parties with their obligations under agreements to which we or our subsidiaries are parties;
- ability to obtain capital for anticipated expansion plans;
- changes in interest rates;
- fluctuations in occupancy rates and average room rates in Phnom Penh and Cambodia generally;
- acts of international or domestic terrorism;
- changes in tourism demand in Cambodia;
- changes in general economic, business and political conditions in Cambodia and surrounding countries;
- changes in the laws, regulations, taxation, accounting standards or practices, or policies of the Government which apply to us;
- labor unrest or other similar situations;
- our ability to obtain and retain skilled personnel;
- the availability of insurance coverage at commercially acceptable premiums;
- accidents, public disorder, natural disasters, severe weather or outbreaks (or fear of outbreaks) of infectious diseases;

- our management’s success at managing the above-described risks and factors; and
- other factors not yet known to us.

This list of important factors is not exhaustive. Additional factors that could cause the actual results, performance or achievements to differ materially include, but are not limited to, those discussed under “*Risk Factors*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*.” When relying on forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which we operate. Such forward-looking statements speak only as of the date on which they are made. Accordingly, none of us, the Initial Purchasers or any of our or their respective affiliates undertakes any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. None of us, the Initial Purchasers or any of our or their respective affiliates makes any representation, warranty or prediction that the results expressed or implied by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. Accordingly, you should not place undue reliance on any forward-looking statements.

SUMMARY

This summary highlights selected information contained elsewhere in this Offering Memorandum. It is not complete and does not contain all the information that may be important to you in deciding whether to invest in the Notes. This summary is qualified by, and must be read in conjunction with, the more detailed information and financial statements appearing elsewhere in this Offering Memorandum.

Statements contained in this summary that are not historical facts may be forward-looking statements. Such statements are based on certain assumptions and are subject to certain risks, uncertainties and assumptions which could cause actual results to differ materially from those projected. See “Forward-looking Statements.” Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by us or the Initial Purchasers or any other person or that these results will be achieved or are likely to be achieved. The meanings of terms not defined in this summary can be found elsewhere in this Offering Memorandum.

You should read the entire Offering Memorandum, including the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Conditions and Results of Operations,” as well as our consolidated financial statements and related notes thereto, before making an investment decision.

Overview

We operate the only integrated casino and hotel resort (“**NagaWorld**”) in Phnom Penh, the capital city of Cambodia. Strategically located on a wide landscaped boulevard next to the Hun Sen Garden near the riverfront district of the Sisowath Quay in Phnom Penh, NagaWorld comprises:

- a casino and hotel resort spread over a total floor area of approximately 113,307 square meters which opened in December 2006 (“**Naga1**”),
- a casino and luxury hotel resort spread over a total floor area of approximately 108,764 square meters which opened in November 2017 which is adjacent to Naga1 (“**Naga2**”), and
- an underground walkway which links Naga1 and Naga2 (“**NagaCity Walk**”) which opened in August 2016. NagaCity Walk is Phnom Penh’s first underground shopping center and offers duty-free shopping operated by China Duty Free Group — one of the largest duty-free operators in China.

Our license to operate NagaWorld (the “**Casino License**”) is valid until 2065. Significantly, pursuant to the Casino License, we have an exclusive right to operate casinos in Cambodia within a 200 kilometer radius of Phnom Penh (except the Cambodia-Vietnam Border Area, Bokor, Kirirom Mountains and Sihanoukville) (the “**Designated Area**”) until the end of 2035. See “*Business — NagaWorld Development Agreements and Casino License — Casino License*”.

NagaWorld has been designed to cater to a broad range of customers, including:

- gaming patrons consisting of (i) mass market players, who enjoy both table games as well as electronic gaming machines and (ii) VIP players, who enjoy VIP gaming suites, premium accommodation and amenities, and are characterized by high stakes gaming,
- leisure customers who visit resort destinations for quality accommodation, retail, dining, entertainment and sightseeing, and who may opt to game as part of the experience, and

- meetings, incentives, conferencing and exhibitions (“**MICE**”) participants who attend trade shows, exhibitions and conventions in venues that offer them quality business-friendly accommodation, entertainment, dining and retail facilities.

Cambodia has experienced strong growth over recent years and is positioned for strong GDP growth as compared to its Southeast Asia peers, largely driven by travel and tourism. According to GMA, Cambodia’s GDP is expected to grow at a CAGR of 7.2% from 2017 through 2022 compared to an average of 5.0% in Southeast Asia. Cambodia is also benefitting from increasing international arrivals driven by improved flight connectivity which allows it to capture the growing tourism from Greater China.

We have a strong network of gaming promoters that bring VIP players to NagaWorld from around Asia, particularly Southeast Asia, Greater China and East Asia through their networking, marketing and promotional efforts. In addition, we have entered into collaboration with Bassaka Air Limited (“**Bassaka Air**”), a Cambodian registered commercial airline and a strategic partnership with China International Travel Services Limited (“**CITS**”), one of China’s largest tourism enterprises to encourage Chinese travellers to visit Cambodia generally. Our own private jets also enable us to provide flights to certain of our VIP players travelling to Phnom Penh.

We are also developing an integrated casino and hotel resort in Vladivostok, Russia (“**Naga Vladivostok**”). Naga Vladivostok is expected to be operational in 2019. As of December 31, 2017, we had invested a total of US\$78 million in Naga Vladivostok. See “*Business — Naga Vladivostok.*”

Our long-term vision is to be an international gaming and tourism-related group, which we intend to achieve by adopting a conservative gaming policy and adhering to an optimum gearing policy by utilizing our existing resources, experience and financial success attained in over 20 years of operations in Cambodia. To achieve this vision, we are considering a reorganization of our corporate structure with a view to optimize the strategies of each of our businesses in order to capitalize on the expected continuing growth in these businesses in Cambodia and internationally.

Competitive Strengths

- Our leading integrated resort complex in Cambodia with centralized location
- We are well positioned to capitalize on a fast-growing Cambodian economy with a favorable macro environment
- We benefit from an exclusive and long-term gaming license with no gaming capacity restrictions
- We operate in a low operating cost and gaming tax environment
- Diversified business with balanced exposure to mass market players and VIP players across Asia, driving strong business growth
- Prudent risk management
- Experienced and dedicated management team with strong corporate governance

Strategies

- Continue to focus on growing the attractive mass market segment
- Expand and support our VIP gaming segment with competitive VIP programs and services
- Build a world-class hospitality brand under “NagaHotels”

- Pursue strategic and opportunistic expansion initiatives with a measured approach to expansion
- Maintain a strong balance sheet and a prudent capital structure

Recent Developments

Ramp up of Naga2

Naga2 was completed and we began ramping up operations in November 2017. The operation of Naga2 for a full year in 2018 is expected to significantly affect our business, financial condition and results of operations.

First Quarter Operating Data

The operating data in this section represent indications of business volumes (from which revenues are derived based on the actual daily percentage win-rates recorded by the Group) and do not constitute profit numbers. These business volumes are shown on a basis that is consistent with the presentation of such information in the Company's annual and interim reports.

The information contained in this section is based on a preliminary assessment of the management accounts of the Group and the information currently available to the Company and is not based on any figures or information which have been audited or reviewed by the auditor of the Company.

In April 2018, we announced the following unaudited operational highlights of the gaming branch of the Group for the three months ended March 31, 2018:

	Unaudited figures for the 3 months ended March 31, 2018	Unaudited figures for the 3 months ended March 31, 2017	Increase	Increase
	(US\$ millions)		(%)	
Mass Market Business:				
- Mass Market tables				
Buy-ins ⁽¹⁾	263.8	169.4	94.4	56%
- EGM ⁽²⁾ Bills-in ⁽³⁾	515.4	417.3	98.1	24%
VIP Business (Rollings ⁽⁴⁾)	5,644.1	3,733.4	1,910.7	51%
Gross Gaming Revenue	243.2	86.7	156.5	181%

Notes:

- (1) Total buy-ins refers to in the case of public hall gaming tables, the total value of gaming chips purchased by mass market players ("buy-ins").
- (2) Electronic gaming machines
- (3) Total bill-ins refers to in the case of (owned and licensed) electronic gaming machines, the total amount deposited in the electronic gaming machines ("bill-ins").
- (4) Total rollings refers to in the case of VIP hall gaming tables, the amount of non-negotiable chips purchased by a VIP player or gaming promoter, less the amount of non-negotiable chips returned. Typically only non-negotiable chips are wagered on these tables.

Visitation and tourism growth has continued to underpin NagaWorld's footfall growth. In the first two months of 2018, international arrivals to Cambodia increased by 11% to 1,139,178 visitors compared to the first two months of 2017, of which visitation from Asia Pacific region increased by 17% to 848,333 visitors. In particular, visitation from China increased by 84% to 317,886 visitors. China is the leading source of visitation to Cambodia, accounting for 28% of all visitations (Source: Ministry of Tourism Cambodia).

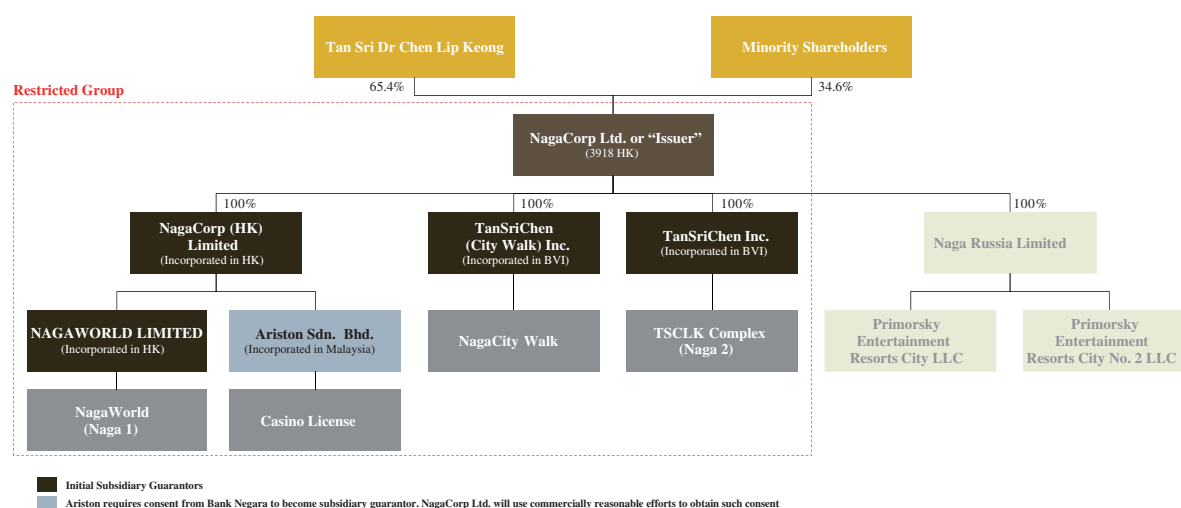
We also noted improvements in rooms and food and beverage revenue as a result of the increase in footfall. Hotel room nights sold increased by approximately 56.2% from 51,386 in the three months ended March 31, 2017 to 80,244 in the three months ended March 31, 2018.

Corporate Information

We are the largest integrated hotel, gaming and leisure operator in Cambodia by revenue, and the Company has been listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 2006. We maintain our principal place of business in Cambodia at NagaWorld, Samdech Techo Hun Sen Park, Phnom Penh, 12301, Kingdom of Cambodia. Our telephone number at that address is +855 23 228822. We maintain our principal place of business in Hong Kong at Suite 2806, 28/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. Our telephone number at that address is +852 2877 3918. Our website is www.nagacorp.com; however information on our website or on other websites referred to on our website is not incorporated by reference into this Offering Memorandum and accordingly should not be relied on in connection with the Offering.

Summary Corporate Structure⁽¹⁾⁽²⁾

The following chart sets out our summary corporate structure as of March 18, 2018. The entities under and including Naga Russia Limited are not “Restricted Subsidiaries” (as defined in “*Description of the Notes*”) and therefore are not generally subject to the covenants contained in the Notes.



Notes

1. NAGAWORLD LIMITED (“NWL”) (formerly known as Naga Resorts & Casinos Limited), a company incorporated in Hong Kong, through its Cambodian branches, is engaged in hotel and entertainment business with casino operations. On May 8, 1995, NAGAWORLD LIMITED entered into a casino license agreement (“CLA”) with Ariston, under which Ariston assigned the casino license to NAGAWORLD LIMITED, and NAGAWORLD LIMITED agreed to pay the casino premium, casino tax and the casino license fee as referred to under the Sihanoukville Development Agreement (“SDA”) (dated January 2, 1995)
2. NagaCorp Ltd. owns 100% of its subsidiaries

THE OFFERING

The following summary contains basic information about the Notes. It is not intended to be complete and it is subject to important limitations and exceptions. Terms used in this summary and not otherwise defined herein have the meanings given to them in “Description of the Notes.” For a more complete description of the Notes, see “Description of the Notes.”

Issuer	NagaCorp Ltd.
Notes Offered	US\$300,000,000 aggregate principal amount of 9.375% Senior Notes due 2021.
Issue Price	99.362% of the principal amount of the Notes.
Issue Date	May 21, 2018.
Maturity Date	May 21, 2021.
Interest	The Notes will bear interest at a rate of 9.375% per annum, payable semi-annually in arrears on May 21 and November 21 of each year, commencing November 21, 2018.
Ranking of the Notes	<p>The Notes will:</p> <ul style="list-style-type: none">• rank equally in right of payment with all existing and future obligations of the Issuer that are not subordinated in right of payment to the Notes;• rank senior in right of payment to any existing and future obligations of the Issuer that are subordinated in right of payment to the Notes;• be effectively subordinated in right of payment to any existing and future obligations of the Issuer that are secured by property or assets that do not secure the Notes, to the extent of the value of the property and assets securing such obligations;• be structurally subordinated to all existing and future obligations of the Issuer’s Subsidiaries that do not guarantee the Notes; and• be unconditionally guaranteed by the Guarantors.

Guarantees	The Notes will be guaranteed on the Issue Date by NagaCorp (HK) Limited, NAGAWORLD LIMITED, TanSriChen (Citywalk) Inc. and TanSriChen Inc. The Indenture will require that certain of the Issuer’s future Restricted Subsidiaries guarantee the Notes, subject to certain exceptions. See “Description of the Notes — Additional Note Guarantees.” Each of the Guarantors will, jointly and severally, guarantee on a senior basis the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under the Notes. A Note Guarantee may be released or replaced in certain circumstances. See “Risk Factors — Risks Relating to the Notes and the Note Guarantees” and “Description of the Notes — Note Guarantees.”
Ranking of the Note Guarantees. .	<p>The Note Guarantee of each Guarantor will:</p> <ul style="list-style-type: none"> • rank equally in right of payment with all existing and future obligations of such Guarantor that are not subordinated in right of payment to such Note Guarantee; • rank senior in right of payment to any existing and future obligations of such Guarantor that are subordinated in right of payment to such Note Guarantee; and • be effectively subordinated in right of payment to any existing and future obligations of such Guarantor that are secured by property or assets that do not secure such Note Guarantee, to the extent of the value of the property and assets securing such obligations.
Use of Proceeds	We intend to use the net proceeds of the offering of the Notes to promote gaming business growth and to refurbish the hotel rooms in Naga1. See “Use of Proceeds.”
Special Mandatory Redemption for Reorganization Event	Following any Reorganization Event, the Issuer will be required to redeem all outstanding Notes at the redemption price set forth in “Description of the Notes — Special Mandatory Redemption for Reorganization Event”, plus accrued and unpaid interest, if any, to the redemption date. See “Description of the Notes — Special Mandatory Redemption for Reorganization Event.”
Optional Redemption	<p>Prior to May 21, 2020, the Issuer at its option may redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes plus the applicable “make-whole” premium described in this Offering Memorandum plus accrued and unpaid interest, if any, to the redemption date.</p> <p>At any time after May 21, 2020, the Issuer at its option may redeem the Notes, in whole or in part, at the redemption price set forth in “Description of the Notes — Optional Redemption” plus accrued and unpaid interest, if any, to the redemption date.</p>

	At any time prior to May 21, 2020, the Issuer may redeem up to 35% of the principal amount of the Notes, with the net cash proceeds of one or more Equity Offerings at a redemption price of 109.375% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to the redemption date. See “Description of the Notes — Optional Redemption.”
Repurchase of Notes upon a Change of Control	Upon the occurrence of a Change in Control, the Issuer will make an offer to repurchase all outstanding Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to the repurchase date. See “Description of the Notes — Repurchase at the Option of Holders — Change of Control.”
Redemption for Taxation Reasons	Subject to certain exceptions and as more fully described herein, the Issuer may redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date, if the Issuer or a Guarantor would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws or certain other circumstances. See “Description of the Notes — Redemption for Taxation Reasons.”
Gaming Redemption.	The Indenture will grant the Issuer the power to redeem the Notes if the gaming authority of any jurisdiction in which the Issuer or any of its subsidiaries conducts or proposes to conduct gaming requires that a person who is a holder or the beneficial owner of Notes be licensed, qualified or found suitable under applicable gaming laws and such holder or beneficial owner, as the case may be, fails to apply or become licensed or qualified within the required time period or is found unsuitable. See “Description of the Notes — Gaming Redemption.”
Covenants	The Indenture will limit ability of the Issuer and the Restricted Subsidiaries to, among other things: <ul style="list-style-type: none"> • incur or guarantee additional indebtedness; • make specified restricted payments; • issue or sell capital stock of Restricted Subsidiaries; • sell assets; • create liens; • enter into agreements that restrict the Restricted Subsidiaries’ ability to pay dividends, transfer assets or make intercompany loans; • enter into transactions with shareholders or affiliates; and • effect a consolidation or merger.

These covenants are subject to important qualifications and exceptions described in “Descriptions of the Notes — Certain Covenants.”

Not all of the Issuer’s Subsidiaries will be Restricted Subsidiaries. The Unrestricted Subsidiaries will not be restricted by these covenants and will not guarantee the Notes. See “Description of the Notes — Brief Description of the Notes and the Note Guarantees — General.”

Transfer Restrictions

The Notes and the Note Guarantees have not been registered under the Securities Act or the securities laws of any other jurisdiction and will be subject to certain restrictions on transfer and resale. See “Transfer Restrictions.”

The Issuer will not register the Notes or the Note Guarantees for resale under the Securities Act or the securities laws of any other jurisdiction or offer to exchange the Notes for notes registered under the Securities Act or the securities laws of any other jurisdiction.

Form, Denomination and
Registration

The Notes will be issued only in fully registered form, without coupons, in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof and will be initially represented by one or more global notes registered in the name of a nominee of The Depository Trust Company.

Book-Entry Only

The Notes will be issued in book-entry form through the facilities of The Depository Trust Company for the accounts of its participants, including Euroclear and Clearstream. For a description of certain factors relating to clearance and settlement, see “Description of the Notes — Book-Entry, Delivery and Form.”

Delivery

The Issuer expects to deliver the Notes against payment in same-day funds on or about May 21, 2018, which is the fifth business day after the date of this Offering Memorandum (such settlement being referred to as “T+5”). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to a trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing or the next two succeeding business days will be required, by virtue of the fact that the Notes initially will settle T+5, to specify alternative settlement arrangements to prevent a failed settlement. See “Plan of Distribution.”

No Prior Market

The Notes will be new securities for which there is no existing market. Although the Initial Purchasers have advised us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market making at any time at their sole discretion without notice. Accordingly, there is no assurance that an active trading market will develop for the Notes.

Trustee, Principal Paying Agent,
Transfer Agent and Registrar . .

GLAS Trust Company LLC.

Listing

Approval in-principle has been received for the listing of the Notes on the SGX-ST. The Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for so long as the Notes are listed on the SGX-ST.

Governing Law

The Notes, the Note Guarantees and the Indenture will be governed by, and will be construed in accordance with, the laws of the State of New York.

Security Codes

	Rule 144A Notes	Regulation S Notes
CUSIP No.:	629721AA9	G6382MAA7
ISIN:	US629721AA93	USG6382MAA74
Common Code:	182228095	182228125

SUMMARY CONSOLIDATED FINANCIAL AND CERTAIN OPERATING DATA

The following tables set forth our summary financial and certain operating data as of the dates and for each of the periods indicated. The summary financial data in this section have been derived from our audited consolidated financial statements as of and for the years ended December 31, 2016 and 2017, prepared in accordance with IFRS and included elsewhere in this Offering Memorandum. Our consolidated financial statements as of and for the years ended December 31, 2016 and 2017 were audited by BDO Limited, independent public accountants. Our Financial Statements are presented in U.S. Dollar. See “Presentation of Financial and Other Information.”

The following information should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the audited consolidated financial statements and the related notes thereto and other information included elsewhere in this Offering Memorandum.

Consolidated Statement of Profit or Loss and Other Comprehensive Income or Loss:

	Year ended December 31,					
	2015		2016		2017	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	(US\$ millions)	%	(US\$ millions)	%	(US\$ millions)	%
Revenue	503.7	100.0	531.6	100.0	956.3	100.0
Cost of sales	(175.9)	(34.9)	(164.8)	(31.0)	(483.4)	(50.5)
Gross profit	327.8	65.1	366.8	69.0	472.9	49.5
Other income	5.6	1.1	5.8	1.1	7.8	0.8
Administrative expenses . . .	(47.2)	(9.4)	(52.6)	(9.9)	(67.2)	(7.0)
Other operating expenses . .	(97.2)	(19.3)	(111.8)	(21.0)	(150.2)	(15.7)
Profit before taxation	189.0	37.5	208.2	39.2	263.3	27.6
Income tax	(16.4)	(3.2)	(24.0)	(4.5)	(8.1)	(0.8)
Profit for the year	172.6	34.3	184.2	34.7	255.2	26.8
Other comprehensive income for the year	(2.5)	(0.5)	(0.5)	(0.1)	2.1	0.2
Total comprehensive income for the year	170.1	33.8	183.7	34.6	257.3	27.0

Consolidated Statement of Financial Position:

	As of December 31,		
	2015	2016	2017
	(US\$ millions)	(US\$ millions)	(US\$ millions)
Current assets			
Consumables	1.2	1.5	1.8
Trade and other receivables	46.0	72.6	101.4
Cash and cash equivalents	143.1	210.9	52.8
Total current assets	<u>190.3</u>	<u>285.0</u>	<u>156.0</u>
Current liabilities			
Trade and other payables	34.8	37.0	77.9
Current tax liability	1.6	2.7	1.8
Total current liabilities	<u>36.4</u>	<u>39.7</u>	<u>79.7</u>
Net current assets	<u>153.9</u>	<u>245.3</u>	<u>76.3</u>

Consolidated Statement of Cash Flows

	Year ended December 31,		
	2015	2016	2017
	(US\$ millions)	(US\$ millions)	(US\$ millions)
Net cash generated from operating activities	195.7	201.7	322.2
Net cash (used in)/generated from investing activities	(121.8)	(135.7)	(354.6)
Net cash (used in)/generated from financing activities	(109.0)	1.8	(125.7)
Net (decrease)/increase in cash and cash equivalent	(35.1)	67.8	(158.1)
Cash and cash equivalents at the beginning of the year	178.2	143.1	210.9
Cash and cash equivalents at the end of the year	143.1	210.9	52.8

Key Performance Indicators and Operating Data

	Year ended December 31,		
	2015	2016	2017
Mass Market: Tables			
Buy-ins (US\$ millions) ⁽¹⁾	550.2	617.8	787.8
Win rate (%)	22.0%	21.0%	19.0%
Revenue (US\$ millions)	120.8	129.7	149.7
Mass Market: Electronic Gaming Machines (“EGM”)			
Bills-ins (US\$ millions) ⁽²⁾	1,370.7	1,498.9	1,821.5
Win rate (%)	9.8%	8.2%	7.9%
Revenue (US\$ millions) ⁽³⁾	136.8	145.5	150.9
VIP Market			
Rollings (US\$ millions) ⁽⁴⁾	7,875.9	8,714.1	21,124.9
Win rate (%)	2.8%	2.6%	3.0%
Revenue (US\$ millions)	223.0	225.7	625.3
Gross Gaming Revenue (US\$ millions)	480.6	500.9	925.9

Notes:

- (1) Total buy-ins refers to in the case of public hall gaming tables, the total value of gaming chips purchased by mass market players (“buy-ins”).
- (2) Total bill-ins refers to in the case of (owned and licensed) electronic gaming machines, the total amount deposited in the electronic gaming machines (“bill-ins”).
- (3) Includes US\$40.0 million, US\$60.0 million and US\$60.0 million of revenue from electronic gaming machine license fees for the years ended December 31, 2015, 2016 and 2017, respectively.
- (4) Total rollings refers to in the case of VIP hall gaming tables, the amount of non-negotiable chips purchased by a VIP player or gaming promoter, less the amount of non-negotiable chips returned. Typically only non-negotiable chips are wagered on these tables.

Non-IFRS Financial Measures

Our non-IFRS financial measures include EBITDA and EBITDA margin. We define EBITDA as our profit before taxation adjusted for finance expenses, depreciation and amortization expenses, as calculated under IFRS.

The table below sets forth our EBITDA and EBITDA margin for the years indicated:

	Year ended December 31,		
	2015	2016	2017
	US\$ millions (except percentages)		
Profit before taxation	189.0	208.2	263.3
Adjustment for:			
Depreciation and amortization expenses (including amortization of casino license premium)	39.5	47.8	56.4
Finance expenses	—	—	—
Total EBITDA	228.5	256.0	319.7
EBITDA Margin	45.4%	48.2%	33.4%

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Non-IFRS Financial Measures.”

RISK FACTORS

An investment in the Notes involves certain risks. You should carefully consider all of the following factors, in addition to all of the information contained in this Offering Memorandum including the consolidated financial statements included herein and the related notes thereto, prior to investing in the Notes. The factors described below are not the only ones facing our company. Additional factors not presently known to us or that we currently deem immaterial may also impair our business operations. Our business, financial condition, results of operations and prospects could be materially and adversely affected by any of these risks. The trading prices of the Notes could decline due to any of these risks and you may lose all or part of your investment. This Offering Memorandum also contains forward looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this Offering Memorandum.

RISKS RELATING TO OUR BUSINESS

We are currently dependent on one integrated casino, leisure and hotel complex for all of our cash flow, which subjects us to greater risks than a gaming company with several operating properties.

Because our operations are currently conducted at one complex in Cambodia, NagaWorld, we are subject to greater risks than a gaming company with several operating properties or with properties in multiple locations due to the lack of diversification of our business and sources of revenues. As a result, our business may be more severely affected by local economic and competitive conditions, changes in law, natural disasters, infectious disease outbreaks, travel restrictions and inaccessibility, regional political instability, changes in gaming demand, liberalization in gaming laws and regulations in other regional economies and a general decline in the number of visitors to Cambodia, compared to other companies with greater diversification in their business. Consequently, any of these factors could have a material adverse effect on our business, financial condition and results of operations.

Our Casino License and its terms may be revoked or not enforced by the Government. In addition, we rely on the exclusive nature of the license.

In order to operate a casino in Phnom Penh, we are required to hold a valid casino license issued by the Government. We were issued the Casino License in 1995, for a period of 70 years. On the occurrence of certain events, the Government has the right to terminate the NagaWorld Development Agreements and/or Casino License. These events include a substantial breach by the investor of any of its obligations under the NagaWorld Development Agreements.

See “*Business — NagaWorld Development Agreements and Casino License — Casino License.*”

Under the terms of the Casino License, we have the exclusive right to operate a casino within the Designated Area until the end of 2035. See “*Business — NagaWorld Development Agreements and Casino License — Casino License.*” If the Government fails to enforce our right of exclusivity, including by allowing local licenses to be issued, and other casinos (whether licensed or not) are allowed to operate in the Designated Area, we will face increased competition which could have a material adverse effect on our business, financial condition and results of operations.

If we lose the Casino License or if the terms are not enforced by the Government, we may not be able to operate our casinos, which would have a material adverse effect on our business, financial condition and results of operations.

In addition, while our Casino License is valid until 2065, our right of exclusivity to operate a casino within the Designated Area is valid only until the end of 2035. See “*Business — NagaWorld Development Agreements and Casino License — Casino License.*” If the Government does not grant us an extension to our exclusivity period, our right of exclusivity will cease at the end of 2035 and other licensed casinos may open in the Designated Area. We would then face increased competition for our players and may lose players to such competing casinos, which may adversely affect our business, financial condition and results of operations.

Restrictions, limitations and additional obligations (including higher tax rates) may be imposed by new casino legislation, regulations or amendments to law in Cambodia.

Cambodian law governs various aspects relating to the operations of a casino in Cambodia, the prevention of money laundering and taxation. The introduction of new or an amendment to Cambodian law relating to such matters may impose new obligations on us, which may result in additional costs of compliance and which may otherwise impact our operations. While we are not currently subject to limits on the number or type of tables that we have in our gaming business, Cambodia may adopt these types of regulations which are found in other jurisdictions.

If the cost of compliance with any new laws or regulations is significant, it could have a material adverse effect on our operations. If we are unable to comply with such new rules and regulations, we may face sanctions from public authorities, which in turn, may have adverse consequences on our business, financial condition and results of operations.

Tax law and administration is complex and often requires us to make subjective determinations. The tax authorities may not agree with our determinations with respect to the application of tax law. Specifically, we enjoyed certain tax incentives pursuant to the terms of the NagaWorld Development Agreements and under Cambodian laws. These incentives have been replaced by a series of agreements with the Government requiring us to pay monthly gaming and non-gaming obligation payments.

The Government published a draft gaming law (entitled “Law on Management of Integrated Resorts and Gaming Businesses”) (the “**Draft Gaming Law**”) for industry comment in August 2016. See “*Regulatory Overview of the Casino Business in Cambodia — Draft Gaming Law*” for a further discussion of the Draft Gaming Law. The Draft Gaming Law has yet to be promulgated and there is no certainty as to whether and when it will be promulgated. Moreover, if the law is enacted, it may differ in material respects from the Draft Gaming Law published for comment in 2016. We cannot predict with certainty whether any gaming law will be promulgated or what the impact of any such legislation will have on our business. The Draft Gaming Law would impose taxes on a monthly basis on casino operators, calculated as a percentage of gross gaming revenue (which would vary depending on the zone in which the casino is located and the nature of the customer). Although the Draft Gaming Law does not specify the rate of such taxes, it is expected to be higher than the amounts which we currently pay to the Government, which could have a material effect on our business, financial condition and results of operations. According to published reports, the Government has indicated that the expected tax rate would be less than 10% although there can be no assurance of the actual levels of taxation under the law is finally adopted.

The Draft Gaming Law contains a provision that any casino license granted by the Government prior to enactment of the law would continue until the end of the term of the license, and that any agreement related to the gaming trade entered into with the Government prior to the date of the law would be protected and remain valid until the end of the term of the agreement. To the extent that the terms of the NagaWorld Development Agreements and/or our Casino License are not protected and are no longer valid under any gaming law as enacted, this could result in a material adverse effect on our business, financial condition and results of operations.

Should regulatory authorities disagree with the application of incentives or otherwise disagree with the determinations made by us, it could result in legal disputes, and ultimately, in the payment of substantial amounts including for tax, interest and penalties, which could have a material adverse effect on our business, financial condition and results of operations.

If we fail to establish and monitor an effective system of internal controls, anti-money laundering and anti-corruption, we may be unable to accurately detect and prevent fraud and corporate governance lapses.

From time to time, we review our internal control, anti-money laundering and anti-corruption policies and procedures and, when required, implement measures to improve and remedy any deficiencies identified. However, there can be no assurance that we will be able to successfully identify all deficiencies or address any identified deficiencies effectively. Any such deficiencies, if significant, could adversely affect our ability to monitor, evaluate and manage our business and operations, or lead to substantial business risks, which could have a material adverse effect on our business, financial condition and results of operations.

Because of its inherent limitations, our internal control system can only provide reasonable, and not absolute, assurance that the objectives of the system are met. Moreover, given the dynamic nature of the gaming industry, we cannot assure you that there will not be new deficiencies in our internal control policies and procedures. Any such deficiency, if material or significant, could adversely affect our management's ability to monitor, evaluate and manage our business and operations, or lead to substantial business or operational risk or inaccurate financial reporting, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

As part of our system of internal controls and focus on anti-money laundering and anti-corruption, we have established risk management policies and strategies, including in relation to credit policies. We cannot assure you that these risk management strategies will have the desired effect, and failure to monitor or implement these strategies or unexpected fluctuations in the relevant risk could have a negative impact on our results of operations.

Naga2 has a short operating history and is therefore subject to significant risks and uncertainties.

Naga2 commenced operations in November 2017. There is limited historical information available about Naga2 upon which investors can base their evaluations of Naga2's business and prospects. Naga2's operations may encounter risks and difficulties frequently experienced by early stage operations, and those risks and difficulties may be heightened by other challenges Naga2 faces. Certain of these risks relate to our ability to:

- operate, support, expand and develop Naga2's operations and facilities;
- obtain and maintain the necessary authorizations, approvals and licenses from the relevant governmental authorities;
- attract and retain gaming patrons and qualified employees;
- maintain effective control of Naga2's operating costs and expenses;
- maintain internal personnel, systems, controls and procedures to assure compliance with regulatory requirements;
- respond to changing regulatory requirements and government policies; and
- respond to competitive market conditions.

If we are unable to successfully manage these risks, we may be unable to operate our businesses in the manner contemplated and generate revenues in the amounts and on the timetables anticipated, which could have a material adverse effect on our business, financial condition and results of operations.

Our revenues may be volatile as a result of the high proportion of VIP players at NagaWorld, which is likely to further increase in the future.

In 2017, 65.4% of our revenue was earned from VIP players, compared to 44.3% in 2015. The proportion of VIP gaming segment contribution to total revenue could further increase in the future as part of our business strategy.

VIP players typically place large individual wagers, relative to mass market players. See “*Business — Gaming Patrons — VIP Players.*” High-end gaming is more volatile than other forms of gaming, and variances in win-loss results attributable to high-end gaming may have a material impact on our gaming revenue in a particular period. Consequently, our gaming revenues may experience volatility during a particular interim period and may not be indicative of our gaming revenue for a full year. As a result, should one or more of our VIP clients win large sums, it may have a short-term, material adverse effect on our business, financial condition and results of operations. In addition, VIP gaming may be particularly susceptible to certain changes in government policies, regulations and enforcement actions. For instance, the anti-corruption campaign of the Chinese government has had an adverse effect on VIP gaming in Macau in recent years.

We depend upon a relatively small number of gaming promoters for a significant portion of our revenue. If we are unable to maintain, or develop additional, successful relationships with reputable gaming promoters, our ability to maintain or grow our business may be adversely affected. Increased competition may exert upward pressure on amounts paid to gaming promoters.

A substantial proportion of our revenue is generated by players introduced by gaming promoters which represented more than 59.9% of our total revenue in 2017. We also rely on VIP players brought to NagaWorld by a relatively small number of gaming promoters for an increasingly substantial portion of our revenue, with one promoter accounting for approximately half of our total revenue in 2017. See “*Business — Gaming Patrons — Gaming promoters.*” We intend to use a significant portion of the proceeds from the Offering to support our VIP gaming business and attract more VIP players to NagaWorld. There can be no assurance that this investment will attract VIP players or gaming promoters or encourage VIP players to increase their rollings.

If we are unable to maintain, or develop additional, successful relationships with reputable gaming promoters or lose our main gaming promoter or a significant number of other existing gaming promoters to competitors, our ability to maintain or grow our revenues will be hampered and we will have to seek alternative ways of developing relationships with VIP players. Increased competition may exert upward pressure on revenue-based incentive or commission amounts paid to gaming promoters and adversely affect our profitability. In addition, if our gaming promoters are unable to develop or maintain relationships with a sufficient number of VIP players, it may have a material adverse effect on our business, financial condition and results of operations.

The financial resources of our gaming promoters may be insufficient to allow them to continue doing business at NagaWorld.

Our gaming promoters may encounter decreased liquidity and financial stress, which may limit their ability to grant credit to VIP players, which, in turn, may decrease gaming volume at NagaWorld. See “*Business — Credit and Payment Management — Extension of credit to VIP Players.*” Further, credit already extended by our gaming promoters to players may become increasingly difficult for them to collect, and these gaming promoters may only be able to enforce gaming receivables in a limited number of jurisdictions. Either the inability to grant credit to VIP players or collect amounts due may negatively affect the operations of our gaming promoters, which, in turn, may adversely affect our business, financial condition and results of operations.

We are exposed to credit risk on delayed payment terms and credit extended to our gaming promoters.

From time to time, we provide delayed payment terms to our gaming promoters to provide them with liquidity for their business operations. We determine the delayed payment terms based upon, among other factors, the current and historical levels of play generated by a specific gaming promoter as well as background checks. From time to time, we also provide credit to a reasonable number of VIP players and gaming promoters. See “*Business — Credit and Payment Management.*” If a significant number of gaming promoters and / or VIP players are unable to repay the amounts owed to us, it may have a material adverse effect on our business, financial condition and results of operations.

The winnings of our players could exceed our casino winnings and theoretical win rates for our casino operations depend on a variety of factors, some beyond our control.

Our gaming revenues are mainly derived from the difference between our gaming winnings and the winnings of our players. Since there is an inherent element of chance in the gaming industry, we do not have full control over our winnings or the winnings of our players. If the winnings of our players exceed our casino winnings, we may record a loss, which may, in turn, have a material adverse effect on our business, financial condition and results of operations.

The gaming industry is characterized by an element of chance. In addition to the element of chance, theoretical win rates are also affected by other factors, including players’ skill and experience, the mix of games played, the financial resources of players, the spread of table limits, the volume of bets placed by our players and the amount of time players spend on gambling.

Moreover, there is no assurance that the electronic gaming machines at NagaWorld will be functioning properly at all times. If any one or more of those gaming machines malfunction due to technical or other reasons, the win rates associated with the gaming machines may be affected in a way that adversely impact our gaming revenue. These factors, alone or in combination, have the potential to negatively impact our win rates, and, as our actual win rates may differ greatly over short time periods, it could cause our financial results to be volatile. As a consequence, these factors may have a material adverse effect on our business, financial condition and results of operations.

Our business is sensitive to the willingness or ability of our gaming patrons to travel.

As most of our gaming patrons travel to reach NagaWorld, our business depends on the willingness and ability of our customers to travel. Only a small amount of our business is generated by residents of Phnom Penh. This is primarily because, under Cambodian law, only holders of foreign passports are permitted to gamble in Cambodia’s casinos’ gaming halls. If the Government imposes restrictions on visitor access, such as more stringent visa or other entry requirements or if there are other restrictions on access to Cambodia, it may deter foreigners from visiting Cambodia, and as a consequence, NagaWorld.

To the extent the travel patterns of gaming patrons from those key countries changes, it may adversely affect our business, financial condition and results of operations.

In addition, acts of terrorism, outbreak of hostilities, regional political events, accidents involving flights in or out of Cambodia or increased airfares could have a negative impact on international travel and leisure expenditure. Improved access to other parts of Cambodia may also draw visitors away from Phnom Penh. Disruptions on travel to Phnom Penh could significantly adversely affect our business, financial condition and results of operations.

We may not be able to execute our strategy of operating one of the leading casino resorts in Southeast Asia and consequently, may fail to satisfy our players' desire for the highest level of service and finest quality of amenities.

Consistent with our strategy, NagaWorld was designed and built to be one of Southeast Asia's leading integrated casino and hotel resorts. NagaWorld integrates upscale design, distinctive entertainment and superior amenities, including fine dining, to appeal to a variety of players. Our success in attracting players and maintaining client loyalty is largely the result of our strategy to provide a full service casino resort for our players' enjoyment and to accommodate the needs of our players. As players at NagaWorld are accustomed to enjoying high levels of service when travelling, we constantly strive to fully satisfy all the needs, expectations and desires of our players. In addition, our hotels are also subject to the risk of changes in customer preferences. For example, customers in the future may prefer smaller, "boutique" hotels or peer-to-peer property rentals. The impact of such changes in customer preferences on our business is difficult to predict.

If we are unable to provide players with facilities and services that meet their required standards, if we fail to anticipate or respond adequately to the changing needs, expectations or preferences of our players, or if one or more of our competitors offer a superior experience, it may have a material adverse effect on our business, financial condition and results of operations.

Our business is particularly sensitive to reductions in discretionary consumer spending resulting from downturns in the economies of Cambodia and other countries in Asia.

Demand for integrated resorts and for the type of amenities NagaWorld offers is particularly sensitive to downturns in the global and regional economy and a corresponding decrease in discretionary consumer spending. Changes in discretionary consumer spending could be driven by factors such as perceived or actual general economic conditions, political or social instability, high energy, fuel and other commodity costs, the cost of travel, the potential for bank failures, a weakening job market, an actual or perceived decrease in disposable consumer income and wealth, fears of recession and changes in consumer confidence in the economy, whether globally or regionally.

Given that our gaming patrons typically come from Southeast Asia, Greater China and East Asia, we are particularly sensitive to reductions in discretionary consumer spending in these countries and regions. If there are extended or pronounced downturns in the economies of these regions and countries, it may have a material adverse effect on discretionary travel and spending for people from these locations, which in turn could have a material adverse effect on our business, financial condition and results of operations.

These and other factors have in the past reduced consumer demand for the gaming-related services and amenities we offer, and adversely affected our gaming business, financial condition and results of operations.

Although recent data have shown significant growth in terms of visitor arrivals in Cambodia, there can be no assurance that these trends will continue or that government responses to global economic conditions will successfully address fundamental weakness in the markets or increase consumer confidence. Weakness in the global economy or in the economies of the countries where our gaming patrons reside and/or generate their income, may result in a reduction of the number of patrons, including VIP players, visiting NagaWorld or a reduction in the frequency of visits by these patrons, or may result in these patrons visiting NagaWorld but spending less money. Any reduction in consumer demand for the gaming-related services and amenities we offer would affect our business, financial condition and results of operations.

Should any of these risks materialize, it may result in the imposition of limits on the pricing of our offerings, which could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to access capital necessary to fund capital expenditure requirements and we may not execute our planned expansion and other capital expenditure plans including the refurbishment of Naga1.

The gaming industry and the hospitality business are capital intensive and we may be adversely affected if we are unable to finance our required working capital or capital expenditure. We may also need funding for working capital and capital expenditure requirements of NagaWorld, Naga Vladivostok and of any resorts or hotels we develop or acquire in the future. For example, we will require periodic capital expenditure, refurbishments, renovation and improvements to remain competitive and we expect to incur capital expenditure costs in connection with renovations and improvements at Naga1. The development of additional integrated resorts or expansions at NagaWorld will require significant capital expenditure.

While we intend to use a portion of the proceeds of this Offering to fund the refurbishment of Naga1 beginning of 2018, the availability of capital or the conditions under which we can obtain capital can have a significant impact on the overall level and pace of future development. Economic downturns can cause credit markets to experience significant disruption which reduced liquidity and credit availability. In addition, the refurbishment of Naga1 will cause disruption of our operations at NagaWorld.

Additional equity or debt financing is subject to prevailing conditions in the equity and credit markets, and may not be available on favorable terms or at all. If we cannot obtain capital on commercially reasonable terms or at all, then we may not be able to meet the ongoing capital requirements of our business and we may need to postpone or cancel planned renovations or capital improvements.

Even if we obtain the necessary financing, we may not be able to successfully implement our plans to refurbish Naga1 as part of our strategy to build “Naga” as an international brand. If our efforts in refurbishing, developing and promoting NagaWorld are not successful in attracting the level of patronage that we are targeting, we may be unable to build, maintain or grow our market share in the future or otherwise compete effectively. Our failure to successfully implement our plans could result in the Company being required to provide additional financing to service project development costs, which would have a material adverse effect on our business, financial condition and results of operations.

In addition, any cost overruns or delays could increase our capital expenditure requirements. These additional costs and/or our failure to obtain additional capital on commercially reasonable terms in a timely manner or at all could also negatively impact our business, financial condition and results of operations.

We are considering a reorganization of our corporate structure with a view to optimize the strategies of each of our businesses in order to capitalize on the expected continuing growth in our business in Cambodia and internationally. Any reorganization could involve risks to our business.

Our long-term vision is to be an international gaming and tourism-related group, which we intend to achieve by adopting a conservative gaming policy and adhering to an optimum gearing policy by utilizing our existing resources, experience and financial success attained in over 20 years of operations in Cambodia. To achieve this vision, we are considering a reorganization of our corporate structure with a view to optimize the strategies of each of our businesses in order to capitalize on the expected continuing growth in these businesses in Cambodia and internationally. There can be no assurance that this type of reorganization will be successful and will not disrupt our operations. We may not realize the intended benefits of any reorganization.

We may not be able to generate sufficient cash flow to meet our debt service obligations.

In addition to the debt incurred by the issuance of the Notes, under the terms of the Indenture governing the Notes, we will be permitted to incur additional indebtedness. Our ability to make scheduled payments due on the Notes and any other debt obligations that we may incur, and to refinance and to fund working capital needs, planned capital expenditure and development efforts will depend on our ability to generate sufficient operating cash flow from our projects. Our ability to obtain cash to service our debt is subject to a range of economic, financial, competitive, regulatory, business and other factors, many of which are beyond our control, including:

- our operating performance;
- the demand for services that we provide;
- general economic conditions and economic conditions affecting Cambodia or the gaming industry in particular;
- competition; and
- regulatory factors affecting our operations and business.

If we do not generate sufficient cash flow from operations or if sufficient financing is not available to enable us to pay our indebtedness or to fund our other liquidity needs, we may need to sell assets, reduce or delay capital investments or seek to raise additional capital, any of which could have a material adverse effect on our operations. In addition, we may not be able to effect any of these actions on commercially reasonable terms or at all. Our ability to sell assets or restructure or refinance our indebtedness, including the Notes, will depend on the condition of the debt and equity markets and our financial condition and potentially governmental approval at such time. Any refinancing of any of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of the Indenture governing the Notes and other future debt may limit or prevent us from taking any of these actions. In addition, any failure to make scheduled payments of interest and principal on our indebtedness would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness on commercially reasonable terms or at all. Our inability to generate sufficient cash flow to satisfy our debt service obligations, or to refinance or restructure our obligations on commercially reasonable terms or at all, could have a material adverse effect on our business, financial condition and results of operations, as well as on our ability to satisfy our obligations in respect of the Notes.

We depend on the reputation and integrity of the parties with whom we engage in business activities, and if they are unable to maintain required standards of probity and integrity, we may face reputational and other consequences.

The reputation and integrity of the parties with whom we engage in business, in particular the gaming promoters with whom we deal, are important to our own reputation and ability to continue to operate in compliance with our Casino License and Cambodian gaming laws. See “*Business — Gaming Patrons — Gaming promoters.*” While our endeavors to ensure that our gaming promoters comply with the appropriate standards of probity and integrity, no assurances can be provided that they will always maintain these standards. In addition, if we enter into a business relationship with a gaming promoter whose probity was in doubt, this may be considered to reflect negatively on our own probity. If any of our gaming promoters violate any applicable laws, public authorities may, in their discretion, take enforcement action against us, and we may be sanctioned and our reputation harmed, which, in turn, may adversely affect our business, financial condition and results of operations.

We may face allegations, complaints or reports made by third parties, which could adversely affect our reputation, corporate image and ability to conduct or expand our operations.

We may face allegations and complaints made by third parties (including customers) and in media reports in relation to compliance with anti-money laundering laws or other laws. For instance, in 2016, we were ordered to remove an awning over the sidewalk facing Hun Sen Park.

Any incidents, regulatory investigations or reports through the media or other third parties of possible money laundering or other illegal activities involving us, or our employees or gaming promoters, could harm our reputation and corporate image, or otherwise adversely affect our ability to conduct or expand our business, which may, in turn, have a material and adverse effect on our business, financial condition and results of operations.

Our food and beverage businesses could be disrupted if we fail to obtain, or experience material delays in obtaining, the necessary licenses.

Pursuant to Cambodian law, all food and beverage businesses must obtain a license from the Ministry of Tourism. Although our restaurants and bars and other food and beverage businesses currently meet the specific licensing conditions imposed by the Ministry of Tourism, we might encounter delays or other difficulties in fulfilling the conditions of such licenses or obtaining new licenses or we might not be able to adapt to new rules and regulations that may come into effect from time to time with respect to food and beverage businesses in Cambodia. There may also be delays on part of the relevant regulatory authorities for reviewing our applications and granting licenses.

If we fail to obtain, or encounter significant delay in obtaining the necessary licenses for the food and beverage businesses at NagaWorld, we may be forced to shut down these outlets which could adversely affect the attractiveness of and the number of visitors to NagaWorld, which in turn could have a material and adverse effect on our business, financial condition and results of operations.

If our food and beverage suppliers do not deliver high quality food and beverages and other supplies to our restaurants at competitive prices or in a timely manner, we may experience supply shortages and increased food costs.

The ability to source quality food ingredients and beverages at competitive prices in a timely manner is important to our non-gaming business. Our ability to maintain consistent quality and maintain our menu offerings throughout our restaurants depends, in part, upon our ability to acquire fresh food products and beverages and related supplies from reliable sources that meet our quality specifications and in sufficient quantities. We are exposed to the risks that we cannot obtain supplies in sufficient quantities or quality and that the price of our supplies increases significantly. A disruption of our food or beverage supplies could occur for a variety of reasons, many of which are beyond our control. This could increase our food and beverage costs or cause shortages of food, beverages and other supplies at our restaurants, which, in turn could have a material adverse effect on our business, financial condition and results of operations.

We face risks related to instances of food-borne illnesses, food contamination and associated liability claims.

We face an inherent risk of food contamination and associated liability claims. Our food quality depends partly on the quality of the food ingredients and provided by our suppliers. As a result, we may not be able to detect all defects or food contamination which could be caused due to factors which are outside of our control. Due to the scale of our operations, we also face the risk that certain of our employees may not adhere to our mandated procedures and requirements. Any failure to detect defective food supplies, or observe proper hygiene, cleanliness and other quality control requirements or standards could adversely affect the quality of the food we offer inside or outside our restaurants, which could lead to liability claims, complaints and related adverse publicity or the imposition of penalties by relevant authorities, which, in turn, could have a material and adverse effect on our business, financial condition and results of operations.

The occupancy rates of, and revenues generated by, our hotels and non-gaming offerings may be volatile.

By their nature, hotels generally do not have occupants who are committed to medium- and long-term contractual rental payments. As a result, there could be high variability in hotel occupancy rates at different times. In addition, our hotels face competition from other international hotels in Phnom Penh. See also “*Risks Relating to the Gaming and Tourism Industries in Cambodia — The hotel and leisure industry is highly competitive.*” Our success in non-gaming offerings also depends on, among

others, the effectiveness of our advertising and marketing initiatives, the attractiveness of our entertainment facilities as compared to other resorts in the region, and our continued cooperation with the popular retail brands and restaurants. There is no assurance that we will be financially successful in our non-gaming offerings or be able to maintain the occupancy rate of our hotels. As a result, revenues and profits generated by our hotels and other non-gaming offerings may be volatile.

We may not be able to execute our strategy of building and positioning Naga Vladivostok as a prime destination.

We have incurred, and will continue to incur, significant capital expenditures associated with the development of Naga Vladivostok. As of December 31, 2017, we had invested approximately US\$78 million to develop Naga Vladivostok. We may not be able to successfully implement our plans to develop Naga Vladivostok as a prime destination. If our efforts in developing and promoting Naga Vladivostok are not successful in attracting the level of patronage that we are targeting, we may be unable to build, maintain or grow our market share in the future or otherwise compete effectively. Our failure to successfully implement our current plans for the development of Naga Vladivostok could result in the Company being required to provide additional financing to service project development costs, which would have a material adverse effect on our business, financial condition and results of operations.

Since we rely on a third party developer, we face significant risks associated with the on-going and planned development of Naga Vladivostok, which could prevent or delay the opening of Naga Vladivostok.

Our on-going and planned development of Naga Vladivostok through a third party developer entails significant risks. We have outsourced the development of Naga Vladivostok under a fixed-price contract. Construction activity requires this contractor to retain qualified contractors and subcontractors, who may not be available when needed or available on acceptable terms.

While we have entered into a fixed-cost arrangement for development of Naga Vladivostok, development projects of the size and scope of Naga Vladivostok are subject to cost overruns and delays caused by events outside of our control or our contractor's control, such as shortages of materials or skilled labor, disputes with or defaults by contractors and subcontractors, unforeseen engineering, environmental and/or geological problems, work stoppages, fires, weather interference such as typhoons and other natural disasters, unanticipated cost increases, changes in applicable laws and regulations or in the interpretation and enforcement of laws and regulations relating to construction, zoning or land rights, and unavailability of construction equipment. Any of these construction, equipment or staffing problems or difficulties in obtaining any of the requisite licenses, permits, allocations and authorizations from governmental or regulatory authorities could increase costs; delay, jeopardize or prevent the construction or opening of Naga Vladivostok, or otherwise affect the design and features of Naga Vladivostok. If the third party contractor is unable to successfully manage the development of Naga Vladivostok, it could have a material adverse effect on our business, financial condition and results of operations.

We have entered into a fixed-price contract with a contractor for the development of Naga Vladivostok. As a result, we rely heavily on this third party for the execution of our planned development which could result in unforeseen delays. If we are unable to effectively manage this risk, we may not be able to open or complete Naga Vladivostok, which could have a material adverse effect on our business, financial condition and results of operations.

We are contracted with a third party developer to spend an additional US\$222 million to complete Naga Vladivostok. The anticipated costs and completion date for Naga Vladivostok are reflected in our fixed-price contract and based on budgets, designs, engineering plans, development and construction documents, and schedule estimates that our contractor has prepared with the assistance of architects and other design and development consultants. While the third party developer is subject to significant penalties if it does not deliver the project on time, we may not be able to enforce or recover these claims. A failure to complete Naga Vladivostok on budget or on schedule may adversely affect our business, financial condition and results of operations.

Obtaining the requisite permits and approvals for the development of Naga Vladivostok is time consuming and failure to comply with applicable laws and requirements regulating construction activities in Russia could materially adversely affect our business, financial condition and results of operations; and selective, unlawful or arbitrary government action in Russia could harm our business and result in a deterioration of the investment climate in Russia.

Our on-going and planned development of Naga Vladivostok, in particular, the relevant construction activity, is subject to regulation by various governmental entities and agencies in connection with obtaining and renewing various licenses, permits, approvals and authorizations, as well as with ongoing compliance with existing laws, regulations and standards. The planning and approval process in most parts of the Russian Federation is bureaucratic and involves uncertainty. Each project being developed in Russia must receive administrative approvals from various governmental agencies, including the fire, health and safety, environmental protection and sanitary departments, as well as technical approvals from various utility providers, including electricity, gas and sewage services. These requirements may hinder, delay or significantly increase the costs of our development activities in Russia. If we are not able to obtain the requisite permissions and/or if we were found to have violated the applicable laws and regulations, we may not be able to finalize the development of Naga Vladivostok in accordance with our plan or at all. Moreover, we may be subject to fines or other penalties for non-compliance with applicable laws and regulations. Any of the above-mentioned factors could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

State authorities have a high degree of discretion in Russia and at times exercise such discretion arbitrarily, without conducting a hearing or giving prior notice, and sometimes they illegally go beyond the limits of their discretion. Moreover, the state also has the power, in certain circumstances, by regulation or act, to interfere with the performance of, or to nullify or terminate contracts. Unlawful or arbitrary state actions have included withdrawal of licenses, sudden and unexpected tax audits, criminal prosecutions and civil actions. Federal and local government agencies have also used common defects in matters surrounding documentation of financing activities as pretexts for court claims and other demands to invalidate such activities and/or to void transactions, often for political purposes. In addition, state authorities have, in the past, publicly announced interpretations and regulatory initiatives, which significantly influenced certain industries and companies. Unlawful or arbitrary state action or public announcement of any initiative or interpretation, if directed at us, our management, our principal shareholders or our partners could have a material adverse effect on our business, results of operations, financial condition and prospects.

We may not be able to execute our strategy of global expansion initiatives.

Pursuing strategic and opportunistic global expansion initiatives is one of our key strategies. We have incurred, and will continue to incur, significant capital expenditures associated with the development of our global expansion initiatives. We may not be able to successfully implement our strategic plans to expand globally. If our efforts in global expansions are not successful in attracting the level of patronage and the types of businesses that we are targeting, we may be unable to build, maintain or grow our market share in the future or otherwise compete effectively. Our failure to successfully implement our current plans for global expansion could result in the Company being required to provide additional financing to service project development costs and have a material adverse effect on our business, financial condition and results of operations.

Should China Duty Free Group suffer a decline in its financial stability or end its tenancy and other arrangements to operate NagaCity Walk, it could have a material adverse effect on our business.

The tenancy arrangements with China Duty Free Group who operate NagaCity Walk expires on August 30, 2026. There can be no assurance that this arrangement will be renewed upon expiry. In addition, general economic conditions may adversely affect the financial stability of China Duty Free Group which may lead to it terminating the arrangement prior to expiry.

The loss of China Duty Free Group as an operator of NagaCity Walk could result in a period of vacancy, which could adversely affect our business, financial condition and results of operations. In addition, we may also incur additional costs, including legal expenses, in maintaining and re-letting NagaCity Walk to another tenant (assuming we are able to procure a tenant or tenants). If any of these risks materialize, it may have a material and adverse effect on our business, financial condition and results of operations.

Certain of our business are operated through collaboration and strategic partnerships and may be subject to certain risks due to the actions or omissions of our partners.

We collaborate with Bassaka Air (which enables us to provide charter services to certain of our visitors travelling from mainland China and Macau to Phnom Penh) and strategic partnerships with CITS (with whom we cooperate in bringing Chinese travelers to Cambodia generally). There can be no assurance that these arrangements will be successful and/or achieve their planned objectives. The performance of these operations depend on the financial and strategic support of our other partners. Such other partners may make ill-informed or inadequate decisions or be unwilling to supply the required operational, strategic and financial resources (to the extent applicable) which could materially affect these partnerships and/or operations. If any of our partners were to change their business strategies or no longer be willing to participate in these arrangements, our business, financial condition and results of operations could be materially and adversely affected.

Loss of the commitment and services of our senior management may adversely affect our business.

Various members of our senior management team have been employed by us for a number of years and have contributed to the success of our operations. In particular, we rely on Dr. Chen, our founder, who has over 30 years of experience in the gaming industry and is our ultimate controlling shareholder. Due to the nature of our business, maintaining strong personal relationships with the Government, our gaming promoters and certain VIP players is essential to our success and, accordingly, the continued service of key members of our senior management team is important to our success. If key members of our management team leave us or cease to be committed or reduce their commitment to our business, or if we are unable to attract and retain additional qualified senior personnel as needed, we may have a material adverse effect on our business, financial condition and results of operations.

Dr. Chen, our founder, controlling shareholder and Chief Executive Officer, has significant influence over us and his interests may differ from those of the Noteholders and the shareholders.

As a result of his substantial equity and voting interests, Dr. Chen, the founder, controlling shareholder and Chief Executive Officer, has the power, among other things, to appoint and change our management, affect our legal and capital structure and our day-to-day operations and approve material transactions and financings. These actions may be taken in many cases without the approval of other shareholders and the interests of Dr. Chen, as our ultimate Controlling Shareholder, may conflict with the interests of other shareholders.

In addition, Dr. Chen also holds substantial interests in other listed and unlisted companies. To the extent these interests require substantial time commitments from Dr. Chen and/ or the interests of these companies diverge from or compete with the Company, Dr. Chen's interests may conflict with the interests of the public Shareholders.

Dr. Chen has in the past agreed to defer a substantial amount of compensation in the form of annual performance bonuses to which he is contractually entitled. In some cases, this deferred compensation remains outstanding. If Dr. Chen decides to accept payment of amounts due to him, it may adversely affect the financial condition of the Company. See "*Management Discussion and Analysis of Financial Condition and Results of Operations — Contingent Liabilities.*"

Our business depends on our ability to attract and retain a sufficient number of qualified employees to run our operations. A limited labor supply and labor unrest could cause costs to increase.

Our business is labor intensive and, therefore, our success depends in large part on our ability to attract, train, motivate and retain a sufficient number of qualified and skilled employees to run our operations. Cambodia has a relatively limited labor market for the supply of employees for our operations. Many employees at NagaWorld are required to possess certain gaming-related skills for which substantial training and experience are needed. As a result, there can be no assurance that we will be able to continue to recruit and retain a sufficient number of qualified employees for our operations. It is also possible that we may be required to source suitable employees from other countries or regions, which may result in increased labor related costs. In addition, labor union unrest may lead to a rise in wages. These in turn may have a material adverse effect on our business, financial condition and results of operations.

We depend upon our ability to provide secure gaming products and to maintain the integrity of our employees and our reputation in order to attract players.

The integrity and security of gaming operations are critical factors to attracting players. We strive to set exacting standards of personal integrity for our employees and security for the gaming systems and devices that we provide to our players. See “*Business — NagaWorld’s Gaming Operations — Security and Surveillance.*” For this reason, an allegation or a finding of illegal or improper conduct on our part, or on the part of any of our employees, or an actual or alleged system security defect or damaging behavior by our gaming promoters, may have a material adverse effect on our business, financial condition and results of operations.

We may face labor disputes or disagreements with our employees, which may lead to a rise in wages.

Some of our employees belong to two labor unions. We do not have any collective agreements in place with such unions. While we have not experienced labor disputes or disagreements in recent years, there have been disputes with employees as recently as 2013 and 2016. Labor union disputes in recent years have led to wage increases in Cambodia. For example, in response to garment workers’ clashes with the police in recent years, the government raised the minimum monthly wage of workers in textiles and footwear industry by 11% starting from 2018. We also increased wages for our workers in 2014 following the disputes in 2013. We may face disagreements or labor disputes with employees belonging to such unions or our other employees, which may lead to a rise in wages. If there are such disagreements or disputes, it could lead to a rise in wages and higher costs for us, which may in turn adversely affect our business, financial condition and results of operations.

We may fail to protect or enforce our intellectual property rights, in particular in relation to “NAGA” or “NAGAWORLD”.

We regard our intellectual property, in particular in relation to “NAGA” and “NAGAWORLD”, as critical to our success. As a result, we have registered our trademarks and other significant intellectual property in several jurisdictions. See “*Business — Intellectual Property Rights.*” If we lose our ability to use such intellectual property, whether due to trademark claims, failure to renew applicable registration or any other cause, we may be forced to market our offerings under a different brand name which could cause substantial harm to our business or cause us to incur significant expenses.

Although we have registered the trademark “NAGA” in Hong Kong, the “NAGA” name is widely used by a variety of businesses around the world, including in the rest of Asia. Consequently, there is a risk that our trademark registration for the word “NAGA” might be challenged by the owner of another similar trademark. If a challenge were to be successful, we could be forced to re-brand under a new name at considerable cost and disruption to the business. In addition, the use of the “NAGA” name by a casino or hotel which is not part of NagaWorld outside of Cambodia may confuse the public, and any damage to the reputation of businesses operating with similar trade names could also be detrimental to us. An inability to manage risks relating to the “NAGA” brand for any reason could have a material adverse effect on our business, financial condition and results of operations.

From time to time, we may be involved in legal and other proceedings arising out of our operations.

We may be involved in disputes with various parties involved in or affected by the construction and operation of our properties, including disputes with contractors and/or suppliers. We may also be involved in disputes with parties including non-governmental organizations regarding the right to use our land. Regardless of their outcome, these disputes may lead to legal or other proceedings and may result in substantial costs and the diversion of resources and management's attention. In addition, we may also have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decisions that may result in additional costs and/or penalties. Any of these events could have a material adverse effect on our business, financial condition and results of operations.

Our insurance coverage may not be adequate to cover all potential losses that it could suffer, and our insurance costs could increase.

Our insurance coverage may not be adequate to cover all potential losses that we could suffer, and our insurance costs could increase. Although we have all-risk property insurance for NagaWorld covering damage caused by a casualty loss (such as fire and certain natural disasters), each policy has certain exclusions and we currently do not have insurance to cover gaming promoter credit risk. In addition, our property insurance coverage is in an amount that may be less than the expected full replacement cost of rebuilding the facilities if there were a total loss. Our level of insurance coverage may also be inadequate to cover all possible losses in the event of a major casualty. In addition, certain casualty events, such as labor strikes, loss of income due to cancellation of room reservations due to fear of terrorism, or damage resulting from deterioration or corrosion, insects or animals and pollution, might not be covered under our policies. Therefore, certain acts and events could expose us to substantial uninsured losses. In addition to the damage caused to our properties by a casualty loss, we may suffer business disruption as a result of these events or be subject to claims by third parties who were injured or harmed.

While we carry general liability insurance and limited business interruption insurance, this insurance may not continue to be available on commercially reasonable terms and, in any event, may not be adequate to cover all losses. We also have builder's risk insurance for our ongoing development project, Naga Vladivostok. Builder's risk insurance provides coverage for projects during their construction for damage caused by a casualty loss. In general, our builder's risk coverage is subject to the same exclusions, risks and deficiencies as those described above for our all-risk property coverage. Our level of builder's risk insurance coverage may not be adequate to cover all losses in the event of a major casualty event. Moreover, in the future, the cost of coverage may become so high that we may be unable to obtain the insurance policies we deem necessary for the construction and operation of our projects (including Naga Vladivostok) on commercially reasonable terms, or at all, or we may need to reduce our policy limits or agree to further exclusions from our coverage.

In addition, we do not have insurance coverage for occurrences of terrorist acts with respect to our properties and for certain losses that could result from these acts. The lack of sufficient insurance coverage for these types of acts could expose us to substantial losses if any damages occur, directly or indirectly, as a result of terrorist attacks or otherwise, which could have a significant negative impact on our operations.

We renew our insurance policies (other than our builder's risk insurance) on an annual basis. The cost of coverage may become so high that we may need to further reduce our policy limits, or agree to certain exclusions from our coverage. There is also limited available insurance in Cambodia and our Cambodian insurance companies may need to secure reinsurance in order to adequately insure our properties. Among other factors, it is possible that regional political tensions, security concerns, other catastrophic events or any change in legislation governing insurance coverage for acts of terrorism could materially and adversely affect available insurance coverage and result in increased premiums on available coverage (which may cause us to elect to reduce our policy limits), additional exclusions from coverage or higher deductibles. Any of these factors may have a material adverse effect on our business, financial condition and results of operations.

Security breaches and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer.

In the ordinary course of our business, we collect and store sensitive data, including our proprietary business information, highly sensitive and personally identifiable information of our players and information on our business partners including gaming promoters. The secure processing and maintenance of this information in our data center is critical to our operations and business strategy. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, and regulatory penalties, disrupt our operations and the services we provide to customers, and damage our reputation, which could adversely affect our business, financial condition and results of operations.

We may be deprived of our rights in respect of the parcels of land on which NagaWorld is constructed.

We hold long-term leasehold rights on the parcels of land on which NagaWorld is constructed. The leasehold rights in respect of these leasehold lands (including renewals) expire on June 10, 2062, July 31, 2095, and December 14, 2110. See “*Business — Properties.*”

Pursuant to the lease agreements in respect of these parcels of lands, the Municipality of Phnom Penh has the right to annul the agreements if, among other things, the rental payments are outstanding for six consecutive months or more. If we fail to make our rental payments under such lease agreements or there are disputes between us and the Municipality of Phnom Penh in respect of such parcels of land, the Municipality of Phnom Penh may terminate one or more of the lease agreements. If this were to occur, we may not be able to operate our casinos, hotels or retail facilities which, in turn, may have a material adverse effect on our business, financial condition and results of operations.

Property laws in Cambodia may not provide a lessee the same level of protection as in countries which are considered generally to have more developed legal systems. If there is a change in laws or regulations in Cambodia that impose restrictions on our right to the leased land or if we are otherwise deprived of the right to use the leased land, there will be a material adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO THE GAMING AND TOURISM INDUSTRIES IN CAMBODIA

Operations of additional casinos in Cambodia may adversely impact our revenue and profitability.

Although the Government has granted us the exclusive right to operate a casino within the Designated Area until the end of 2035, the Government may issue additional casino licenses to third parties outside of the Designated Area, which may compete with us. Moreover, there may be casinos operating in Phnom Penh or other parts of Cambodia illegally and without licenses. As a consequence, the operations of additional casinos in Cambodia, including illegal casinos, may have a material and adverse effect on our business, financial condition and results of operations.

The gaming industry is highly competitive.

In the Asia-Pacific region, the gaming industry has traditionally been highly regulated with gaming operations prohibited in some countries and requiring licenses in most other countries. However, the relaxation of these regulations in recent years has resulted in us facing increased competition from casinos located in other areas of Asia, such as Genting Highlands, a major gaming and resort destination located outside of Kuala Lumpur, Malaysia, and casinos in Macau and the Philippines, Singapore and Vietnam. In addition, there can be no assurance that other countries in the Asia Pacific region, such as Japan or Taiwan, do not legalize gaming in the future, resulting in further increased

regional competition. We also face competition from other major gaming centers located around the world, including Australia and Las Vegas, as well as from cruise ships in Asia (many based in Hong Kong) that offer gaming. Some of these current and future competitors of NagaWorld may have larger scale, more diversified resources, better brand recognition and greater access to capital to support their developments and operations.

Money laundering is a specific risk to the gaming industry.

Money laundering involves conduct or acts designed in whole or in part to conceal or disguise the nature, location, source, ownership, movement or control of money to avoid a transaction reporting requirement under applicable national and international laws or to disguise the fact that the money was acquired by illegal means. The gaming industry is especially prone to potential money laundering activities.

We have implemented anti-money laundering policies in compliance with all applicable laws and regulations in Cambodia. However, we cannot assure you that these policies will be effective. See “*Business — Internal Control — Internal Controls on Money Laundering and Combating Financing of Terrorism (AML).*”

Any incidents of money laundering, accusations of money laundering or regulatory investigations into possible money laundering activities involving us, our employees, our gaming promoters or our gaming patrons would have a material adverse impact on our reputation, relationship with our regulators, business, cash flows, financial condition, prospects and results of operations. The application of money laundering laws by other countries including China could also affect our business.

In addition, if we, any of our employees or our gaming promoters are found or suspected to be involved in money laundering activities or other illegal activities, our operations may be investigated by the Government, as a result of which our business operations may be interrupted and certain rights currently enjoyed by us, including tax treatments and the Casino License, may be withdrawn or revoked, which, in turn, may have a material adverse effect on our business, financial condition and results of operations.

The number of visitors to Cambodia may decline or travel to Cambodia may be disrupted and Cambodia’s existing and future infrastructure may not be able to support the anticipated growth of the tourism industry in Cambodia.

Our gaming patrons typically come from nearby destinations in Asia, including Southeast Asia, Greater China and East Asia. In 2017, visitors from China (22%) , Vietnam (15%) and Laos (9%) are the top three sources of arrivals and collectively accounted for 46% of total visitors to Cambodia (Source: Ministry of Tourism, Cambodia). Visitors from China increased by 24% in 2015, 20% in 2016 and 46% in 2017. China is one of the fastest growing major economies in the world and visitors from China are expected to continue to contribute significantly to our business. In particular, we have an increasing reliance on gaming patrons from Malaysia and China.

The increase in visitors to Cambodia and the development of the Cambodian economy have placed demands on the capacity of its power and transportation infrastructure. We cannot assure you that the infrastructure of Cambodia will be developed in a timely fashion or at all that, if completed, it will be able to alleviate the growing power demand and transportation demand associated with the rapid growth in visitor levels to Cambodia, or that we will secure convenient access to infrastructure improvements when completed. If Cambodia fails to adequately address the growing power and transportation demand, infrastructure problems could limit the number of visitors arriving in Cambodia which, in turn, could have a material and adverse effect on our business, financial condition and results of operations.

As a result, our prospects depend to a large extent on the development of the tourism industry in Cambodia and on Cambodia's relative attractiveness as a tourist destination. Changes in economic or political conditions, the outbreak of epidemics, sustained bad weather, natural disasters and other events beyond our control may adversely affect the willingness of tourists to come to Cambodia and of players or tourists to travel to NagaWorld. Moreover, Cambodia's existing infrastructure may not be able to support the anticipated growth of the tourism industry in Cambodia. While Cambodia's infrastructure has vastly improved over the past two decades and the government has made infrastructure investment a priority, the quality of the country's road, rail and waterway links still lags behind other countries in the region. The World Economic Forum's 2015-2016 Global Competitiveness report ranked Cambodia 108th out of 140 countries in terms of transport infrastructure, while a report from the Economic Research Institute for Asean and East Asia estimated the country's infrastructure funding shortfall in the decade leading up to 2022 could be up to \$16 billion. In the event that the tourism industry does not grow or develop as expected, or if there is a significant decline in the number of visitors to Cambodia, particularly visitors from mainland China, it may have a material adverse effect on our business, financial condition and results of operations.

If China or other countries impose or adjust government restrictions on currency conversion or the ability to export currency, our business or results of operation could be adversely affected.

China currently imposes currency exchange controls and restrictions on the export and conversion of the Renminbi, the currency of mainland China. Restrictions on the export of the Renminbi, as well as increases in the effectiveness of such restrictions, may impede the flow of players from China to Cambodia, inhibit the growth of gaming in Cambodia and negatively impact our gaming operations. Due to credit conditions in China and the tightening of cross-border fund transfers by the Chinese government to control capital outflows in recent years, the number of visitors to NagaWorld from China, as well as the amounts they are willing to spend in casinos, may decrease. In addition, currency exchange controls and restrictions on the export of currency by other countries may adversely affect our business, financial condition and results of operations.

Further, as a result of an increase in the intensity of competition in the gaming industry, some casinos may begin to take actions such as offering cash rebates to attract mass market players. Such actions could affect our competitive position, forcing it to follow or risk losing market share. The proliferation of casinos in the Asia Pacific region and around the world and increased competition in the gaming industry could have a material adverse effect on our business, financial condition and results of operations.

The hotel and leisure industry is highly competitive.

The hotel and leisure industry is highly competitive. Specifically, the introduction of new hotels in Phnom Penh may further increase the supply of hotel rooms in the segments targeted by us. If visitor arrivals to Phnom Penh increase at a slower rate than the increase in available hotel rooms, there may be a surplus of hotel rooms in Phnom Penh. Such increased competition in the hotel industry may impact our occupancy rates and, under such circumstances, it may have a material and adverse effect on our business, financial condition and results of operations.

Fraud or cheating can have a material and adverse effect on our business.

Gaming activities at our table games are conducted exclusively with gaming chips which, like real currency, are subject to the risk of alteration and counterfeiting. We incorporate a variety of security and anti-counterfeit features to detect altered or counterfeit gaming chips. See "*Business — NagaWorld's Gaming Operations — Security and Surveillance*" and "*Business — Internal Control — Internal Control Measures relating to Chips and Cards.*" Although we have instituted internal control measures to prevent and detect fraudulent and counterfeiting activities, unauthorized parties may try and copy our gaming chips and introduce, use and cash in altered or counterfeit gaming chips in our gaming areas. Moreover, our existing surveillance and security systems, designed to detect cheating, may not be able to detect every instance of such cheating. In addition, our gaming promoters or other

persons could, without our knowledge, enter into betting arrangements with our players on the outcomes of our games of chance, thus depriving it of revenue. Players may also attempt to commit fraud or cheating in collusion with our employees. Internal acts of cheating could also be conducted by employees through collusion with dealers, supervisors or other gaming area staff. Any negative publicity arising from such incidents could also adversely affect our reputation, which in turn, could have a material adverse effect on our business, financial condition and results of operations.

We may be subject to increased costs and disadvantages associated with compliance with environmental legislation.

Many aspects of our operations are subject to increasingly stringent international and local laws protecting the environment. Future environmental regulatory developments, such as those regarding climate change, in Cambodia and abroad could adversely affect operations and increase operating costs in the tourism industry. Compliance with the environmental legislations could significantly increase our operating costs.

RISKS RELATING TO CAMBODIA

We could be subject to arbitrary government action.

Government authorities have a high degree of discretion in Cambodia. As a result, they may act arbitrarily, in a manner that may not be in accordance with law or they may be influenced by political or commercial considerations, including expropriation of our properties or licenses in the event of political or social disruption. Moreover, government authorities also have the power in certain circumstances, to interfere with the performance of, nullify or terminate contracts. Unlawful, selective or arbitrary governmental action may include withdrawal of licenses, including the Casino License, sudden or unexpected tax audits, the imposition of payment obligations, criminal prosecutions and civil actions. Although arbitrary, selection or unlawful government action may be challenged in courts, such action may lead to a termination of contracts, civil litigation, criminal proceedings and imprisonment of key personnel, any of which, could have a material adverse effect on our business, financial condition and results of operations.

Political instability or changes in economic policies could adversely affect our business, financial condition and results of operations.

The history of Cambodia has been characterized by political instability, civil war and periodic border disputes. Cambodia has experienced more political stability in recent years. However, there have been instances of unrest at the Cambodia-Thailand border since 2008. This situation has eased since the Pheu Thai Party won the parliamentary election in Thailand in July 2011, and announced efforts to resolve the dispute with Cambodia. However, the border dispute could have a direct impact on the political and economic conditions of Cambodia as a whole, and consequently, our business, financial condition and results of operations.

Although in recent years, Cambodia has regained some measure of political stability and consistency in economic policies, political instability or changes in economic policies may disrupt the gaming and tourism industry in Cambodia, which in turn, may have a material and adverse effect on our business, financial condition and results of operations.

There are additional risks associated with political developments in Cambodia. In February 2018, the ruling Cambodian People's Party won all 58 senate seats following the dissolution by the Cambodian Supreme Court in late 2017 of the main opposition party. In addition, national elections in Cambodia are scheduled for July 2018. In late February 2018, the Council of the European Union announced that it may consider the imposition of specific targeted measures against Cambodia in light of what it described as deterioration of democracy, respect for human rights and the rule of law, among other things. At the same time, the United States administration announced that it would be curtailing

certain assistance programs to Cambodia. We cannot predict whether any economic or other sanctions may be imposed on Cambodia by other countries and what the impact (if any) of such sanctions might be. There can be no assurance that the occurrence of any of these events will not have a material impact on our business, financial condition and results of operations.

Emerging and/or developing markets such as Cambodia are subject to greater risks than more developed markets, including significant legal, economic, tax and political risks.

All of our operations currently are located in Cambodia. Investors should be aware that Cambodia is subject to greater risk than more developed markets, including in some cases significant political, legal, economic and tax risks. For example, in recent years, Cambodia has experienced high levels of growth and foreign investment which have led to increased real estate prices in Phnom Penh. This growth has been funded by foreign investment and credit that could lead to inflated asset prices and increased credit risk for investors in Cambodia real estate, particularly in Phnom Penh. While overall credit growth has moderated, concerns about credit quality and concentration in the real estate sector pose risks to financial and macroeconomic stability. Cambodia's relatively high loans-to-deposit ratio could make the banking sector less resilient to shocks if loan defaults were to increase rapidly.

Investors should also note that emerging economies such as Cambodia are subject to rapid change and that the information set forth in this Offering Memorandum may become outdated relatively quickly. Accordingly, investors should exercise particular care in evaluating the risks involved.

Cambodia relies on foreign funding.

Cambodia is dependent on funding from donor countries such as Japan, Australia and China, as well as from international bodies such as the World Bank and the International Monetary Fund. The need for such external aid may limit the Government's ability to pursue policies which deviate significantly from the advice of such donor bodies, in particular China. Such advice may be indirectly prejudicial to our operations or may prevent the Government from pursuing policies which may be favorable to the gaming and tourism industry in Cambodia.

Exchange control restrictions may be imposed and the Government could limit the use of U.S. dollar transactions.

Although there are no exchange control restrictions currently in force in Cambodia which limit repatriation of profits from our operations, the National Bank of Cambodia has the authority to impose temporary exchange controls in a state of emergency under Article 6 of the 1997 Foreign Exchange Law. As a result, a state of emergency or future changes to Cambodian exchange control regime may restrict our ability to repatriate profits, which could materially and adversely affect our business, financial condition and results of operations.

In addition, Cambodia has historically allowed U.S. dollars to be used for most transactions. If the Government should try to increase the role played by the Riel, it could result in disruptions to economic growth and affect the operations of the banking industry in Cambodia.

The National Bank of Cambodia has mandated that banks have a minimum of 10% of their loan portfolios in Riel by 2019. If this requirement disrupts the operations of banks in Cambodia, they may not be able to support our business.

Weaknesses relating to the Cambodian legal system and the related political risks create an uncertain environment for investment and business activity in Cambodia

Risks relating to the Cambodian legal system (including the related political risks) create uncertainty with respect to the legal and business decisions that we make, many of which risks do not exist to the same extent in countries with more developed legal systems and market economies. These risks include (a) the existence of inconsistencies in laws, rules and regulations and inconsistent application, (b) a lack of judicial and administrative guidance on interpreting legislation as well as a lack of sufficient commentaries on judicial rulings and legislation, (c) the relative inexperience of judges and courts in interpreting legislation in accordance with established legal principles and, in particular, a lack of specialized commercial courts or commercial arbitration institute, (d) the existence of

substantial gaps in the legal framework, including due to the delay or absence of implementing regulations for certain legislation and (e) a high degree of discretion on part of government authorities, leaving significant opportunity for arbitrary and capricious government action. In addition, it is not possible to predict the effect of future developments in the Cambodian legal system, including the promulgation of new laws, changes to existing laws or their interpretation or enforcement. All of these weaknesses could affect our ability to enforce our legal rights in Cambodia, including rights under contracts, or to defend claims by others in Cambodia, which could have a material and adverse effect on our business, financial condition and results of operations.

Cambodian courts may not enforce foreign judgments or foreign arbitration awards.

Pursuant to section 199 of the Cambodian Code of Civil Procedure, a final judgment of a foreign court can only be enforced in Cambodia on the condition that, amongst others, there is a guarantee of reciprocity between Cambodia and the foreign country in which the court is based. As of December 31, 2017, Cambodia has not established any such reciprocity with a foreign country apart from the Mutual Judicial Assistance Agreement in Civil Matters with Vietnam. As such, at present, there can be no assurance that a foreign judgment will be enforced by the courts of Cambodia.

Current judicial practice in Cambodia indicates that the courts of Cambodia are able to recognize or enforce a foreign arbitral award without a re-examination of the merits of the case in a full proceeding in the courts of Cambodia unless the subject matter of the dispute cannot be settled by arbitration and the award would be contrary to public policy. The Law on Approval and Practice of the United Nations Convention on Recognition and Enforcement of Foreign Arbitral Awards and the Law on Commercial Arbitration, which was promulgated on May 5, 2006, sets procedures as well as criteria for recognition and enforcement of foreign arbitration awards by the courts of Cambodia. There can be no assurance that a foreign arbitration award will be enforced by the courts of Cambodia.

Actual and perceived corruption could disrupt our ability to conduct business in Cambodia.

Perceptions of corruption within the government and businesses operating in Cambodia may disrupt our ability to conduct business in Cambodia. According to the Transparency International Corruption Perceptions Index 2017, Cambodia ranked 161st out of 180 countries and territories. In addition, the international press has reported significant levels of official corruption in Cambodia.

The proliferation of corruption and other illegal activities that disrupt our ability to conduct our business effectively, or any claims that we have been involved in corruption, or illegal activities (even if false) that generate negative publicity, could have an adverse effect on our business, financial condition and results of operations.

A high level of inflation could have a material and adverse effect on our business.

Although Cambodia has not experienced significant inflation or deflation in recent years attributable to the sound macroeconomic management policies, there is no assurance that significant inflation will not occur in the future. According to the National Bank of Cambodia, Cambodia's overall national inflation rate, as represented by the general consumer price index, was approximately 1.3% in 2015, 3.5% in 2016 and 2.9% in 2017. A high level of inflation in the future could have an adverse effect on our business, financial condition and results of operations.

General economic and social conditions in Cambodia and the countries where our players come from and our prospects may be adversely affected by natural disasters, acts of God, and occurrence of epidemics.

Our business is subject to general economic and social conditions in Cambodia and the countries where our players come from, particularly including Malaysia and China. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in Cambodia. Some regions in Cambodia are under the threat of flood, earthquake, fire, drought, or epidemics such as H5N1 bird flu. A report from the National Committee for Disaster Management shows that natural disasters in 2017 have killed over 103 people, injured 120

more and affected 2,000 families, while also damaging thousands of houses, crops and infrastructure. A recurrence of H5N1 bird flu or an outbreak of any other epidemics in Cambodia may result in material disruptions to our services, which in turn may adversely affect our financial condition and results of operations.

Future terrorist attacks, or the threat of such attacks, may increase the cost of our operations and reduce demand for our services.

Although there have been few terrorist incidents in Cambodia, the terrorist attacks have resulted in substantial and continuing economic volatility and social unrest in Southeast Asia. Terrorist attacks and their aftermath may negatively affect the Cambodian tourism industry. The potential impacts on the tourism industry include the substantial loss of tourist traffic and revenues, increased security and insurance costs, increased concerns about future terrorist attacks, airport delays due to heightened security, and reduced passenger yields resulting from lower demand for air travel. Additional terrorist attacks, even if not directed at or effected through the tourism industry, or the fear of such attacks, could negatively affect the tourism industry and result in further decreased tourism traffic and yields and increased security, fuel, insurance and other costs. We cannot assure investors that these events will not harm the tourism industry generally or our business.

RISKS RELATING TO RUSSIA

Economic instability in Russia could adversely affect our business in Russia.

While we do not currently operate in Russia, our integrated casino and hotel resort in Vladivostok is expected to be completed in 2019. Any of the following risks, which the Russian economy has experienced at various times in the past and some of which occurred during the global financial and economic crisis, may have a significant adverse effect on the investment climate in Russia, and once we begin operating in 2019 or 2020, our operations: (i) volatility and/or significant declines in GDP; (ii) high levels of inflation or hyperinflation; (iii) increases in, or high, interest rates; (iv) an unstable currency and instability in the local currency market; (v) high state debt relative to gross domestic product; (vi) a large number of loss-making enterprises that continued to operate due to the lack of effective bankruptcy proceedings; (vii) the use of fraudulent bankruptcy actions in order to take unlawful possession of property; (viii) tax evasion; (ix) the “black” and “grey” market economies; (x) budget deficits; and (xi) capital flight; (xii) corruption and the penetration of organized crime into the economy; (xiii) dependence of the economy on exports of commodities; (xiv) significant declines and volatility in the stock market; (xv) significant increases in unemployment and underemployment; (xvi) instability in the Russia banking system; and (xvii) the impoverishment of a large portion of the Russian population. Any deterioration in the general economic conditions in Russia could adversely influence the level of demand for Naga Vladivostok’s offerings (if and when it opens) and therefore could have a material adverse effect on our business, financial condition and results of operations.

Sanctions imposed by the United States and the European Union on a number of Russian individuals and entities may have an adverse effect on us.

Since early 2014, the United States and the European Union have imposed a number of different sanctions on various Russian individuals and entities, including some Russian financial institutions. Among other things, some of the consequences of these sanctions include restrictions or bans in the United States and European Union on certain business with such Russian individuals and entities. It is currently unclear how long these sanctions will remain in place and whether new sanctions may be imposed. Because we operate in Russia, our operations in that country may be subject to regulatory scrutiny.

On September 6, 2013, we entered into an investment agreement (the “**Investment Agreement**”) with certain Russian governmental authorities pursuant to which we agreed to invest an agreed amount in a gaming and resort development project in Vladivostok, Russia. In February 2015, our Russian subsidiary purchased a small amount of promissory notes in Russia from Sberbank, which is subject to certain sectoral sanctions, to provide collateral for the issuance by it of a bank guarantee (as required by the Investment Agreement) in respect of the Russian project.

None of the proceeds of the issue of any Notes will be used to fund activities or persons that are subject to sanctions introduced by the United States and the European Union. Any escalation of tensions between Russia and the United States, the European Union and/or any European Union member states or the imposition of further sanctions, could have a prolonged adverse impact on the Russian economy. These impacts could be more severe than those experienced to date. In particular, should either the United States or the European Union expand their respective sanctions to include any of our counterparties in Russia or should other governmental authorities implement such sanctions, or if any of our dealings with persons in Russia are adversely impacted, it could have an adverse impact on our business, financial condition and results of our Russian operations. In addition, to the extent that any regulatory authorities were to investigate or determine that any of our activities (including in the future) were not in accordance with applicable sanctions in any material respect, our operations and our reputation could be materially and adversely affected.

Crime and corruption could disrupt our ability to conduct business in Russia.

Organized criminal activity in Russia has reportedly increased significantly since the dissolution of the Soviet Union in 1991, particularly in large metropolitan centers. In addition, the Russian and international press have reported high levels of official corruption in Russia, including the bribery of officials for the purpose of initiating investigations by state agencies, obtaining licenses or other permissions in order to obtain the right to supply goods or services to state agencies. Press reports have also described instances in which state officials have engaged in selective investigations and prosecutions to further interests of the state and individual officials. Additionally, published reports indicate that a significant number of Russian media regularly publish slanted articles in return for payment.

The proliferation of organized or other crime, corruption and other illegal activities that disrupt our ability to conduct our business effectively, or any claims that we has been involved in corruption, or illegal activities (even if false) that generate negative publicity, could have an adverse effect on our business, financial condition and results of operations.

Weaknesses relating to the Russian legal system and Russian legislation create an uncertain environment for investment and for business activity.

Russia is still developing an adequate legal framework required for the proper functioning of a market economy. The recent nature of much of Russian legislation and the rapid evolution of the Russian legal system may place the enforceability and underlying constitutionality of laws in doubt and result in ambiguities and inconsistencies in their application. In addition, Russian legislation sometimes leaves substantial gaps in the regulatory infrastructure. Among the risks of the current Russian legal system are:

- inconsistencies among (i) federal laws, (ii) decrees, orders and regulations issued by the president, the Russian Government, federal ministries and regulatory authorities and (iii) regional and local laws, rules and regulations;
- limited judicial and administrative guidance on interpreting Russian legislation;
- the relative inexperience of judges and courts in interpreting new principles of Russian legislation, particularly business and corporate law;

- substantial gaps in the regulatory structure due to delay or absence of implementing legislation;
- a high degree of unchecked discretion on the part of governmental authorities;
- not sufficiently developed procedures in relation to protection against expropriation and nationalization;
- relatively underdeveloped and fast-changing Russian taxation system;
- provisions of Russian law allowing a court to order liquidation of a Russian legal entity on the basis of its formal non-compliance with certain requirements during formation, reorganization or operation; and
- bankruptcy procedures that are not well developed and are subject to abuse.

The foregoing factors make judicial decisions in the Russian Federation difficult to predict and effective redress uncertain. Additionally, court claims are often used to further political aims. We may be subject to these claims and may not be able to receive a fair hearing. These weaknesses in the Russian legal system could affect our ability to enforce our legal rights in Russia, including rights under contracts, or to defend ourselves against claims by others, which could have a material adverse effect on our business, financial condition and results of operations.

Russia’s property law is subject to uncertainty and inconsistency.

The legal framework relating to the ownership and use of land and other real property in Russia is not yet sufficiently developed to support private ownership of land and other real estate to the same extent as is common in some of the more developed market economies. Land use and title systems rely on complex traditional ownership systems. As a result, the validity of our rights to our properties may be successfully challenged or invalidated due to technical violations. Such instability creates uncertainties in the operating environment which could hinder our long-term planning efforts and may prevent us from carrying out our business strategy effectively and efficiently. If the property leased by us is found not to be in compliance with all applicable approvals, consents, registrations or other regulations, we may lose the right to use such property, which could have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to the Notes and Note Guarantees

We are a holding company and will depend on payments from our subsidiaries to provide us with funds to meet our obligation under the Notes.

The Company is a holding company with no material business operations of its own and it conducts operations through its subsidiaries. As such, we will depend on the receipt of dividends and the interest or principal payments on intercompany loans or advances from our subsidiaries to satisfy our obligations, including our obligations under the Notes. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders, including us, is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, restrictions contained in relevant debt instruments, and applicable laws. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to satisfy our obligations under the Notes. Accordingly, we might not have sufficient cash flow from dividends or payments on intercompany loans or advances from our subsidiaries to satisfy our obligations under the Notes.

The Notes and the Note Guarantees will be structurally subordinated to the liabilities of our non-Guarantor subsidiaries.

Not all of our existing subsidiaries will guarantee the Notes on the Issue Date. In addition, although the Indenture governing the Notes will generally require our future restricted subsidiaries to become Guarantors, there are important exceptions to this requirement. See “*Description of the Notes — Note Guarantees*” and “*Description of the Notes — Certain Covenants — Additional Note Guarantees.*”

Our non-Guarantor subsidiaries will not have any obligations to pay amounts due under the Notes or to make funds available for that purpose. Generally, claims of creditors of a non-Guarantor subsidiary, including trade creditors and preference shareholders (if any), will have priority with respect to the assets and earnings of the subsidiary over the claims of creditors of its parent entity, including claims by holders of the Notes under the Notes or the Note Guarantees. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any of the non-Guarantor subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to its parent entity. As such, the Notes and the Note Guarantees will be structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of our non-Guarantor subsidiaries.

The Notes and the Note Guarantees are unsecured obligations and will be effectively subordinated to our secured indebtedness. We may incur substantial amounts of secured debt.

The Notes and the Note Guarantees are unsecured obligations ranking effectively junior in right of payment to all secured indebtedness of the Company and the Note Guarantors, to the extent of the value of the collateral securing such indebtedness.

Additionally, the Indenture governing the Notes will not prohibit (other than in certain limited cases) the Company, the Note Guarantors and the Company's other subsidiaries from incurring indebtedness that is secured by liens over property and assets that do not also secure the Notes and Note Guarantees.

In the event of any bankruptcy, liquidation, reorganization, rehabilitation, dissolution, winding-up or other insolvency proceedings of the Company or any Note Guarantor, the rights of the holders of the Notes to participate in the assets of the Company or such Note Guarantor will rank behind the claims of secured creditors, including trade creditors, if any, and the remaining assets may be insufficient to pay amounts due on the Notes.

Our operations will be restricted by the terms of the Notes, which could limit our ability to plan for or to react to market conditions or meet our capital needs.

The Indenture governing the Notes will include many significant restrictive covenants. These covenants will restrict, among other things, the ability of us and the Restricted Subsidiaries to:

- incur or guarantee additional indebtedness;
- make specified restricted payments, including dividends;
- issue or sell capital stock of our restricted subsidiaries;
- sell assets;
- create liens;
- enter into agreements that restrict the ability of the Restricted Subsidiaries to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

These covenants could limit our ability to plan for or react to market conditions or to meet our capital needs. Our ability to comply with these covenants may be impaired by events beyond our control, and we may have to curtail some of our operations and growth plans to maintain compliance.

If we are unable to comply with the covenants in our debt and other agreements, including the Indenture governing the Notes, there could be a default under these agreements, which could cause repayment of our debt to be accelerated.

If we are unable to comply with the covenants in our debt and other agreements, including the Indenture governing Notes, there could be a default under the terms of these agreements. If we default under these agreements, the holders of the debt could accelerate repayment of the debt and declare all amounts borrowed due and payable. Furthermore, the Indenture governing the Notes will contain, and future debt agreements we may enter into may contain, cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of repayment of debt or result in a default under our other debt agreements, including the Indenture governing the Notes. If any of these events occurs, our assets and cash flow might not be sufficient to repay in full all of our indebtedness, and we might not be able to find alternative financing. Even if we could obtain alternative financing, it might not be on terms that are favorable or acceptable to us.

Some of our subsidiaries will not be subject to the restrictive provisions in the Indenture governing the Notes, including restrictions on the incurrence of indebtedness.

Our subsidiaries holding properties or assets in Russia, namely Naga Russia Limited and its subsidiaries, will be deemed to be Unrestricted Subsidiaries as of the Issue Date for purposes of the Indenture governing the Notes. See “*Description of the Notes — Brief Description of the Notes and the Note Guarantees — General.*” In addition, under the circumstances described under “*Description of the Notes — Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries,*” we will be permitted to designate certain of our other subsidiaries as “Unrestricted Subsidiaries”. Our Unrestricted Subsidiaries will not be subject to the restrictive provisions of the Indenture governing the Notes and will not guarantee the Notes.

There will be no limitation in the Indenture on the amount of indebtedness our Unrestricted Subsidiaries may incur. Indebtedness of the Unrestricted Subsidiaries does not need to be non-recourse to the Company and the Restricted Subsidiaries. Further, even if some indebtedness of Unrestricted Subsidiaries is non-recourse to the Company and the Restricted Subsidiaries, a creditor of an Unrestricted Subsidiary could successfully seek satisfaction from the Company or the Restricted Subsidiaries or, in the event of the bankruptcy of the Company or of one or more of our Unrestricted Subsidiaries, a bankruptcy court might consolidate the assets and debts of the Company and our Restricted Subsidiaries with those of the Unrestricted Subsidiaries.

In addition, because the covenant in the Indenture restricting, subject to certain exceptions, the creation of limitations on the ability of our subsidiaries to pay dividends does not apply to the Unrestricted Subsidiaries, the cash flows and assets of the Unrestricted Subsidiaries might not be available to us to pay our obligations under the Notes. In addition, the Indenture will not completely restrict our ability to make minority or majority investments in companies that are not subject to the covenants under the Indenture. The Indenture also permits certain transactions between the Restricted Group and the Unrestricted Subsidiaries that could result in transfers of significant amounts of cash and other assets from the former to the latter. It also permits the designation of Restricted Subsidiaries and future subsidiaries as Unrestricted Subsidiaries.

We may not be able to repurchase the Notes upon a change of control.

Upon the occurrence of specified change of control events, we will be required to offer to purchase all the outstanding Notes at a purchase price equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest, if any. See “*Description of the Notes — Repurchase at the Option of Holders — Change of Control.*”

The source of funds for any such purchase would be our available cash or third party financing. If a change of control were to occur, we might not have sufficient funds to pay the purchase price of the Notes and we might not be able to obtain financing on favorable terms, if at all. In addition, our other indebtedness may trigger repayment requirements or events of default with respect to certain events or transactions that could constitute a change of control under the Indenture governing the Notes. Our failure to make the offer to purchase or purchase the Notes would constitute an event of default under

the Notes. The event of default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after the expiry of any applicable notice or grace periods. If our other debt were to be accelerated, we may not have sufficient funds to purchase the Notes and repay the debt.

In addition, the definition of “change of control” for purposes of the Indenture governing the Notes does not necessarily afford protection for the holders of the Notes in the event of some highly leveraged transactions, including certain acquisitions, mergers, refinancings, restructurings or other recapitalizations, although these types of transactions could increase our indebtedness or otherwise affect our capital structure or credit ratings. The definition of “change of control” for purposes of the Indenture governing the Notes also includes a phrase relating to the sale of “all or substantially all” of our assets. Although there is a limited body of case law interpreting this phrase, there is no precise established definition under applicable law. Accordingly, our obligation to make an offer to purchase the Notes, and the ability of holders to require us to purchase the Notes pursuant to the offer as a result of a highly-leveraged transaction or a sale of less than all of our assets, may be uncertain.

We may not be able to redeem the Notes upon a Reorganization Event.

Upon the occurrence of a Reorganization Event, we will be required to redeem all the outstanding Notes at a redemption price set forth in “*Description of the Notes — Special Mandatory Redemption for Reorganization Event.*”

The source of funds for any such redemption would be our available cash or third party financing. If a Reorganization Event were to occur, we might not have sufficient funds to pay the redemption price and we might not be able to obtain financing on favorable terms, if at all. In addition, our other indebtedness may trigger repayment requirements or events of default with respect to certain events or transactions that could constitute a Reorganization Event. Our failure to redeem the Notes upon a Reorganization Event would constitute an event of default under the Notes. The event of default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after the expiry of any applicable notice or grace periods. If our other debt were to be accelerated, we may not have sufficient funds to redeem the Notes and repay the debt.

In addition, if we redeem the Notes prior to their stated maturity, noteholders may not be able to reinvest the redemption proceeds in comparable securities at the same rate of return as the Notes.

We may, in our discretion, require holders and beneficial owners of Notes to dispose of their Notes, or we may redeem the Notes, due to regulatory considerations.

The Indenture governing the Notes will grant us the power to redeem the Notes if the gaming authority of any jurisdiction in which we conduct or propose to conduct gaming requires that a person who is a holder or beneficial owner of Notes be licensed, qualified or found suitable under applicable gaming laws and such holder or beneficial owner, as the case may be, fails to apply or become licensed or qualified within the required time period or is found unsuitable.

Under the foregoing circumstances, pursuant to the Indenture governing the Notes, if such person fails to apply or become licensed or qualified or is found unsuitable, we will have the right, at our option:

- (1) to require such person to dispose of its Notes or beneficial interest therein within 30 days of receipt of notice of our election or such earlier date as may be requested or prescribed by such gaming authority; or

- (2) to redeem such Notes, which redemption may be less than 30 days following the notice of redemption if so requested or prescribed by the applicable gaming authority, at a redemption price equal to:
 - (a) the lesser of:
 - (1) the person's cost, plus accrued and unpaid interest, if any, to the earlier of the redemption date or the date of the finding of unsuitability or failure to comply; and
 - (2) 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the earlier of the redemption date or the date of the finding of unsuitability or failure to comply; or
 - (b) such other amount as may be required by applicable law or order of the applicable gaming authority.

We will not be responsible for any costs or expenses any holder or beneficial owner of Notes may incur in connection with its application for a license, qualification or a finding of suitability. See "*Description of the Notes — Gaming Redemption.*"

There are circumstances under which the Note Guarantees will be released automatically without your consent.

Under various circumstances, a Note Guarantee of a Guarantor will be released automatically, including:

- in connection with any sale or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger or consolidation) to a person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary, if the sale or other disposition does not violate the "Asset Sale" provisions of the Indenture governing the Notes;
- in connection with any sale or other disposition of the Capital Stock of that Guarantor to a person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary, if the sale or other disposition does not violate the "Asset Sale" provisions of the Indenture governing the Notes and the Guarantor ceases to be a Restricted Subsidiary as a result of such sale or other disposition;
- if the Issuer designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture governing the Notes;
- upon legal defeasance or satisfaction and discharge of the Indenture governing the Notes as provided under the captions "*Description of the Notes — Legal Defeasance and Covenant Defeasance*" and "*Description of the Notes — Satisfaction and Discharge*";
- upon the merger or consolidation of any Guarantor with and into the Issuer or a Wholly Owned Guarantor (or a Wholly Owned Restricted Subsidiary that becomes a Guarantor concurrently with the transaction) that is the surviving Person in such merger or consolidation, or upon the liquidation of such Guarantor following the transfer of all or substantially all of its assets to the Issuer or a Wholly Owned Guarantor (or a Wholly Owned Restricted Subsidiary that becomes a Guarantor concurrently with the transaction); or

- as described under “*Description of the Notes — Amendments, Supplement and Waiver.*”

The Note Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair their enforceability.

Although laws differ among jurisdictions, under bankruptcy, fraudulent transfer, insolvency or similar laws, a Note Guarantee could be voided if, among other things, the Guarantor, at the time it incurred the indebtedness evidenced by, or when it gives, its Guarantee:

- incurred the debt with the intent to hinder, delay or defraud creditors or was influenced by a desire to put the beneficiary of the Note Guarantee in a position which, in the event of the Guarantor’s insolvency, would be better than the position the beneficiary would have been in had the Note Guarantee not been given;
- received less than reasonably equivalent value or fair consideration for the incurrence of such Note Guarantee;
- was insolvent or rendered insolvent by reason of such incurrence;
- was engaged in a business or transaction for which the Guarantor’s remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

The measure of insolvency for purposes of the foregoing will vary depending on the laws of the jurisdiction which are being applied. Generally, however, a guarantor would be considered insolvent at a particular time if it were unable to pay its debts as they fell due or if the sum of its debts were greater than all of its property at a fair valuation or if the present fair saleable value of its assets were less than the amount that would be required to pay its probable liabilities in respect of its existing debt as it became absolute and matured or abandonment of the head office of the guarantor or dissipation of assets, fraudulent incurrence of credits or any other abusive procedure that reveals the intention of the guarantor not to comply with its obligations.

In addition, the Note Guarantees may be subject to review under applicable insolvency or fraudulent transfer laws in certain jurisdictions or subject to a lawsuit by or on behalf of creditors of the guarantor. In such case, the analysis set forth above would generally apply, except that the Guarantees could also be subject to the claim that, since the Guarantees were not incurred for the benefit of the guarantor, the obligations of the guarantor thereunder were incurred for less than reasonably equivalent value or fair consideration.

In an attempt to limit the applicability of insolvency and fraudulent transfer laws in certain jurisdictions, the obligations of the Guarantors under the Guarantees will be limited to the maximum amount that can be guaranteed by the applicable Guarantor without rendering the Guarantee, as it relates to such Guarantor, voidable under such applicable insolvency or fraudulent transfer laws.

If a court voided a Guarantee, subordinated such Guarantee to other indebtedness of any Guarantor, or held the Guarantee unenforceable for any other reason, holders of the Notes would cease to have a claim against such Guarantor based upon such Guarantee and would solely be creditors of us and any Guarantor whose Guarantee was not voided or held unenforceable. We cannot assure you that, in such an event, after providing for all prior claims, there would be sufficient assets to satisfy the claims of the holders of the Notes.

The insolvency laws of the Cayman Islands, Hong Kong, the British Virgin Islands and other jurisdictions may differ from U.S. bankruptcy law or those of another jurisdiction with which holders of the Notes are familiar.

The Company is incorporated under the laws of the Cayman Islands. As a result, an insolvency proceeding relating to the Company, even if brought in the United States, would likely involve Cayman Islands insolvency laws, the procedural and substantive provisions of which may differ from United States federal bankruptcy law. In addition, the initial Guarantors are incorporated in Hong Kong and the British Virgin Islands and the insolvency laws of those jurisdictions, and the jurisdictions of any future Guarantors, may also differ from the laws of the United States or other jurisdictions with which the holders of the Notes are familiar.

You may have difficulty enforcing judgments obtained against us.

The Company is incorporated in the Cayman Islands, and the initial Guarantors are incorporated in Hong Kong and the British Virgin Islands. Substantially all of our assets are located outside the United States and all of our operations are conducted outside the United States. In addition, most of our directors and officers are nationals and residents of countries other than the United States. A substantial portion of the assets of these persons are located outside the United States. As a result, it may be difficult for you to effect service of process within the United States upon these persons. It may also be difficult for you to enforce in the courts of the Cayman Islands, Hong Kong and the British Virgin Islands judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us and our officers and directors. In addition, it is uncertain whether the courts of the Cayman Islands, Hong Kong and the British Virgin Islands would recognize or enforce judgments of U.S. courts predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States or whether they would be competent to hear original actions predicated upon those securities laws.

There is no public market for the Notes and a market may not develop or be sustained; the liquidity and market price of the Notes following this offering may be volatile.

The Notes are a new issue of securities for which there is no trading market. Although the Initial Purchasers have advised us that they intend to make a market in the Notes, they are not obligated to do so, and any market-making activity with respect to the Notes, if commenced, may be discontinued at any time without notice at their sole discretion.

Although we have received approval in-principle for the listing of the Notes on the SGX-ST, we might not be able to obtain or maintain such listing. Even if the Notes are listed, an active trading market for the Notes may not develop or be sustained. The lack of an active trading market for the Notes could adversely affect the price of the Notes and may impair a holder's ability to dispose of the Notes. The price at which the Notes trade depends on many factors, including the following:

- prevailing interest rates and the markets for similar securities;
- our results of operations, financial condition and prospects;
- political and economic developments in and affecting Cambodia and other countries in which we conduct business now or in the future;
- general economic conditions locally, regionally and globally; and
- changes in the credit ratings of the Notes or us.

Furthermore, historically, the market for debt by issuers in Asia and emerging markets has been subject to disruptions that have caused substantial volatility in the prices of such securities. The market for the Notes may be subject to similar volatility or disruptions, which may adversely affect the price and liquidity of the Notes.

We will follow the applicable disclosure standards for debt securities listed on the SGX-ST, which standards may be different from those applicable to companies in certain other countries.

We will be subject to reporting obligations with respect to the Notes to be listed on the SGX-ST. The disclosure standards imposed by the SGX-ST may be different to those imposed by securities exchanges in other countries or regions. As a result, the level of information that is available may not correspond to the disclosure to which investors in the Notes are accustomed.

The Notes have not been and will not be registered under the Securities Act and accordingly are subject to transfer restriction.

The Notes and the Note Guarantees have not been registered under the Securities Act or the securities laws of any other jurisdiction. We do not intend to register the Notes or the Note Guarantees for resale under the Securities Act or the securities laws of any other jurisdiction or offer to exchange the Notes for notes registered under the Securities Act or the securities laws of any other jurisdiction. Accordingly, the Notes will be subject to certain restrictions on transfer and resale. See “*Transfer Restrictions.*”

The Notes will initially be held in book-entry form, and therefore you must rely on the procedures of relevant clearing systems to exercise any rights and remedies.

The Notes will initially only be issued in global certificated form and held through DTC and its participants, including Euroclear and Clearstream. Interests in the Global Notes representing the Notes will trade in book-entry form only, and Notes in definitive registered form, or definitive registered Notes, will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of Notes. The custodian for DTC will be the sole registered holder of the Global Notes. Payments of principal, interest and other amounts owing on or in respect of the Global Notes will be made to the paying agent who will make payments to DTC. Thereafter, these payments will be credited to accounts of participants (including Euroclear and Clearstream) that hold book-entry interests in the Global Notes and credited by such participants to indirect participants. After payment to the custodian for DTC, we will have no responsibility or liability for the payment to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of DTC, Euroclear and Clearstream, and if you are not a participant in DTC, Euroclear and Clearstream on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of Notes under the Indenture.

Upon the occurrence of an event of default under the Indenture, unless and until definitive registered Notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through DTC, Euroclear and Clearstream. The procedures to be implemented through DTC, Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes. See “*Description of the Notes — Book Entry, Delivery and Form.*”

The ratings assigned to the Notes may be lowered or withdrawn.

The Notes are expected to be rated “B1” by Moody’s Investors Service and “B” by S&P Global Ratings. The ratings address our ability to perform our obligations under the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities and is subject to revision, suspension or withdrawal at any time. We have no obligation to inform holders of the Notes of any such revision, suspension, or withdrawal. Any downgrade, suspension or withdrawal of the rating assigned to the Notes may adversely affect the market price of the Notes.

USE OF PROCEEDS

The net proceeds from the Offering, after deduction of fees and commissions and estimated expenses incurred in connection with this offering, are expected to be approximately US\$290 million.

We intend to use the net proceeds of the issue of the Notes:

- to promote gaming business growth, particularly in our VIP gaming segment; and
- to refurbish the hotel rooms in Naga1.

The foregoing discussion represents our current intentions and best estimate of our allocation of the net proceeds from the Offering based upon our current plans and estimates regarding our anticipated expenditures. Our management, however, will have flexibility and discretion as to how we apply the net proceeds from the Offering. The exact amount of net proceeds from the Offering which we will actually apply to any particular purpose may change and we may find it necessary or advisable to use portions of the net proceeds for other purposes.

To the extent that the net proceeds from the Offering are not promptly or otherwise used for the purposes described above and to the extent permitted by the relevant laws and regulations, we intend that such proceeds will be held as cash or cash equivalents pending application or used for short-term investments or investments in securities.

CAPITALIZATION AND INDEBTEDNESS

The table below sets forth our consolidated indebtedness and capitalization as of December 31, 2017 on an actual basis and as adjusted to account for the issue of the Notes in connection with the Offering. This table has been extracted from the consolidated financial statements and related notes appearing elsewhere in this Offering Memorandum and should be read in conjunction with “*Use of Proceeds*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”. There has been no material change to our consolidated capitalization and indebtedness since December 31, 2017.

	As of December 31, 2017	
	Actual	As Adjusted
	(US\$’000)	(US\$’000)
Indebtedness:		
Notes offered hereby ⁽¹⁾	—	300,000
Total Indebtedness	—	300,000
Equity:		
Share capital	54,263	54,263
Reserves	1,328,282	1,328,282
Total equity	1,382,545	1,382,545
Total capitalization ⁽²⁾	1,382,545	1,682,545

Notes:

- (1) This amount excludes offering discount, underwriting, management and selling commissions and other estimated transaction expenses relating to the issuance of the Notes.
- (2) Total capitalization is the sum of total indebtedness and total equity.

SELECTED CONSOLIDATED FINANCIAL DATA

The following tables set forth our summary financial data as of the dates and for each of the periods indicated. The summary financial data in this section have been derived from our audited consolidated financial statements as of and for the years ended December 31, 2016 and 2017, prepared in accordance with IFRS and included elsewhere in this Offering Memorandum. Our consolidated financial statements as of and for the years ended December 31, 2015, 2016 and 2017 were audited by BDO Limited, independent public accountants.

The following information should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the audited consolidated financial statements and the related notes thereto and other information included elsewhere in this Offering Memorandum.

Consolidated Statement of Profit or Loss and Other Comprehensive Income or Loss:

	Year ended December 31,					
	2015		2016		2017	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	(US\$ millions)	%	(US\$ millions)	%	(US\$ millions)	%
Revenue	503.7	100.0	531.6	100.0	956.3	100.0
Cost of sales	(175.9)	(34.9)	(164.8)	(31.0)	(483.4)	(50.5)
Gross profit	327.8	65.1	366.8	69.0	472.9	49.5
Other income	5.6	1.1	5.8	1.1	7.8	0.8
Administrative expenses	(47.2)	(9.4)	(52.6)	(9.9)	(67.2)	(7.0)
Other operating expenses	(97.2)	(19.3)	(111.8)	(21.0)	(150.2)	(15.7)
Profit before taxation	189.0	37.5	208.2	39.2	263.3	27.6
Income tax	(16.4)	(3.2)	(24.0)	(4.5)	(8.1)	(0.8)
Profit for the year	172.6	34.3	184.2	34.7	255.2	26.8
Other comprehensive income for the year	(2.5)	(0.5)	(0.5)	(0.1)	2.1	0.2
Total comprehensive income for the year	170.1	33.8	183.7	34.6	257.3	27.0

Consolidated Statement of Financial Position:

	As of December 31,		
	2015	2016	2017
	(US\$ millions)	(US\$ millions)	(US\$ millions)
Current assets			
Consumables	1.2	1.5	1.8
Trade and other receivables	46.0	72.6	101.4
Cash and cash equivalents	<u>143.1</u>	<u>210.9</u>	<u>52.8</u>
Total current assets	<u>190.3</u>	<u>285.0</u>	<u>156.0</u>
Current liabilities			
Trade and other payables	34.8	37.0	77.9
Current tax liability	<u>1.6</u>	<u>2.7</u>	<u>1.8</u>
Total current liabilities	<u>36.4</u>	<u>39.7</u>	<u>79.7</u>
Net current assets	<u>153.9</u>	<u>245.3</u>	<u>76.3</u>

Consolidated Statement of Cash Flows

	Year ended December 31,		
	2015	2016	2017
	(US\$ millions)	(US\$ millions)	(US\$ millions)
Net cash generated from operating activities ..	195.7	201.7	322.2
Net cash (used in)/generated from investing activities	(121.8)	(135.7)	(354.6)
Net cash (used in)/generated from financing activities	<u>(109.0)</u>	<u>1.8</u>	<u>(125.7)</u>
Net (decrease)/increase in cash and cash equivalent	<u>(35.1)</u>	<u>67.8</u>	<u>(158.1)</u>
Cash and cash equivalents at the beginning of the year	178.2	143.1	210.9
Cash and cash equivalents at the end of the year	143.1	210.9	52.8

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis in conjunction with our audited consolidated financial statements as of and for the years ended December 31, 2016 and 2017 and the related notes thereto included elsewhere in this Offering Memorandum.

The following discussion contains forward-looking statements that involve risks, uncertainties and assumptions. Our business and financial performance are subject to substantial risks and uncertainties. Our actual results could differ materially from those projected in our forward-looking statements. In evaluating our business, you should carefully consider the information provided in "Risk Factors" and "Forward-looking Statements".

OVERVIEW

We operate the only integrated casino and hotel resort ("**NagaWorld**") in Phnom Penh, the capital city of Cambodia. Strategically located on a wide landscaped boulevard next to the Hun Sen Garden near the riverfront district of the Sisowath Quay in Phnom Penh, NagaWorld comprises:

- a casino and hotel resort spread over a total floor area of approximately 113,307 square meters which opened in December 2006 ("**Naga1**");
- a casino and luxury hotel resort spread over a total floor area of approximately 108,764 square meters which opened in November 2017 which is adjacent to Naga1 ("**Naga2**"); and
- an underground walkway which links Naga1 and Naga2 ("**NagaCity Walk**") which opened in August 2016. NagaCity Walk is Phnom Penh's first underground shopping center and offers duty-free shopping operated by China Duty Free Group — one of the largest duty-free operators in China.

Our license to operate NagaWorld (the "**Casino License**") is valid until 2065. Significantly, pursuant to the Casino License, we have an exclusive right to operate casinos in Cambodia within a 200 kilometer radius of Phnom Penh (except the Cambodia-Vietnam Border Area, Bokor, Kirirom Mountains and Sihanoukville) (the "**Designated Area**") until the end of 2035. See "*Business — NagaWorld Development Agreements and Casino License — Casino License.*"

NagaWorld has been designed to cater to a broad range of customers, including:

- gaming patrons consisting of (i) mass market players, who enjoy both table games as well as electronic gaming machines and (ii) VIP players, who enjoy VIP gaming suites, premium accommodation and amenities, and are characterized by high stakes gaming;
- leisure customers who visit resort destinations for quality accommodation, retail, dining, entertainment and sightseeing, and who may opt to game as part of the experience; and
- meetings, incentives, conferencing and exhibitions ("**MICE**") participants who attend trade shows, exhibitions and conventions in venues that offer them quality business-friendly accommodation, entertainment, dining and retail facilities.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been, and are expected to continue to be, affected by a variety of factors, including those set forth below:

Casino License

Ariston has the right of exclusivity to operate casinos in respect of the Designated Area which is the area within a 200 kilometer radius of Phnom Penh (except the Cambodia-Vietnam Border Area, Bokor, Kirirom Mountains and Sihanoukville) for the period to the end of 2035. During this period, the Cambodian Government is prohibited from:

- authorizing, 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 license.

On the occurrence of certain events, the Government has the right to terminate the NagaWorld Development Agreements and/or Casino License. These events include a substantial breach by the investor of any of its obligations under the NagaWorld Development Agreements. Ariston has assigned its rights under the NagaWorld Development Agreements as well as the Casino License to NAGAWORLD LIMITED, our wholly owned subsidiary.

The exclusivity provided by the Casino License directly affects our results of operations as we are able to develop our gaming business in the Designated Area. During this period of exclusivity until 2035, we do not face the risk of direct competition in Phnom Penh unless the Government fails to enforce our right of exclusivity. The Casino License also does not restrict the number, placement or type of tables and electronic gaming machines in our gaming business, which allows us to respond to market demands efficiently.

If the Government does not enforce our right of exclusivity and other casinos (whether legal or not) are allowed to operate in Phnom Penh and the surrounding areas, we would face increased competition and it could affect our results of operations and financial condition. If the Government does not grant us an extension to our exclusivity period, our right of exclusivity will cease at the end of 2035.

See “*Risk Factors — Risks relating to our Business — Our Casino License and its terms may be revoked or not enforced by the Government.*” In addition, we rely on the exclusive nature of the License.

Visitors to Cambodia

The level of visitors in Cambodia, particularly Phnom Penh, for business and tourism is a key driver of our business. In particular, our prospects depend to a large extent on the development of the tourism industry in Cambodia and on Cambodia's relative attractiveness as a tourist destination. Changes in economic or political conditions, the outbreak of epidemics, sustained bad weather, natural disasters and other events beyond our control may adversely affect the willingness of tourists to come to Cambodia and of players or tourists to travel to NagaWorld. If there is a significant decline in the number of visitors to Cambodia, particularly visitors from mainland China, it may have a material adverse effect on our business, financial condition and results of operations.

Travel and tourism is an important part of Cambodia's economy, having contributed 16% in 2015, 15% in 2016 and 15% in 2017 to Cambodia's national GDP. Visitation to Cambodia has continued to grow with international arrivals increasing by 6% in 2015, 5% in 2016 and 12% in 2017. Arrivals to Phnom Penh (through the Phnom Penh International Airport) increased by 16% in 2015, 10% in 2016 and 21% in 2017. We have benefited from the increase in tourists arriving to visit Cambodia and Phnom Penh in particular.

In 2017, visitors from China (22%), Vietnam (15%) and Laos (9%) are the top three source of arrivals and collectively accounted for 46% of total visitors to Cambodia (Source: Ministry of Tourism, Cambodia). The number of visitors from China experienced a year-over-year increase of 24% in 2015, 20% in 2016 and 46% in 2017. China is one of the fastest growing major economies in the world and visitors from China are expected to continue to contribute significantly to our business. See "*Industry Overview*."

Visitation to Cambodia (and Phnom Penh in particular) has been, and will continue to be, driven by a combination of factors, including the level of regional wealth in Asia which, should it continue to increase, is expected to lead to a large and growing middle class with rising disposable income, Phnom Penh's proximity to major Asian population centers and infrastructure improvements that are expected to facilitate more convenient travel to Phnom Penh. See "*Industry Overview*" and "*Risk Factors — Risks Relating to the Gaming and Tourism Industry in Cambodia — The number of visitors to Cambodia may decline or travel to Cambodia may be disrupted and Cambodia's existing and future infrastructure may not be able to support the anticipated growth of the tourism industry in Cambodia.*"

Customer mix between mass market and VIP players

Revenue from the mass market gaming business (which includes revenue from electronic gaming machines) was US\$257.6 million, US\$275.2 million, and US\$300.6 million in 2015, 2016 and 2017, respectively, and represented 51.2%, 51.8% and 31.4% of our total revenue for the same periods. Revenue from the VIP market gaming business was US\$223.0 million, US\$225.7 million, and US\$625.3 million in 2015, 2016 and 2017, respectively, and represented 44.3%, 42.5% and 65.4% of our total revenue for the same periods. We are focused on growing both our mass market gaming business and VIP market gaming business by focusing on the development and implementation of new marketing strategies and enhanced customer service. Consequently, we will continue to alter the number and mix of table games and electronic gaming machines at NagaWorld in order to try and increase revenue and profitability.

In addition, we typically achieve higher margins from our mass market players than from our VIP players. We generate lower margins from our VIP market gaming business primarily due to our revenue-based incentive plans which result in the Company paying incentives to gaming promoters as these plans help us manage credit risks and exposure to VIP wins since the gaming promoters on revenue-based incentive plans bear some of the risk of loss from VIP players. The incentives paid to the gaming promoters are recognized as cost of sales.

See the table under "*Description of Major Line Items in our Consolidated Statement of Income — Gross Profit and Gross Profit Margin.*"

We also change the number and mix of our mass market table games, VIP market table games and electronic gaming machines at NagaWorld from time to time as a result of marketing and operating strategies and in response to changing market demand. The shift in the mix of games affects our revenue. Unlike other regional competitors, we do not have restrictions on the types, placement or number of tables or electronic gaming machines. However, we do enter into licensing arrangements with third parties for electronic gaming machines.

Gaming promoters

A significant number of our VIP players are brought to NagaWorld by gaming promoters. Gaming promoters have historically played a critical role in our casino business by introducing high-spending VIP players to NagaWorld and often assisting those players with their travel and entertainment arrangements. In addition, gaming promoters often grant credit to their players. See “*Business — Credit and Payment Management — Extension of credit to VIP Players*”.

Revenue generated by players introduced by gaming promoters was 38.2%, 36.1% and 59.9% of our total revenue in 2015, 2016 and 2017, respectively. In exchange for their services, we pay our gaming promoters either through revenue-based incentive plans or commissions.

The majority of our gaming promoters are compensated through revenue-based incentive plans that are based on a percentage of gross gaming revenue from the VIP players they bring to NagaWorld. While the level of commissions has remained relatively stable, the amount of revenue derived from, and cost of sales incurred for, gaming promoters operating with revenue-based incentive plans has increased in recent years primarily due to strong performance of our top gaming promoters operating under these plans. In 2017, our largest gaming promoter generated approximately 49% of our revenue compared to approximately 9% in each of 2015 and 2016.

Our gaming promoters with commission plans are compensated at a fixed percentage of rolling chip turnover and do not share in the wins or losses of the VIP players they bring to NagaWorld.

See “*Business — Gaming Patrons — Gaming promoters*” and “*Risk Factors — Risks relating to our Business — We depend upon a relatively small number of gaming promoters for a significant portion of our revenues. If we are unable to maintain, or develop additional, successful relationships with reputable gaming promoters, our ability to maintain or grow our business may be adversely affected. Increased competition may exert upward pressure on amounts paid to gaming promoters.*”

The ramping up of Naga2 and NagaCity Walk and ongoing development of Naga Vladivostok

Our results of operations are significantly affected by the development and ramping up of new properties. In November 2017 and August 2016, Naga2 and NagaCity Walk respectively commenced operations. See “*Business — Overview — Summary of NagaWorld’s Facilities.*” When Naga2 and NagaCity Walk commenced operations, we began recording the related revenue and expenses as well as depreciation expenses. However, these facilities are subject to a ramp-up phase as gaming and non-gaming operations come online. In addition, since Naga2 was only opened in November 2017, we expect our results of operations to be materially affected by a full year of its operations in 2018.

We are also developing Naga Vladivostok, which is expected to be completed by 2019. The costs associated with the development of Naga Vladivostok were US\$35.5 million, US\$26.4 million, and US\$14.4 million in 2015, 2016 and 2017, respectively. The contractor is expected to incur capital expenditure for the development of Naga Vladivostok of approximately US\$222 million in aggregate over 2018 and 2019, which will be recorded as a liability on our balance sheet. This is calculated based on total capital expenditure minus the prepayments for acquisition, construction and fitting-out of property, plant and equipment of approximately US\$78 million as of December 31, 2017.

In the future, we may consider expanding NagaWorld or developing other integrated resort.

Competition

Although the Casino License ensures that we have the exclusive right to operate casinos within the Designated Area until the end of 2035, our business is subject to several competitive factors. These factors include competition from other casinos in Cambodia and elsewhere in the Asia-Pacific region, such as casinos in Macau, Malaysia, the Philippines, Singapore and Vietnam.

Our ability to compete with other casinos and resorts may have a substantial effect on pricing of our offerings at NagaWorld as we strive to competitively price our offerings in order to grow or maintain our market share while balancing our profitability goals. As the overall gaming and tourism markets continue to grow, competition may further intensify, including with the possible entry of new market players or mergers or consolidations between existing players. As a result, we expect market competition to continue to affect our revenue and results of operations.

See “*Risk Factors — Risks relating to the Gaming and Tourism Industries in Cambodia — The gaming industry is highly competitive*” and “*Industry Overview.*”

Consumer demand and preferences for casinos

Our results of operations are significantly affected by customer demand and preferences with respect to casinos in the Asia Pacific region. Although the demand for casinos is expected to continue to remain strong, consumer preferences may change frequently, particularly given the discretionary nature of our offerings at NagaWorld. We have recently opened Naga2 in response to increased customer demand for gaming services, particularly in the VIP market gaming business, and non-gaming services.

In addition, our hotels are also subject to the risk of changes in customer preferences. For example, customers in the future may prefer larger, branded hotel-only chains, smaller, “boutique” hotels or peer-to-peer property rentals. The impact of such changes in customer preferences on our business is difficult to predict. See also “*Risk Factors — Risks relating to our Business — We may not be able to execute our strategy of operating one of the leading casino resorts in Southeast Asia and consequently, may fail to satisfy our players’ desire for the highest level of service and finest quality of amenities.*” However, given our track record of successfully anticipating market developments and driving market demand, including through multiple economic downturns which have occurred regionally and globally since our establishment, we believe we are well-positioned to anticipate, respond to and influence consumer demand and preferences.

See “*Risk Factors — Risks relating to our Business — Our business is particularly sensitive to reductions in discretionary consumer spending resulting from downturns in the economies of Cambodia and other countries in Asia.*”

Macroeconomic conditions

Our results of operations are significantly affected by macroeconomic conditions in the markets in which our gaming patrons are based, including Southeast Asia, Greater China and East Asia. Foreign direct investment, economic growth or contraction can drive increases or decreases in consumer spending, which in turn, may affect the demand for our offerings and our results of operations.

Our prospects depend to a large extent on the foreign direct investment into Cambodia, especially from China. According to the Council for the Development of Cambodia, the fixed asset investment from China accounted for 20.2% of the total investment in Cambodia from 1994 to 2017. In 2017, Cambodia attracted fixed asset investment of US\$1.43 billion from China, or 27% of the total investment in the country last year. The foreign investments in tourism and infrastructure have ultimately helped Cambodia attract tourists and businesses. If there is a significant decline in the foreign direct investment into Cambodia, particularly from China, it may have a material adverse effect on our business, financial condition and results of operations.

In 2015, 2016 and 2017, we benefited from the generally strong economic environment in the markets in which our gaming patrons were based, which contributed to our results of operations although there can be no assurance that this will continue to remain the case.

See “*Risk Factors — Risks relating to our Business — Our business is particularly sensitive to reductions in discretionary consumer spending resulting from downturns in the economies of Cambodia and other countries in Asia*” and “*Industry Overview*”.

Taxation and regulatory changes

Our results of operations are affected by the level of taxation that we pay and our effective tax rate has been and is subject to change. Our results of operations could also be affected by other regulatory changes including those imposed by the Draft Gaming Law.

Under the terms of the Sihanoukville Development Agreement and under Cambodian laws, we were granted certain tax incentives. With respect to the casino operations, we were granted a profits tax exemption for a period of eight years from commencement of business in 1995, 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%. However, these tax rates were determined to be not payable until a gaming law was enacted in Cambodia. As an alternative, from 2000, the Ministry of Economy and Finance has levied obligation payments on gaming and non-gaming activities. These monthly obligation payments have been recognized as income tax in our financial statements.

We currently pay income tax in the form of monthly gaming and non-gaming (if required) obligation payments which are payable to the Ministry of Economy and Finance by our branches registered in Cambodia. These monthly obligation payments are subject to annual increases of 12.5% per year through 2018 or until the Draft Gaming Law is enacted in Cambodia. After 2018, the obligation payments will be reviewed by the Ministry of Economy and Finance. In 2015, 2016 and 2017, the obligation payments were payable with respect to gaming and hotel operations revenue and represented between 3.1% and 3.7% of our profit before taxation in each of those years.

Should the tax authorities disagree with the application of these incentives or otherwise disagree with the determinations made by us, it could result in legal disputes, and ultimately, in the payment of substantial amounts for tax, interest and penalties, which could have a material adverse effect on our business, financial condition and results of operations.

In 2015 and 2016, in addition to the obligation payments described above, we made additional obligation payments of US\$9.4 million and US\$16.6 million to the Government pursuant to discussions with the Ministry of Economy and Finance. There can be no assurance that similar payment obligations may not arise in the future. See note 10 to the 2017 Financial Statements for further details.

Cambodia published a draft gaming law for comment in August 2016. See “*Regulatory Overview of the Casino Business in Cambodia — Draft Gaming Law*” for a further discussion of the Draft Gaming Law. The Draft Gaming Law has yet to be promulgated and there is no certainty as to whether and when it will be promulgated. Moreover, if the law is enacted, it may differ in material respects from the Draft Gaming Law published for comment in 2016. We cannot predict with certainty whether a

gaming law will be promulgated or what the impact any such legislation will have on our business. The Draft Gaming Law would impose taxes on a monthly basis on casino operators, calculated as a percentage of gross gaming revenue (which would vary depending on the zone in which the casino is located and the nature of the customer). Although the Draft Gaming Law did not specify the rate of such tax, it is expected to be higher than the amounts which we currently pay to the Government, which could have a material effect on our business, financial condition and results of operations. According to published reports, the Government has indicated that the expected tax rate would be less than 10% of gaming revenue although there can be no assurance of the actual levels of taxation under the law is finally adopted. In addition, the Draft Gaming Law, particularly if it is implemented in a manner other than what was published for public comment in 2016, may impose additional restrictions or interpretations that affect our business, financial condition and results of operations.

See “*Risk Factors — Risks relating to our Business — Restrictions, limitations and additional obligations (including higher tax rates) may be imposed by new casino legislation regulations or amendments to law in Cambodia.*”

CRITICAL ACCOUNTING POLICIES

The preparation of our financial statements and certain accounting policies require 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. For a description of our critical accounting policies, in particular our revenue recognition policy and the related judgments and estimations which affect our financial statements, please refer to notes 4 and 31 of our 2017 Financial Statements.

DESCRIPTION OF MAJOR LINE ITEMS IN OUR CONSOLIDATED STATEMENT OF INCOME

Revenue

Our revenue consists of revenue from gaming operations and revenue from non-gaming operations (. The primary component of our revenue is from our casino operations which comprised 96.8% of our total revenue for 2017. The following table sets forth a breakdown of our revenue for the periods indicated.

	Year ended December 31,					
	2015		2016		2017	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	US\$ (millions)	%	US\$ (millions)	%	US\$ (millions)	%
Gaming	480.6	95.4%	500.9	94.2%	925.9	96.8%
Total mass market	257.6	51.1%	275.2	51.8%	300.6	31.4%
Mass market gaming tables . . .	120.8	24.0%	129.7	24.4%	149.7	15.6%
Electronic gaming machines . . .	136.8	27.1%	145.5	27.4%	150.9	15.8%
VIP market	223.0	44.3%	225.7	42.4%	625.3	65.4%
Non-gaming ⁽¹⁾	23.1	4.6%	30.7	5.8%	30.4	3.2%
Total revenue	503.7	100.0	531.6	100.0	956.3	100.0

Note:

(1) Non-gaming revenue comprises revenue from the occupancy of our hotel rooms, the sale of food and beverages in NagaWorld as well as revenue derived from retail operations (principally NagaCity Walk), services rendered in connection with our MICE facilities and revenue from spa and laundry services.

Cost of Sales

Cost of sales represents gaming related expenses (which primarily constitute incentives and commissions paid to gaming promoters and other expenses incurred in relation to gaming promoters, such as rebates on airfares, accommodation, food and beverage costs and rentals paid for gaming equipment) and non-gaming expenses (which include but are not limited to expenses incurred in connection with hotel supplies, food and beverage expenses, retail operation expenses and MICE facilities related expenses).

Gross profit and gross profit margin

We generated gross profit of US\$327.8 million, US\$366.8 million and US\$472.9 million in 2015, 2016 and 2017, respectively, while our gross profit margin was 65.1%, 69.0% and 49.5% in the same years, respectively. Our gross profit represents revenue after deducting cost of sales. The table below sets forth, for the years indicated, a breakdown of our gross profit and gross profit margin by segment:

	Year ended December 31,								
	2015			2016			2017		
	% of		Gross	% of		Gross	% of		Gross
	Gross	total		Gross	total		Gross	total	
profit	gross	profit	profit	gross	profit	profit	gross	profit	
	profit	margin	profit	profit	margin	profit	profit	margin	
	(US\$		(US\$			(US\$			
	millions)	%	millions)	%	%	millions)	%	%	
Gaming	309.6	94.4%	61.5%	342.5	93.4%	64.4%	448.2	94.8%	46.9%
Total mass market .	248.7	75.8%	96.5%	270.5	73.8%	98.3%	294.3	62.2%	97.9%
VIP market.	60.9	18.6%	27.3%	72.0	19.6%	31.9%	153.9	32.6%	24.6%
Non-gaming ⁽¹⁾	18.2	5.6%	78.8%	24.3	6.6%	79.2%	24.7	5.2%	81.3%
Total gross profit. . .	<u>327.8</u>		<u>65.1%</u>	<u>366.8</u>		<u>69.0%</u>	<u>472.9</u>		<u>49.5%</u>

Note:

(1) The non-gaming segment includes our hotel, food and beverage operations, retail operations (principally NagaCity Walk) and operations related to our MICE facilities.

The gross profit margin for the mass market segment was 96.5%, 98.3% and 97.9% in 2015, 2016 and 2017, respectively. The margin remained relatively stable due to the variable cost nature of expenses as mass market incentives are largely driven by the number of mass market players.

In 2015, 2016 and 2017, the gross profit margin for the VIP market segment was 27.3%, 31.9% and 24.6%, respectively. Gross profit margins in the VIP market are lower compared to the mass market category primarily due to revenue-based incentives paid to certain gaming promoters. We generate lower margins from our VIP market gaming business primarily due to our revenue-based incentive plans which result in the Company paying gaming promoters incentives based on a percentage of the revenue generated by VIP market gaming as this arrangement helps us manage credit risks and exposure to VIP wins. The revenue-based incentive payments and commission payments to the gaming promoters are recognized as cost of sales.

The gross profit margin for the non-gaming segment was 78.8%, 79.2% and 81.3% in 2015, 2016 and 2017, respectively. The margins remained relatively stable as our staff and food costs remained broadly stable, although our headcount increased significantly following the opening of Naga2 in late 2017.

Other income

We had other income of US\$5.6 million, US\$5.8 million and US\$7.8 million in 2015, 2016 and 2017, respectively. Other income primarily consists of interest income, rental income (from operating leases for NagaCity Walk and the aircraft we lease to Bassaka Air) and reversal of impairment losses previously recognized. For further detail of our other income and gains, please refer to note 7 to the 2016 Financial Statements and the 2017 Financial Statements.

Administrative expenses

Administrative expenses totaled US\$47.2 million, US\$52.6 million and US\$67.2 million in 2015, 2016 and 2017, respectively. Administrative expenses primarily consist of utility expenses, equipment rental, operating supplies, repairs and maintenance, aircraft maintenance and professional fees.

Other operating expenses

Other operating expenses primarily consist of staff costs, depreciation and amortization expense.

The table below sets forth, for the periods indicated, a breakdown of our other operating expenses:

Other operating expenses

	2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total
Staff costs	56.8	58.4%	63.4	56.7%	93.1	62.0%
Depreciation and amortization	36.0	37.0%	44.3	39.6%	52.9	35.2%
Amortization of casino license premium	3.5	3.6%	3.5	3.2%	3.5	2.4%
Exchange loss, net	1.3	1.3%	0.6	0.5%	0.7	0.4%
Realised gain on investments in bonds	(0.4)	(0.3)%	—	—	—	—
Total other operating expenses . . .	97.2	100.0%	111.8	100.0%	150.2	100.0%

Note:

(1) Exchange loss, net refers to realized exchange loss/ gain.

Staff costs

Staff costs primarily consist of salaries, wages, bonus payable to our CEO and other benefits, and to a lesser extent, contributions to defined contribution retirement schemes, which represent retirement benefits for our employees.

Depreciation and amortization

Depreciation and amortization expenses primarily consist of depreciation charges relating to property, plant and equipment and amortization charges relating to intangible assets (including trademarks and land use rights).

Amortization of the casino license premium

Under the Sihanoukville Development Agreement with the Cambodian Government, Ariston was required to pay an amount of US\$3.0 million in connection with the Casino License on the signing of the Sihanoukville Development Agreement with the Cambodian Government on January 2, 1995. This US\$3.0 million amount is amortized on a straight-line basis over the period of the Casino License.

In addition, Ariston was also required to pay an amount of US\$105.0 million to the Cambodian Government in connection with Ariston's obligations under the Addendum Agreement entered into with the Cambodian Government on August 12, 2005. This US\$105.0 million amount is amortized on a straight-line basis over the exclusivity period of the Casino License.

Expenses incurred in connection with the amortization of the casino license premium remained the same (i.e. US\$3.5 million) in 2015, 2016 and 2017. References to "amortization of the casino license premium" in this document include the extended exclusivity premium. See note 15 to the 2017 Financial Statements.

Income tax

Income tax expenses amounted to US\$16.4 million, US\$24.0 million and US\$8.1 million in 2015, 2016 and 2017, respectively, resulting in an effective tax rate of 8.7%, 11.5% and 3.1% in the same years, respectively.

We currently pay income tax in the form of monthly gaming and non-gaming (if required) obligation payments which are payable to the Ministry of Economy and Finance by our branches registered in Cambodia. These monthly obligation payments are subject to annual increases of 12.5% per year through 2018 or until the Draft Gaming Law is enacted. After 2018, the obligation payments will be reviewed by the Ministry of Economy and Finance. In 2015, 2016 and 2017, the obligation payments were payable with respect to gaming and hotel operations revenue and represented between 3.1% and 3.7% of our profit before taxation in each of those years. These amounts did not include the additional obligation payments described below.

Should the tax authorities disagree with the application of these incentives or otherwise disagree with the determinations made by us, it could result in legal disputes, and ultimately, in the payment of substantial amounts for tax, interest and penalties, which could have a material adverse effect on our business, financial condition and results of operations. The Draft Gaming Law, if enacted, will formalize our tax obligations. See "*Regulatory Overview of the Casino Business in Cambodia — Draft Gaming Law*" for a further discussion of the Draft Gaming Law.

In 2015 and 2016, we made additional obligation payments of US\$9.4 million and US\$16.6 million to the Government. There can be no assurance that similar payment obligations may not arise in the future.

See note 10 to the 2017 Financial Statements for further details.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

2017 Compared to 2016

Revenue

Total revenue increased by 79.9% from US\$531.6 million in 2016 to US\$956.3 million in 2017, primarily for the reasons described below.

Revenue by business segment

	Year ended December 31,					
	2016		2017		2017 v. 2016 change	
	Amount	% of revenue	Amount	% of revenue	Amount	% change
	(US\$ millions)	%	(US\$ millions)	%	(US\$ millions)	%
Gaming	500.9	94.2%	925.9	96.8%	425.0	84.5%
Total mass market.	275.2	51.8%	300.6	31.4%	25.4	9.2%
Mass market gaming tables . . .	129.7	24.4%	149.7	15.6%	20.0	15.4%
Total electronic gaming	145.5	27.4%	150.9	15.8%	5.4	3.7%
VIP market	225.7	42.4%	625.3	65.4%	399.6	177.0%
Non-gaming ⁽¹⁾	30.7	5.8%	30.4	3.2%	(0.3)	(1.0)%
Total revenue	531.6		956.3		424.7	79.9

Note:

(1) Non-gaming revenue comprises of revenue from the occupancy of our hotel rooms, the sale of food and beverages in NagaWorld as well as revenue derived from retail operations (principally NagaCity Walk) and services rendered in connection with our MICE facilities.

Revenue from the mass market segment

Revenue from the mass market segment increased by 9.2% from US\$275.2 million in 2016 to US\$300.6 million in 2017, primarily due to increased number of gaming patrons due to higher tourism in Cambodia from foreign nationals. Revenue from mass market gaming tables increased by 15.4% from US\$129.7 million in 2016 to US\$149.7 million in 2017, primarily due to increased number of gaming patrons partially off-set by a win rate of 19.0% in 2017 compared to 21.0% in 2016. Revenue from electronic gaming machines increased by 3.7% from US\$145.5 million in 2016 to US\$150.9 million in 2017, primarily due to increased number of gaming patrons as footfall increased, while the win rate for electronic gaming machines was lower in 2017 at 7.9% compared to 8.2% in 2016. Revenue from one-off sales to investors of electronic gaming machine license fees was US\$60.0 million in both 2016 and 2017.

Revenue from the VIP market segment

Revenue from the VIP market segment increased by 177.0% from US\$225.7 million in 2016 to US\$625.3 million in 2017, primarily due to strong demand from VIP players organized by our top gaming promoters, who have increasingly agreed to revenue-based incentive plans, with particularly strong growth in revenue generated from our largest and other top five gaming promoters, as well as a win rate of 3.0% in 2017 compared to 2.6% in 2016. The ramping-up of Naga2 from November 2017 also contributed positively to revenue growth from this segment.

Revenue from the non-gaming segment

Revenue from the non-gaming segment decreased slightly from US\$30.7 million in 2016 to US\$30.4 million in 2017, primarily due to our decision to focus on growth of our gaming operations including offering hotel rooms and food at rates discounted from our normal rack rates or at cost as incentives for the VIP market segment.

Cost of sales

Cost of sales increased by 193.3% from US\$164.8 million in 2016 to US\$483.4 million in 2017. As a percentage of revenue, cost of sales increased from 31.0% in 2016 to 50.5% in 2017. The increase in cost of sales in aggregate and as a percentage of revenue was primarily due to refinement of revenue-based incentive plans for our gaming promoters which resulted in higher payments to certain promoters since the top gaming promoters generated more revenue and in turn received higher incentive payments than commission-based gaming promoters.

Gross profit and gross profit margin

As a result of the foregoing, gross profit increased by 28.9% from US\$366.8 million in 2016 to US\$472.9 million in 2017. Gross profit margin decreased from 69.0% to 49.5% in the same period. The table below sets forth, for 2016 and 2017, a breakdown of our gross profit and gross profit margin by segment:

	Year ended December 31,					
	2016		2017		2017 v. 2016 change	
	Gross profit		Gross profit		Amount	%
	Gross profit	margin	Gross profit	margin		
(US\$ millions)	%	(US\$ millions)	%	(US\$ millions)	%	
Gaming	342.5	64.4%	448.2	46.9%	105.7	30.9%
Total mass market	270.5	98.3%	294.3	97.9%	23.8	8.8%
VIP market	72.0	31.9%	153.9	24.6%	81.9	113.8%
Non-gaming ⁽¹⁾	24.3	79.2%	24.7	81.3%	0.3	1.2%
Total	366.8	69.0	472.9	49.5	106.1	28.9

Note:

(1) The non-gaming segment includes our hotel, food and beverage operations, retail operations (principally NagaCity Walk) and operations related to our MICE facilities.

Mass market gross profit and gross profit margin

Mass market gross profit increased by 8.8% from US\$270.5 million in 2016 to US\$294.3 million in 2017, primarily due to increased revenue growth largely driven by an increased number of mass market players. Mass market gross profit margin remained relatively flat at 98.3% in 2016 and 97.9% in 2017.

VIP market gross profit and gross profit margin

VIP market gross profit increased by 113.8% from US\$72.0 million in 2016 to US\$153.9 million in 2017, primarily due to strong VIP revenue growth from gaming our top gaming promoters, who have agreed to revenue-based incentive plans, with a very significant portion of growth coming from our

largest gaming promoter. The incentive amount retained by the gaming promoters is recognized as cost of sales. VIP market gross profit margin decreased from 31.9% in 2016 to 24.6% in 2017 due to refinement of revenue-based incentive plans for our gaming promoters which resulted in higher payments to certain promoters.

Non-gaming gross profit and gross profit margin

Non-gaming gross profit increased by 1.2% from US\$24.3 million in 2016 to US\$24.7 million in 2017, primarily due to higher sales from food and beverage services which had higher gross profit margins and partially offset by the strategy described above to attract gaming patrons. Non-gaming gross profit margin also increased from 79.2% in 2016 to 81.3% in 2017.

Other income

Other income increased by 34.5% from US\$5.8 million in 2016 to US\$7.8 million in 2017, primarily due to increase in rental income primarily from leasing a third aircraft to Bassaka Air and operating leases for NagaCity Walk over a full year in 2017 compared to a partial year in 2016.

Administrative expenses

Administrative expenses increased by 27.8% from US\$52.6 million in 2016 to US\$67.2 million in 2017, primarily due to increases to support higher business volume across all segments, in addition to ongoing property enhancements at NagaWorld and the ramp up of NagaCity Walk and Naga2 in 2017.

Other operating expenses

Other operating expenses increased by 34.3% from US\$111.8 million in 2016 to US\$150.2 million in 2017, primarily due to higher executive compensation in 2017, higher headcount to support higher business volume across all segments, in addition to the hiring of staff to initiate regional direct marketing efforts to players and ongoing property enhancements at NagaWorld along with the ramp up of NagaCity Walk and Naga2 in 2017. The table below sets forth, for the periods indicated, a breakdown of other operating expenses:

	Year ended December 31,					
	2016		2017		2017 v. 2016 change	
	Amount	% of total	Amount	% of total	Amount	% of change
	(US\$ millions)	%	(US\$ millions)	%	(US\$ millions)	%
Staff costs	63.4	56.7%	93.1	62.0%	29.7	46.8%
Depreciation and amortization	44.3	39.6%	52.9	35.2%	8.6	19.4%
Amortization of casino license premium	3.5	3.2%	3.5	2.3%	0.0	0.0%
Exchange loss, net	0.6	0.5%	0.7	0.5%	0.1	16.7%
Total other operating expenses	111.8	100.0	150.2	100.0	38.4	34.3

Staff costs

Staff costs increased by 46.8% from US\$63.4 million in 2016 to US\$93.1million in 2017. This increase primarily reflected the higher executive compensation in 2017 compared to 2016 as well as the costs associated with increased headcount.

Depreciation and amortization

Depreciation and amortization expenses increased by 19.4% from US\$44.3 million in 2016 to US\$52.9 million in 2017, primarily due to recognition of expenses relating to NagaCity Walk and Naga2 as they commenced operations in 2017.

Amortization of casino license premium

Expenses incurred in connection with the amortization of the casino license premium remained the same at US\$3.5 million in 2016 and 2017.

Profit before tax

As a result of the foregoing, profit before tax increased by 26.5% from US\$208.2 million in 2016 to US\$263.3 million in 2017.

Income tax

Income tax expense decreased by 66.3% from US\$24.0 million in 2016 to US\$8.1 million in 2017, primarily due to the additional obligation payment in 2016 which did not recur in 2017, which was partially offset by a 12.5% increase in monthly obligation payment rates from 2017 compared to 2016. The effective tax rate decreased from 11.6% to 3.1% in the same periods, respectively.

Profit for the year

As a result of the foregoing, profit for the year increased by 38.5% from US\$184.2 million in 2016 to US\$255.2 million in 2017.

2016 Compared to 2015

Revenue

Total revenue increased by 5.5% from US\$503.7 million in 2015 to US\$531.6 million in 2016, primarily for the reasons described below.

Revenue by business segment

The following table sets forth a breakdown of our revenue for the periods indicated.

	Year ended December 31,					
	2015		2016		2016 v. 2015 change	
	Amount	% of revenue	Amount	% of revenue	Amount	% change
	(US\$ millions)	%	(US\$ millions)	%	(US\$ millions)	%
Gaming	480.6	95.4%	500.9	94.2%	20.3	4.2%
Total mass market	257.6	51.1%	275.2	51.8%	17.6	6.8%
Mass market gaming						
tables	120.8	24.0%	129.7	24.4%	8.9	7.4%
Total electronic gaming .	136.8	27.1%	145.5	27.4%	8.7	6.4%
VIP market	223.0	44.3%	225.7	42.4%	2.7	1.2%
Non-gaming ⁽¹⁾	23.1	4.6%	30.7	5.8%	7.6	32.9%
Total revenue	503.7		531.6		27.9	5.5%

Note:

- (1) Non-gaming revenue comprises of revenue from the occupancy of our hotel rooms, the sale of food and beverages in NagaWorld as well as revenue derived from retail operations (principally NagaCity Walk) and services rendered in connection with our MICE facilities.

Revenue from the mass market segment

Revenue from the mass market segment increased by 6.8% from US\$257.6 million in 2015 to US\$275.2 million in 2016, primarily due to increased tourism in Cambodia which in turn resulted in increased visits from mass market gaming patrons, which was partially offset by lower win rates in 2016 compared to 2015. Revenue from mass market gaming tables increased by 7.4% from US\$120.8 million in 2015 to US\$129.7 million in 2016 due to increased footfall partially offset by a win rate of 21.0% in 2016 compared to 22.0% in 2015. Revenue from electronic gaming machines increased by 6.4% from US\$136.8 million in 2015 to US\$145.5 million in 2016, primarily due to the increase in electronic gaming machines fee revenue from US\$40.0 million in 2015 to US\$60.0 million in 2016 which was partially offset by a win rate of 8.2% in 2016 compared to 9.8% in 2015.

Revenue from the VIP market segment

Revenue from the VIP market segment increased by 1.2% from US\$223.0 million in 2015 to US\$225.7 million in 2016, primarily due to significantly higher rollings for VIP players from gaming promoters on commission-based plans and direct VIP players while revenue from VIP players organized by our gaming promoters including among our top 5 gaming promoters declined slightly.

Revenue from the non-gaming segment

Revenue from the non-gaming segment increased by 32.9% from US\$23.1 million in 2015 to US\$30.7 million in 2016, primarily due to increased footfall as tourist arrivals increased along with better performance across all food and beverage outlets.

Cost of sales

Cost of sales decreased by 6.3% from US\$175.9 million in 2015 to US\$164.8 million in 2016. As a percentage of revenue, cost of sales decreased from 34.9% in 2015 to 31.0% in 2016. The decrease in cost of sales in aggregate and as a percentage of revenue was primarily due to the increase revenue from electronic gaming machines fees which do not require cost of sales and revision of revenue-based incentives plans which improved segment margins.

Gross profit and gross profit margin

As a result of the foregoing, gross profit increased by 11.9% from US\$327.8 million in 2015 to US\$366.8 million in 2016. Gross profit margin increased from 65.1% to 69.0% in the same period.

The table below sets forth, for 2015 and 2016, a breakdown of our gross profit and gross profit margin by segment:

	Year ended December 31,					
	2015		2016		2015 v. 2016 change	
	Gross profit		Gross profit		Amount	
	Gross profit	margin	Gross profit	margin		
(US\$ millions)	%	(US\$ millions)	%	(US\$ millions)	%	
Gaming	309.6	61.5%	342.5	64.4%	32.9	10.6%
Total mass market	248.7	96.5%	270.5	98.3%	21.8	8.8%
VIP market	60.9	27.3%	72.0	31.9%	11.1	18.2%
Non-gaming ⁽¹⁾	18.2	78.8%	24.3	79.2%	6.1	33.5%
Total	327.8	65.1%	366.8	69.0%	39.0	11.9%

Note:

- (1) The non-gaming segment includes our hotel, food and beverage operations, retail operations (principally NagaCity Walk) and operations related to our MICE facilities.

Mass market gross profit and gross profit margin

Mass market gross profit increased by 8.8% from US\$248.7 million in 2015 to US\$270.5 million in 2016, primarily due to increased revenue growth largely driven by number of mass market gaming patrons along with the US\$20.0 million increase in revenue from electronic gaming machines fees which do not have any cost of sales. Mass market gross profit margin also increased from 96.5% in 2015 to 98.3% in 2016 as we generated more revenue from electronic gaming machines fees which do not have any cost of sales.

VIP market gross profit and gross profit margin

VIP market gross profit increased by 18.2% from US\$60.9 million in 2015 to US\$72.0 million in 2016, primarily due to higher win rates combined with stable revenue growth from the VIP market business segment with a significant portion coming from our largest gaming promoters, who had agreed to revenue-based incentive plans. We also recognized higher gross profit from direct VIP players in 2016 compared to 2015 in part due to significantly higher rollings by those direct VIP players. The portion of revenue retained by the gaming promoters is recognized as cost of sales. VIP market gross profit margin also increased from 27.3% in 2015 to 31.9% in 2016.

Non-gaming gross profit and gross profit margin

Non-gaming gross profit increased by 33.5% from US\$18.2 million in 2015 to US\$24.3 million in 2016, primarily due to increases in hotel occupancy and average rates as well as better performance across all food and beverage outlets. Non-gaming gross profit margin slightly increased from 78.8% in 2015 to 79.2% in 2016.

Other income

Other income increased by 3.6% from US\$5.6 million in 2015 to US\$5.8 million in 2016, primarily due to an increase in rental income from operating leases for NagaCity Walk after it opened in the second half of 2016.

Administrative expenses

Administrative expenses increased by 11.4% from US\$47.2 million in 2015 to US\$52.6 million in 2016, primarily due to support services related to increased headcount to support our growing gaming business.

Other operating expenses

Other operating expenses increased by 15.0% from US\$97.2 million in 2015 to US\$111.8 million in 2016, primarily due to increased headcount to support our growing gaming business. The table below sets forth, for the periods indicated, a breakdown of other operating expenses:

	Year ended December 31,					
	2015		2016		2016 v. 2015 change	
	Amount	% of total	Amount	% of total	Amount	% of change
	(US\$ millions)	%	(US\$ millions)	%	(US\$ millions)	%
Staff costs	56.8	58.4%	63.4	56.7%	6.6	11.6%
Depreciation and amortization	36.0	37.0%	44.3	39.6%	8.3	23.1%
Amortization of casino license premium	3.5	3.6%	3.5	3.2%	0	0
Exchange loss, net	1.3	1.3%	0.6	0.5%	(0.7)	(53.8)%
Realized gain on investment in bonds	(0.4)	(0.3)%	—	—	0.4	N.A.
Total other operating expenses	97.2	100.0	111.8	100.0	14.6	15.0

Staff costs

Staff costs increased by 11.6% from US\$56.8 million in 2015 to US\$63.4 million in 2016 due to increased headcount.

Depreciation and amortization

Depreciation and amortization expenses increased by 23.1% from US\$36.0 million in 2015 to US\$44.3 million in 2016, primarily due to depreciation and amortization expenses following the completion of fitting out and opening of NagaCity Walk in 2016.

Amortization of casino license premium

Expenses incurred in connection with the amortization of the casino license premium remained the same at US\$3.5 million in 2015 and 2016.

Profit before tax

As a result of the foregoing, profit before tax increased by 10.2% from US\$189.0 million in 2015 to US\$208.2 million in 2016.

Income tax

Income tax expense increased by 46.3% from US\$16.4 million in 2015 to US\$24.0 million in 2016, primarily due to a higher additional obligation payment in 2016 compared to 2015 as agreed with the Government in both 2015 and 2016 and the 12.5% increase in monthly obligation payment rates from 2016 compared to 2015. The effective tax rate increased from 8.7% to 11.5% in the same periods, respectively, primarily due to the increased additional obligation payment agreed with the Government.

Profit for the year

As a result of the foregoing, profit for the year increased by 6.7% from US\$172.6 million in 2015 to US\$184.2 million in 2016.

Non-IFRS Financial Measures

Our non-IFRS financial measures include EBITDA and EBITDA margin. We define EBITDA as our profit before taxation adjusted for finance expenses, depreciation and amortization expenses, as calculated under IFRS.

While EBITDA and EBITDA margin provide additional financial measures to assess our operating performance, the use of either EBITDA or EBITDA margin has certain limitations because it does not reflect all items of income and expense that affect our operations. In addition, EBITDA does not reflect changes in working capital, capital expenditure or other investing and financing activities and therefore should not be considered a measure of liquidity.

As a measure of operating performance, we believe that the most directly comparable IFRS measure to EBITDA is profit before tax.

The table below sets forth our EBITDA and EBITDA margin for the years indicated:

	Year ended December 31,		
	2015	2016	2017
	US\$ millions (except percentages)		
Profit before taxation	189.0	208.2	263.3
Adjustment for:			
Depreciation and amortization expenses (including amortization of casino license premium)	39.5	48.0	56.4
Finance expenses	—	—	—
Total EBITDA	228.5	256.0	319.7
EBITDA Margin	45.4%	48.2%	33.4%

Note:

(1) EBITDA margin is calculated by dividing EBITDA by revenue.

Neither EBITDA nor EBITDA margin should not be considered in isolation or construed as a substitute for analysis of IFRS financial measures. In addition, because EBITDA and EBITDA margin may not be calculated in the same manner by all companies, our EBITDA and/or EBITDA margin may not be comparable to the same or similarly titled measures presented by other companies. Moreover, the definition of EBITDA above differs from the definition of Consolidated Cash Flow contained in “Description of the Notes”.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity consist of cash and cash equivalents, which have historically been generated through cash flows from operating activities and issuances of shares. In 2015, 2016 and 2017, we benefitted from strong, recurring cash flows from operating activities.

Issuance of new shares

In September 2016, we issued 190,000,000 ordinary shares (which represented approximately 8.4% of the issued share capital of NagaCorp Ltd. as of September 9, 2016) at a subscription price of HK\$5.00 per share to Fourth Star Finance Corp., which is indirectly owned by a foundation founded by Dr. Chen. A few days prior the subscription — on September 5, 2016, Fourth Star Finance Corp. had transferred 190,000,000 ordinary shares to not less than six investors at a price of HK\$5.00 per share.

The subscription price of HK\$5.00 represented a discount of approximately 8.9% to the closing price of HK\$5.49 per share on August 31, 2016 (which was the last trading day prior to the signing of the placing and subscription agreement entered into in connection with the placing and issuance of our shares). The gross proceeds of the subscription amounted to HK\$950 million (equivalent to approximately US\$121.8 million as of date of the subscription). The proceeds were used for the fit-out of Naga2 and for general corporate purposes.

Issuance and conversion of convertible bonds

NagaCity Walk Convertible Bonds

On May 17, 2016, we acquired TanSriChen (Citywalk) Inc., the owner of NagaCity Walk, at a consideration of US\$94.0 million which was satisfied by the issuance of unsecured convertible bonds in the aggregate principal amount of US\$94.0 million (“**NagaCity Walk Convertible Bonds**”) in favor of Dr. Chen.

Naga2 Convertible Bonds

On December 30, 2016, we acquired TanSriChen Inc., the owner of Naga2, at a consideration of US\$275.0 million which was satisfied by the issuance of the unsecured convertible bonds in the aggregate principal amount of US\$275.0 million (“**Naga2 Convertible Bonds**”) in favor of Dr. Chen.

All of the NagaCity Walk Convertible Bonds and Naga2 Convertible Bonds were converted in August 2017. As a result, Dr. Chen received 1,881,019,166 additional shares of our common stock, bringing his aggregate beneficial holding to 65.4% of our share capital.

Net Current Assets

The table below sets forth, for the dates indicated, a breakdown of our current assets and current liabilities:

	As of December 31,		
	2015	2016	2017
	(US\$ millions)	(US\$ millions)	(US\$ millions)
Current assets			
Consumables	1.2	1.5	1.8
Trade and other receivables	46.0	72.6	101.4
Cash and cash equivalents	143.1	210.9	52.8
Total current assets	<u>190.3</u>	<u>285.0</u>	<u>156.0</u>
Current liabilities			
Trade and other payables	34.8	37.0	77.9
Current tax liability	1.6	2.7	1.8
Total current liabilities	<u>36.4</u>	<u>39.7</u>	<u>79.7</u>
Net current assets	<u>153.9</u>	<u>245.3</u>	<u>76.3</u>

We had net current assets of US\$153.9 million, US\$245.3 million and US\$76.3 million as of December 31, 2015, 2016 and 2017, respectively.

Cash and cash equivalents constituted the largest component of our current assets as of December 31, 2015, 2016, respectively, and trade and other receivables was the largest component of current assets as of December 31, 2017, while trade and other payables constituted the largest component of our current liabilities as of the same dates, respectively.

Trade and other receivables increased in 2017 primarily due to the growth of our VIP business. Trade and other payables increased in 2017 and cash and cash equivalents decreased in 2017 primarily due to expenses related to the fitting out of NagaCity Walk and Naga2.

Cash Flows

The table below sets forth our cash flows for the periods indicated:

	Year ended December 31,		
	2015	2016	2017
	(US\$ millions)	(US\$ millions)	(US\$ millions)
Net cash generated from operating activities	195.7	201.7	322.2
Net cash (used in)/generated from investing activities	(121.8)	(135.7)	(354.6)
Net cash (used in)/generated from financing activities	(109.0)	1.8	(125.7)
Net (decrease)/increase in cash and cash equivalent . .	<u>(35.1)</u>	<u>67.8</u>	<u>(158.1)</u>
Cash and cash equivalents at the beginning of the year	178.2	143.1	210.9
Cash and cash equivalents at the end of the year	143.1	210.9	52.8

Net cash generated from operating activities

In 2017, we had net cash generated from operating activities of US\$322.2 million. We had operating profit before changes in working capital of US\$321.7 million, primarily consisting of profit before tax of US\$263.3 million and adjustments for (i) depreciation and amortization of US\$52.9 million following the completion of Naga2 in November 2017 and (ii) amortization of the Casino License premium of US\$3.5 million. Changes in working capital primarily consisted of (i) an increase in trade and other receivables of US\$29.9 million as a result of significant growth in VIP rollings and (ii) an increase in trade and other payables of US\$39.8 million as a result of the fitting out of Naga2. Our operating cash outflow also included US\$9.0 million in tax paid.

In 2016, we had net cash generated from operating activities of US\$201.7 million. We had operating profit before changes in working capital of US\$255.2 million, primarily consisting of profit before tax of US\$208.2 million and adjustments for (i) depreciation and amortization of US\$44.3 million and (ii) amortization of the Casino License premium of US\$3.5 million. Changes in working capital primarily consisted of (i) an increase in trade and other receivables of US\$28.5 million as a result of growth in VIP rollings and (ii) a decrease in trade and other payables of US\$1.9 million. Our operating cash outflow also included US\$22.9 million in tax paid primarily relating to an additional obligation payment.

In 2015, we had net cash generated from operating activities of US\$195.7 million. We had operating profit before changes in working capital of US\$227.5 million, primarily consisting of profit before tax of US\$189.0 million and adjustments for (i) depreciation and amortization of US\$36.0 million and (ii) amortization of the Casino License premium of US\$3.5 million. Changes in working capital primarily consisted of (i) an increase in trade and other receivables of US\$16.7 million as a result of growth in VIP rollings and (ii) an increase in trade and other payables of US\$0.2 million. Our operating cash outflow also included US\$15.3 million in tax paid primarily relating to an additional obligation payment.

Net cash used in investing activities

In 2017, our net cash used in investing activities was US\$354.6 million, primarily consisting of payments for the purchase of property, plant and equipment, and US\$279.4 million in fit out cost of Naga2.

In 2016, our net cash used in investing activities was US\$135.7 million, primarily consisting of payments for the purchase of property, plant and equipment, and US\$81.3 million in respect of capital work in progress mainly in relation to construction within NagaWorld.

In 2015, our net cash used in investing activities was US\$121.8 million, primarily consisting of payments for the purchase of property, plant and equipment.

Net cash (used in)/generated from financing activities

In 2017, our net cash used in financing activities was US\$125.7 million as we had a cash outflow of US\$125.8 million in dividends paid to our shareholders.

In 2016, our net cash generated from financing activities was US\$1.8 million, primarily due to proceeds from the issue of shares of US\$122.6 million. We also had a cash outflow of US\$118.1 million in dividends paid to our shareholders.

In 2015, our net cash used in financing activities was US\$109.0 million as we had a cash outflow of US\$108.5 million in dividends paid to our shareholders.

RELATED PARTY TRANSACTIONS

In 2015, 2016 and 2017, we had certain transactions with related parties, including the following:

- In 2017, the conversion of the convertible bonds and issuance of shares to Dr. Chen described above under “— *Liquidity and Capital Resources — Issuance of Convertible Bonds.*”
- In 2016, we acquired a 100% equity interest in (a) TanSriChen (Citywalk) Inc., which was the owner of NagaCity Walk for a consideration of US\$94.0 million and (b) TanSriChen Inc., which was the owner of Naga2 for a consideration of US\$275.0 million. Dr. Chen was the sole shareholder of both TanSriChen (Citywalk) Inc. and TanSriChen Inc. before and at the time of the acquisitions. The properties were not fitted out at the time of acquisition which required substantial capital expenditure for both properties.
- In 2015, 2016 and 2017, we paid US\$9.3 million, US\$8.4 million and US\$27.9 million, respectively as bonuses, salaries and housing allowances to key management personnel who were related parties.
- In 2015, we transacted with related companies (the controlling beneficiary of which is Dr. Chen) for the provision of travel and tour services and hotel accommodation (amounting to US\$36,000) and expenses paid on behalf of related companies (amounting to US\$0.1 million).

Our management is of the view that the above transactions were entered into on an arm’s length basis. See note 28 to the 2016 and 2017 Financial Statements.

CAPITAL EXPENDITURE

We had total capital expenditure of US\$141.0 million, US\$516.7 million and US\$364.1 million in 2015, 2016 and 2017, respectively. In 2015, 2016 and 2017, our capital expenditure primarily consisted of non-cash asset acquisition and the fitting out of NagaWorld and Naga2 as well as ongoing support of VIP gaming facilities. We have financed our capital expenditure primarily through cash generated from operations and the issuance of new shares and convertible bonds.

As NagaWorld and Naga2 were not fitted out at the time of acquisition, we incurred substantial capital expenditure for both properties. The cost in relation to construction within NagaWorld was US\$81.3 million in 2016 while Naga2 was US\$279.4 million in 2017. In 2018 and 2019, we expect to incur total capital expenditure of US\$150 million primarily relating to the refurbishment of Naga1 hotel rooms and in support of our gaming operations. In addition, we have entered into a fixed-fee contract with a third party contractor for the construction of Naga Vladivostok. We expect to incur approximately US\$222 million in expenses relating to the construction of Naga Vladivostok in 2018 and 2019. This amount will be payable by us in 2021, or at our option, in 2023 and is expected to be funded by cash generated by operations at Naga Vladivostok. These contracted for but not yet incurred amounts have been recognized as capital commitments as described below.

COMMITMENTS

As of December 31, 2015, 2016 and 2017, we had significant capital commitments relating to construction at NagaWorld and, through a wholly-owned subsidiary, Naga Vladivostok.

The table below sets forth, as of the dates indicated, our capital commitments that had been contracted but not incurred as of the dates indicated.

	As of December 31,		
	2015	2016	2017
	(US\$ millions)	(US\$ millions)	(US\$ millions)
Hotel and casino complex			
- contracted but not incurred	224.8	370.2	342.5

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

We also have operating lease commitments with respect to the lease / rental arrangements entered into in respect of (a) the parcels of lands on which NagaWorld is constructed, (b) office, staff quarters and car park rentals, (c) equipment and (d) electronic gaming machines and table games. See also “*Business — Properties.*”

The table below sets forth, as of the dates indicated, our future minimum lease payments payable under non-cancellable operating leases:

	As of December 31,		
	2015	2016	2017
	(US\$ millions)	(US\$ millions)	(US\$ millions)
Not later than 1 year	3.9	3.6	4.3
Later than 1 year but not later than 5 years	6.3	4.0	10.0
Later than 5 years	21.0	25.3	34.0
Total lease commitments	<u>31.2</u>	<u>32.9</u>	<u>48.3</u>

The significant increase in total lease commitments as of December 31, 2017 compared to 2016 primarily relates to lease agreements relating to NagaCity Walk.

CONTINGENT LIABILITIES

In 2015, 2016 and 2017, we had contingent liabilities arising from the service agreement entered into between us and Dr. Chen relating to Dr. Chen’s performance bonus entitlements. Dr. Chen was entitled to a bonus entitlement of US\$8.1 million for 2015 and US\$9.0 million for 2016, and these amounts were deferred until certain performance indicators had been met. These amounts were accounted for in 2017 and paid to Dr. Chen in 2018. Dr. Chen is entitled to a bonus US\$11.8 million for 2017, which has been deferred until certain performance indicators are met. See note 32 to the 2016 Financial Statements and the 2017 Financial Statements for further details. Other than as disclosed above, we had no contingent liabilities in 2015, 2016 and 2017.

QUALITATIVE AND QUANTITATIVE DISCLOSURES ON MARKET RISK

We are exposed to financial risks arising from our operations. The key financial risks include interest rate risk, liquidity risk, credit risk, market risk and, to a lesser extent, foreign currency risk.

Our exposure to the above mentioned financial risks and the objectives, policies and processes for the management of these risks is described below. There has been no change to our exposure to these financial risks or the manner in which we manage and measure the risks.

Interest rate risk

We have no significant interest bearing assets except fixed rate bank deposits. Our policy is to manage interest rate risk, working with an agreed framework, to ensure that there are no undue exposures to significant interest rate movements and the rates are fixed where necessary. Our interest rate risk is deemed not significant by us.

Foreign currency risk

Our income is principally earned in U.S. dollars. Our expenditure is principally in U.S. dollars and to a lesser extent in Riel and Rubles. As such, we do not have significant exposure to foreign currency risk.

Credit risk

The credit policy on gaming receivables is five to thirty days from the end of tour, or the visits arranged by the gaming promoter. The credit policy on non-gaming receivables is generally thirty days from the end of the month. Trade receivables relate mostly to gaming promoters.

We recognize impairment losses on trade and other receivables. We have a credit policy in place and the exposure to credit risk is monitored on a regular basis. We grant credit facilities, on an unsecured basis, to select gaming promoters and VIP customers. Credit evaluations are performed on all customers requesting credit facilities. We do not provide any guarantees which would expose us to credit risk.

Liquidity risk

Liquidity risk is the risk that we will encounter difficulty in meeting financial obligations due to shortage of funds. The tables below set forth, as of the dates indicated, our financial liabilities based on contractual payments.

	<u>As of December 31,</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
	(US\$ millions)	(US\$ millions)	(US\$ millions)
Financial liabilities (less than one year)	34.8	37.0	77.9

DIVIDENDS AND DIVIDEND POLICY

In 2015, 2016 and 2017, we paid dividends and distributions of US\$108.5 million, US\$118.1 million and US\$125.8 million, respectively.

While we do not have a formal dividend policy, over the last three years, we have declared and paid dividends equal to approximately 60% of our net profit attributable to shareholders. The amount of any dividends to be declared or paid in the future will depend on, among other things, our results of operations, cash flows, financial condition, operating and capital requirements and applicable laws and regulations. Any future declaration of dividends may or may not reflect our prior declarations of dividends.

DISTRIBUTABLE RESERVES

As of December 31, 2017, we had distributable reserves of US\$700.3 million, of which US\$751.4 million represents the share premium of the new shares issued and US\$55.6 million represents the capital contribution reserve (which we have no intention of distributing).

OFF-BALANCE SHEET ARRANGEMENTS

In 2015, 2016 and 2017, except as disclosed in “*Management Discussion and Analysis of Financial Condition and Results of Operations — Contingent Liabilities*,” we had no material off-balance sheet arrangements.

RECENT DEVELOPMENTS

Ramp up of Naga2

We began ramping up Naga2 in November 2017. The operation of Naga2 for a full year in 2018 is expected to significantly affect our business, financial condition and results of operations.

First Quarter Operating Data

The operating data in this section represent indications of business volumes (from which revenues are derived based on the actual daily percentage win-rates recorded by the Group) and do not constitute profit numbers. These business volumes are shown on a basis that is consistent with the presentation of such information in the Company’s annual and interim reports.

The information contained in this section is based on a preliminary assessment of the management accounts of the Group and the information currently available to the Company and is not based on any figures or information which have been audited or reviewed by the auditor of the Company.

In April 2018, we announced the following unaudited operational highlights of the gaming branch of the Group for the three months ended March 31, 2018:

	Unaudited figures for the 3 months ended March 31, 2018	Unaudited figures for the 3 months ended March 31, 2017	Increase	Increase
	(US\$ millions)			(%)
Gross Gaming Revenue	243.2	86.7	156.5	181%
Mass Market Business:				
- Mass Market tables Buy-ins ⁽¹⁾	263.8	169.4	94.4	56%
- EGM ⁽²⁾ Bills-in ⁽³⁾	515.4	417.3	98.1	24%
VIP Business (Rollings ⁽⁴⁾)	5,644.1	3,733.4	1,910.7	51%

Notes:

- (1) Total buy-ins refers to in the case of public hall gaming tables, the total value of gaming chips purchased by mass market players (“buy-ins”).
- (2) Electronic gaming machines
- (3) Total bill-ins refers to in the case of (owned and licensed) electronic gaming machines, the total amount deposited in the electronic gaming machines (“bill-ins”).
- (4) Total rollings refers to in the case of VIP hall gaming tables, the amount of non-negotiable chips purchased by a VIP player or gaming promoter, less the amount of non-negotiable chips returned. Typically only non-negotiable chips are wagered on these tables.

Visitation and tourism growth has continued to underpin NagaWorld's footfall growth. In the first two months of 2018, international arrivals to Cambodia increased by 11% to 1,139,178 visitors compared to the first two months of 2017, of which visitation from Asia Pacific region increased by 17% to 848,333 visitors. In particular, visitation from China increased by 84% to 317,886 visitors. China is the leading source of visitation to Cambodia, accounting for 28% of all visitations (Source: Ministry of Tourism Cambodia).

We also noted improvements in rooms and food and beverage revenue as a result of the increase in footfall. Hotel room nights sold increased by approximately 56.2% from 51,386 in the three months ended March 31, 2017 to 80,244 in the three months ended March 31, 2018.

INDUSTRY OVERVIEW

The following industry and market data has been prepared by and obtained from Global Market Advisors, an independent industry consultant in the gaming industry, using information derived, in part, from various government and private publications. This information has not been independently verified by us or the Initial Purchasers or any of our respective affiliates or advisors.

Overview of the Cambodian economy and tourism

OVERVIEW AND GDP

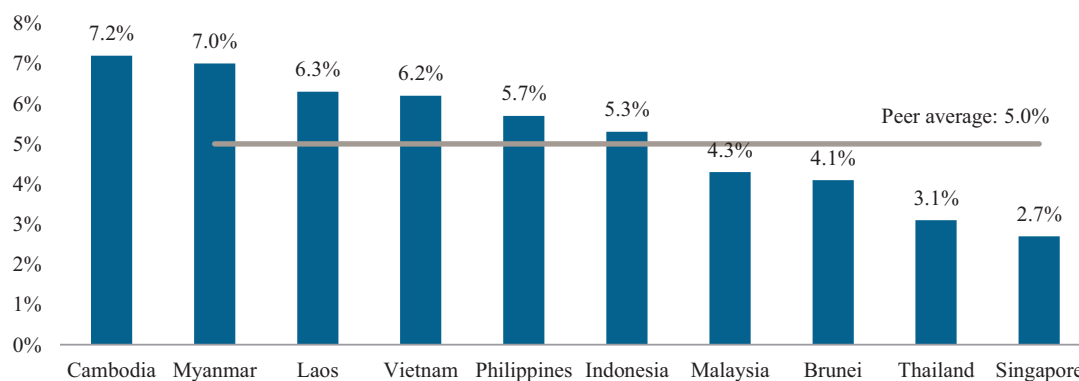
Cambodia has experienced strong economic growth over the past several years. Its GDP has steadily grown from US\$15.5 billion in 2013 to an estimated US\$22.3 billion in 2017, representing a CAGR of 9.6% over that period. This level of growth is expected to continue through the near future as Cambodia's tourism industry continues to expand. Total travel and tourism receipts increased from US\$2.1 billion in 2013 to an estimated US\$2.8 billion in 2017, amounting to roughly 13% of total GDP. The following table shows Cambodia's population, GDP, and GDP per capita from 2013 to 2017, as well as percentage of direct contribution of travel and tourism to GDP during the period.

Cambodian Population and Relative Wealth				% of Direct Contribution of Travel and Tourism to GDP
	Population	Nominal GDP	GDP Per Capita	
	(in million)	(in US\$ billion)	(US\$)	
2013	15.0	15.5	1,028	13%
2014	15.3	16.8	1,099	14%
2015	15.5	18.1	1,163	14%
2016	15.8	20.0	1,270	12%
2017E	16.0	22.3	1,392	13%

Source: World Bank, Oxford Economics, World Travel & Tourism Council, GMA

As a result of such economic growth, the World Bank in 2016 officially reclassified Cambodia from low income to lower middle income. The Cambodian economy is projected to sustain 7.2% real GDP CAGR between 2017 and 2022, which would make it the fastest growing economy in Southeast Asia. In that period, the other nine ASEAN states are expected to grow at an average of 5.0% CAGR. The following chart shows projected economic growth in Southeast Asia through 2022.

ASEAN Annual real GDP CAGR, 2017-2022E



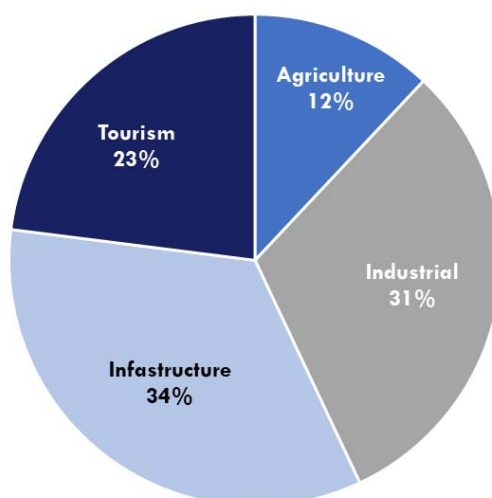
Source: Oxford Economics, GMA

Cambodia's business environment has improved markedly over the past decade. Several new infrastructure projects have been initiated, including bridges and highways, allowing for improved access to export markets. Infrastructure development is expected to encourage further economic growth in Cambodia, with several key infrastructure projects aimed at the transportation and energy sectors. Although per capita income has accelerated in recent years, it remains low compared to other Southeast Asian nations, indicating further headroom to grow. The primary concentration of population, wealth and commercial activity in Cambodia is in Phnom Penh.

FDI

Foreign direct investment ("FDI") into Cambodia totaled US\$3.1 billion in 2017, up from US\$1.4 billion in 2015. Since 2013, tourism and infrastructure have accounted for 57% of the total FDI into Cambodia. Overall, China is both the largest contributor of FDI to Cambodia and its largest trading partner. Upon visiting Prime Minister Hun Sen in Phnom Penh earlier in 2018, Chinese Premier Li Keqiang pledged his support for various investments in Cambodia, with a general focus on infrastructure.

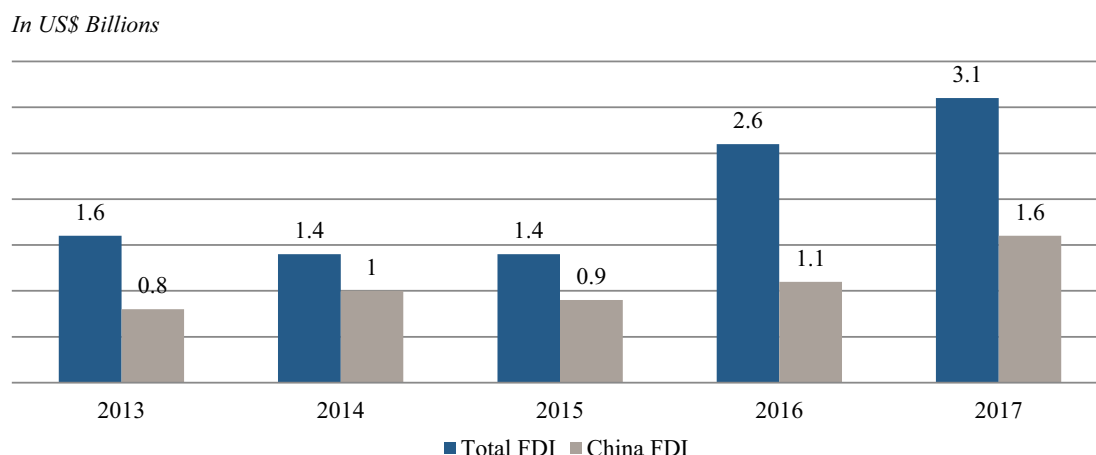
FDI into Cambodia by Industry, 2013-2017



Source: CDC, GMA

Between 2013 and 2017, China offered US\$5.3 billion in loans and investments in Cambodia, representing approximately 54% of total FDI into the country. In 2017, FDI from China into Cambodia amounted to US\$1.6 billion. The overall growth of total FDI into Cambodia and FDI from China are illustrated in the following chart.

Historical FDI into Cambodia



Source: CDC, GMA

ONE-BELT-ONE-ROAD INITIATIVE

China’s One-Belt-One-Road Initiative, often referred to as the Belt and Road Initiative (“**BRI**”), was initially unveiled in 2013 with the aim of creating a modern-day Silk Road, or a global trade route. The goal is to connect Asia with Europe, the Middle East, and Africa with a vast transportation network consisting of roads, ports, railways, and airports, as well as interconnected logistics to include oil pipelines, fiber optic lines, and transnational electric grids. The plan includes up to 68 countries, which would connect 60% of the global population and collectively account for one-third of global GDP.

Cambodia is a key country in China’s BRI. Up to 2017, Cambodia received US\$4.2 billion in loans and grants for BRI-related development, primarily targeting infrastructure and energy. Key projects under the BRI in Cambodia are summarized in following table.

Developments	Total Investment (US\$)	Timing
1st Expressway of 2,230km from Phnom Penh to Sihanoukville	26 billion	Completed by 2040
New International Airport Siem Reap with 6x of current site size and at least doubled capacity (5MM passengers for existing airport).	880 million	Begin construction in 2018
Seven hydropower plants and power transmission lines providing electricity to half of Cambodia	2.4 billion	Six already completed, another one to be completed in 2018
2,600-hectare new airport to be built about 30km south of Phnom Penh.	1.5 billion	Begin construction in 2019

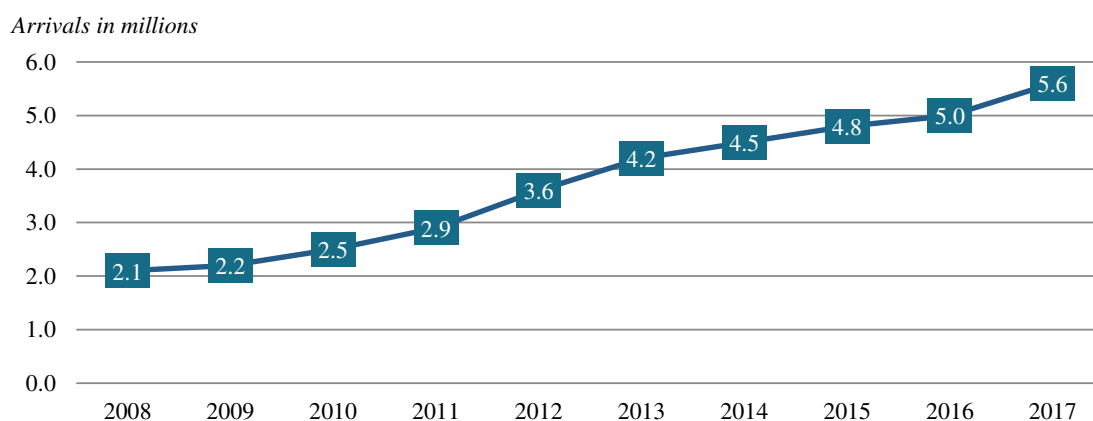
Source: The University of Cambodia, ISEAS

TOURISM

Visitations

Visitations to Cambodia grew at a CAGR of 7.4% since 2013. Cambodia welcomed roughly 5.6 million visitors in 2017, representing an annual increase of approximately 590,000, or 11.8% year-on-year, and has more than doubled since 2008. This was primarily driven by a substantial increase in visitation from China, which increased by 45.8% from approximately 830,000 in 2016 to more than 1.2 million in 2017. Chinese visitors are currently the largest group of visitors to Cambodia, accounting for 21.6% of all tourism to Cambodia in 2017, while Asian visitors overall accounted for 77.1%.

International Tourist Arrivals to Cambodia



Source: Ministry of Tourism Cambodia

While Siem Reap and its world heritage sites are often perceived as the primary attractions to Cambodia, Phnom Penh has also enjoyed robust levels of growth in tourism. International visitation into Phnom Penh has grown significantly since 2010. International arrivals to Phnom Penh International Airport (PNH) have more than doubled from roughly 591,000 in 2010 to 1.4 million in 2017. Total arrivals (which include those arriving over land) saw similar growth, from approximately 1.2 million in 2010 to 3.1 million in 2017.

Flight connectivity to Cambodia is expanding rapidly as visitation to the country continues to increase. As of March 2018, there were 738 weekly direct flights from Asia cities into Cambodia's three international airports in Phnom Penh, Siem Reap and Sihanoukville. China accounted for the largest share of inbound flights to Cambodia, with 177 weekly flights collectively from the country. The next largest share came from Thailand with 174 weekly flights, followed by Vietnam with 140. This compares to 386 weekly direct flights from Asia in 2013, with 61 weekly flights from China. The following table shows weekly arrivals to Cambodia from other cities in Asia.

Inbound Direct Scheduled Flights to Cambodia (PNH, REP, KOS)

From	Approx. Flight Time	Weekly Flights	From	Approx. Flight Time	Weekly Flights	From	Approx. Flight Time	Weekly Flights	From	Approx. Flight Time	Weekly Flights
			Other Asia Flights -								
China Flights -											
Guangzhou	~3 hours	66	Bangkok	~1 hour	167	Taipei	~4 hours	26	Tokyo	~7 hours	7
			Ho Chi Minh City	~1 hour	89	Seoul	~6 hours	18	Phuket	~1.5 hours	7
Shanghai	~4.5 hours	29	Kuala Lumpur	~2 hours	59	Danang	~2 hours	13	Yangon	~2 hours	7
Shenzhen	~3 hours	21	Singapore	~2 hours	51	Pakse	~1 hour	9	Busan	~5.5 hours	4
Beijing	~4.8 hours	6				Luang Prabang	~2 hours	8	Manila	~3 hours	4
Chengdu	~3.5 hours	5	Hong Kong	~3 hours	45	Vientiane	~1.5 hours	7	Macau	~3 hours	2
Other*		50	Hanoi	~2 hours	38						
TOTAL											
CHINA:		177									738 TOTAL DIRECT FLIGHTS

Source: GMA

Note: Other includes Xi'an, Hangzhou, Fuzhou, Chongqing, Changsha, Xiamen, Kunming, Zhangjiang, Nanning, Sanya, Haikou, Qingdao

Tourism growth is driven in large part by Cambodia's tourist visa policy. Cambodia offers visa exemptions to residents of countries from Southeast Asia. Citizens of most other nations can obtain visas electronically within days prior to arrival or upon arrival at any of the country's airports. Residents of only ten countries are required to formally apply for visas in advance of arrival.

Infrastructure and accessibility

Infrastructure developments are expected to serve as a key element to boost economic growth in Cambodia in the foreseeable future. Several key infrastructure projects are being planned throughout the country, including a railway linking Phnom Penh and Bangkok via Poipet, a tollway linking Phnom Penh to Ho Chi Minh City via Bavet, and a highway expansion adding two lanes between Phnom Penh and Sihanoukville. Several other projects are planned within the capital city, including various bridges across the Tonle Sap and Mekong Rivers, a new railway linking the Phnom Penh International Airport to downtown, and a new airport to the south of Phnom Penh.

Gaming in Cambodia

OVERVIEW

Recent developments in China, namely its crackdown on corruption and conspicuous consumption, have diverted Chinese gamblers from visiting Macau and into proximate gaming markets such as Cambodia. Cambodia's tourism figures show a steady rise, reaching 5.6 million international visitor arrivals in 2017, an 11.7% gain from 2016, with casino tax revenue reaching US\$48 million, up 40% from 2015.² Much of this is buttressed by China, which saw arrivals increase 45.8% year-over-year to 1.2 million visitors.³

According to the Minister of Finance, there are an estimated 79 casinos operating in Cambodia as of the end of 2017, with frequent new entrants and closures making that number fluid. Recently, the Cambodian government granted ten new casino licenses, with the majority of these new entrants operating in the town of Sihanoukville. All casinos in Cambodia only cater to foreign travellers and foreign residents in Cambodia, as gambling in any form by its citizens was outlawed in 1996.

The first casino license was granted to NagaWorld in 1994, which at that time operated a casino boat on the Tonle Sap River in the country's capital of Phnom Penh. Today, NagaWorld is the country's largest integrated casino-resort. A sizable number of the remaining casinos are located in border towns such as Poipet, on the Cambodian/Thai border, and Bavet, along the Vietnamese border. Casinos are also being built in emerging tourist destinations such as Sihanoukville.

Size of gaming market

The Cambodia Ministry of Finance does not report gaming revenues for the casinos that it licenses nor do most properties publish their casinos' performance, with NagaCorp being the exception.

Source of customers

Customers mainly include business travellers to Cambodia, foreign residents in Cambodia, and tourists visiting Cambodia. Growth in Cambodia's gaming industry has traditionally come from customers residing in China, Thailand and Vietnam as those countries prohibit their citizens from gambling in their own countries.

A minority of customers are part-time residents from other countries and dual passport holders.

Gaming promoters bring VIP players to Cambodia from all around Asia, particularly Southeast Asia, Greater China and East Asia through their networking, marketing and promotional efforts.

Gaming tax rates

Existing

Gaming tax rate could vary from casino to casino, depending on the specific agreement with the Cambodian government. Please refer to "Our License — Premiums/Casino Tax and License Fees" section for more details on NagaCorp's past tax obligations.

²<http://agbrief.com/news/cambodia-casino-tax-rake-jumps-40-percent-2016>;

http://www.ggrasia.com/?s=tax%20cambodia&orderby=post_date&order=desc

³http://www.tourismcambodia.org/images/mot/statistic_reports/tourism_statistics_year_new_2016.pdf

Proposed Gaming Law

As of September 2017, a gaming law drafted by the Cambodian Finance and Interior ministries had been submitted for approval by the Prime Minister's cabinet. The proposed law would authorize the government to set up a body to review the internal financial controls of Cambodian casinos, promoting the prevention of money laundering and other criminal activity.

According to published reports, the Government has indicated that the expected tax rate would be less than 10% of gaming revenue although there can be no assurance of the actual levels of taxation until the law is finally adopted. This tax rate would still compare favourably across the region and allow casinos in Cambodia to provide competitive commission rates for gaming promoters while simultaneously providing a higher source of tax revenue than the government realizes today. NagaCorp and other international operators in Cambodia have supported this legislation, which may pass before the July 2018 elections.

	Proposed Cambodia	Macau	Singapore	Philippines (3)	South Korea - Jeju	Malaysia
Gaming Tax Rates (1)	<10% of gaming revenue	Fixed tax 35% of GGR Variable 2%-3% of GGR	5% of Premium GGR 15% of Mass GGR	17% of Premium GGR 27% of Mass GGR	13% of GGR	8% of net gaming revenue
Corporate Tax Rate (2)	0.0%	12.0%	17.0%	30.0%	24.2%	24.0%

Source: GMA, company filings, publicly available data

Notes:

- (1) Anticipated gaming tax rate after passage of new casino law
- (2) Casinos in Cambodia are exempted from corporate taxes
- (3) Includes an additional 2% of casino revenues generated from non-junket operation tables to a foundation devoted to the restoration of Philippine cultural heritage, as selected by the BRHI and approved by PAGCOR

Premium and Mass are defined by the following:

Singapore - Premium: Premium players or rolling chip play composed of VIP players (gaming revenue generated in premium gaming rooms, admission is offered to players who pay an annual entry fee or those players that put on deposit, a minimum amount as determined by the Singapore Government); Mass: Non-Rolling Chip play (mostly non-VIP players)

Philippines - Premium: Junket tables (VIP) and High roller tables (VIP); Mass: Non-high roller tables, slot machines, and electronic gaming machines

GROWTH DRIVERS OF THE GAMING INDUSTRY IN CAMBODIA

Low gaming tax rate

NagaCorp's effective tax rate for FY2017 was 3.1%, based on tax expense for the year. This effective rate is low in comparison to other jurisdictions.

No restriction on gaming promoter commissions and revenue-based incentives

Gaming promoters, who introduce a significant number of high-spending VIP players to casinos, are incentivized by a share of commissions paid by casinos.

Having no restrictions on gaming promoter commissions and rebates allows the casinos the flexibility to attract more gaming promoters, and therefore, grow the VIP business by optimizing its incentive scheme to attract gaming promoters across the region.

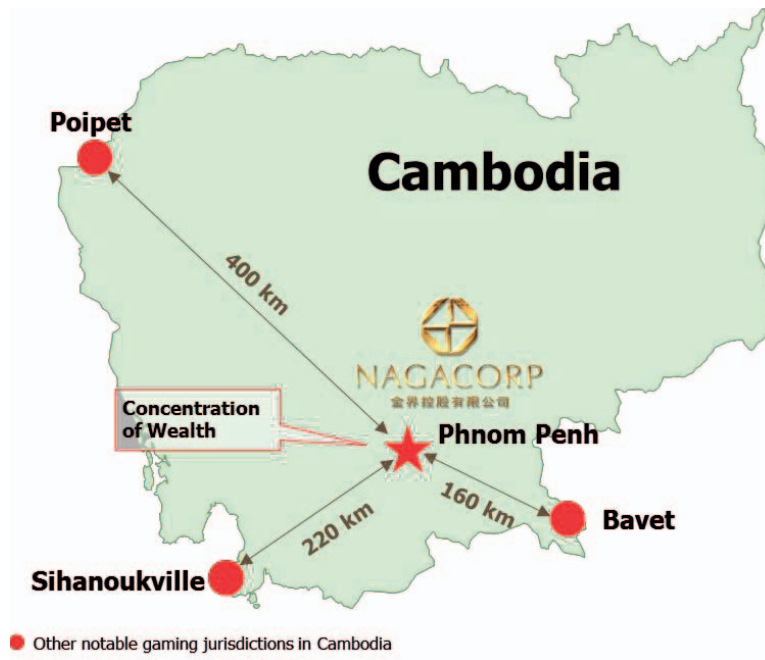
Low operating cost environment

Operating expenses are primarily comprised of labor expenses to operate the tables and the cost of supplies such as decks of cards and shufflers. Macau, due to much higher labor costs, experiences much higher table expenses than Cambodia, which enjoys relatively low labor costs. For example, a dealer in Macau earns approximately US\$25,000 per annum compared to only approximately US\$6,000 per annum at NagaWorld. Coupled with a low tax environment, casinos in Cambodia are able to afford competitive commission rates for gaming promoters.

Centralized location in Asia

Phnom Penh is centrally located in Asia with most of the Asian population located within a six-hour flight time of Phnom Penh, making it accessible to billions of people throughout the continent and accounting for a cumulative GDP of more than US\$15 trillion. Most major cities in China and India fall within the six-hour flight radius including Beijing, Shanghai, and New Delhi, each of which have a population of more than 20 million.





Attraction of Cambodia to tourists

Phnom Penh is a vibrant city with a wealth of dining, sightseeing and entertainment options and has enjoyed robust levels of growth in tourism over the past few years. International arrivals to Phnom Penh have more than doubled since 2010. Outside of Phnom Penh, the Siem Reap region remains a popular destination for tourists to Cambodia. Visitors to Siem Reap are attracted to historical sites such as the temples at Angkor Wat, as well as the floating villages on the Tonle Sap and other ecotourism sites throughout the region. The coastal areas of Cambodia such as Sihanoukville are also becoming popular destinations, with total visitation to coastal areas increasing by 15% from 2016 to 2017.

Cambodia's relationship with China

In 2016, Cambodia announced its China-Ready Strategy with the goal of attracting two million annual visits from China by 2020. The Ministry of Tourism instituted a five-year plan to ensure that all services in the tourism sector will have Chinese-language accommodations, including Chinese-speaking staff and menus in Chinese. Businesses that provide these services will be accredited as China-Ready and marked with the appropriate signage for convenience to Chinese tourists.

Growth in international arrivals, particularly from China

As highlighted under the "Tourism" section, visitation into Cambodia and Phnom Penh, and in particular from China continue to grow strongly. For the first two months of 2018 alone, Chinese visitation increased by 84% year-on-year, equivalent to 28% of total visitors into Cambodia over this period.

GAMING INDUSTRY IN CAMBODIA VS OTHER JURISDICTIONS

Global Gaming Destinations Comparison Summary

	Cambodia	Macau	Singapore	Philippines	South Korea (Jeju)	Malaysia	Saipan	U.S. (Las Vegas)	U.K. (London)
Chinese Visa Policy	Obtain visa on arrival	15 working days to obtain visa before arrival Unofficially only allow 2 entries (7 days) per year	Obtain visa before arrival	Obtain visa before arrival Visa free for 7 days if visa is held for Schengen countries, Australia, Canada, Japan, or the U.S.	Obtain visa on arrival	30- day electronic visa May also obtain 7-day visa upon arrival for a fee of RM430	Visa upon arrival for 45 days	Obtain visa before arrival	Obtain visa before arrival
Environment	Tropical climate	Metropolitan view Humid subtropical climate	Metropolitan view Uniform hot temperature with high humidity and abundant rainfall	Tropical maritime climate Typically hot, humid Frequent typhoons	Temperate climate Cold winters (December thru March)	Hot and humid Local climates affected by mountain ranges	Tropical islands Stable temperature throughout the year	Warm, dry weather Predominantly desert land	Temperate oceanic climate Heavy rainfall Cold winters
Flight Time (1)									
• Beijing	5hr 40min	3hr 50min	6hr 5min	4hr 40min	2hr 20min	6hr 15min	5hr 40min	15hr 5min	11hr 20min
• Shanghai	4hr 20min	2hr 30min	5hr 5min	3hr 50min	1hr 30min	5hr 25min	4hr 20min	14hr 15min	12hr 50min
Gaming Tax Rate	<10% of gaming revenue (2)	Fixed tax 35% of GGR Variable 2%-3% of GGR	5% of Premium GGR 15% of Mass GGR	17% of Premium GGR 27% of Mass GGR	13% of GGR	8% of net gaming revenue	None	7.75%	15% (increasing based on gross gaming yield)
Corporate Tax Rate	0.0% (3)	12.0%	17.0%	30.0%	24.2%	24.0%	-10% (including tax rebate offset program)	21.0%	20.0%
Gaming License	47 year (renewal upon 2065) Exclusivity within 200km radius of Phnom Penh until 2035(4)	6 concessions (renewal upon 2020 and 2022)	2 licensees 10-year exclusivity	18 years (renewal upon 2033)	Infinite	1 licensee indefinitely	1 licensee 25-year exclusivity with 15-year extension option	Infinite	Infinite
Gaming Table Restrictions	None	Growth subject to approval	Growth subject to approval	None	None	None	None	None	None
Junket System (Y/N)	Yes	Yes	No	Yes	Yes	Yes	Yes	No	No
Smoking Restriction (Y/N)	No	Yes(5)	No	No	No	No	No	No	Yes

Source: GMA, company filings, publicly available data

Notes:

- (1) May include indirect flights if direct/non-stop unavailable;
- (2) Anticipated gaming tax rate after passage of new casino law;
- (3) Casinos in Cambodia are exempted from corporate taxes;
- (4) Gaming license for Cambodia is specific to NagaCorp;
- (5) Smoking lounges in gaming areas according to the Tobacco Prevention and Control Law amendment bill passed 07/2017

NAGACORP’S RELEVANCE TO CAMBODIAN ECONOMY

NagaCorp maintains a unique position within the Cambodian business market. The NagaWorld property has a substantial impact on the nation’s economy as the country’s largest single hotel and casino. It employs approximately 8,600 people and 95% of the workers are from Cambodia. NagaCorp’s local expenditure (see footnote in table below for definition) was equivalent to 1.2% of Cambodia’s overall GDP in 2016. Additionally, NagaCorp’s local expenditure was equivalent to 22.7% of Cambodia’s tourism service sector GDP in 2016. Its market position is that of a major employer that plays a significant role in the national economy.

NagaCorp Contribution to Cambodian Economy

NagaCorp expenditure as % of following	2014	2015	2016
Cambodian National GDP	1.2%	1.3%	1.2%
Service (Hotels & Restaurants) Sector	23.9%	23.3%	22.7%

Source: Ministry of Economy and Finance, World Travel & Tourism Center

*NagaCorp expenditure is calculated based on non-gaming cost of sales + administrative expenses + operating expenses + tax + capex - amortization of casino license premium and depreciation

Key Competitors of NagaWorld

NagaWorld is in a unique position among casinos in Asia in that it does not have any clearly defined group of primary competitors. Unlike the casinos in Macau where groups of casinos compete against each other for Premium Mass customers, Mass customers and gaming promoters, NagaWorld has no single competitor or group of competitors that it competes with for multiple market segments. Rather, it has competitors that compete for individual segments of the greater Asian gaming market. However, based on target market, customer profile, geographical location, type of games offered, revenue mix, GMA believes that NagaWorld's primary competitors include Resorts World Genting, The Grand Ho Tram and Crown International Club. This section examines NagaWorld's competitors.

Malaysia

Resorts World Genting, Malaysia

Resorts World Genting ("RWG") is the only casino in Malaysia. RWG includes three distinct casinos, six hotels, dozens of restaurants, a convention center, arena, two shopping malls and a theme park. In addition to its monopoly position in Malaysia, it has built relationships with regional gaming promoters. The renovated property enhances its room products, dining options and entertainment offerings. RWG competes with NagaWorld for a share of the Regional Premium Mass as well as Malaysian and Chinese gaming promoter markets.

Vietnam

Grand Ho Tram, Vung Tau, Vietnam

The Grand Ho Tram Resort Casino, located in Vung Tau on the South China Sea, is owned by Asian Coast Development Ltd. Open since 2013, its 570-room tower offers five-star accommodation and suites, multiple dining venues, a 1,500-seat ballroom, casino, gaming promoter facilities, and a variety of resort amenities including a championship golf course.

NagaWorld competes with The Grand Ho Tram for a share of the Overseas Vietnamese (also referred to as Viet Kieu or dual passport holders) population residing in Ho Chi Minh City, Koreans who have residences in Ho Chi Minh City and gamers from Korea seeking a gaming/golf entertainment experience. In the event that Ho Tram secures a license to allow residents to gamble then it will compete with NagaWorld for a share of the Ho Chi Minh Premium Mass market.

Crown International Club, Danang, Vietnam

The Crown International Club is located within the 535-room Crowne Plaza Hotel in Danang, Vietnam. The main casino offers a four-star gaming environment. The main pit offers a good mix of table games with Baccarat serving as the primary game. The casino also offers a reasonable mix of electronic gaming devices along with a bar and restaurant. Similar to NagaWorld, the Crown International Club operates charter flights to a number of cities in China. The Crown International Club competes with NagaWorld for a share of regional gaming promoters from China.

Non-gaming hotel competitors in Phnom Penh

NagaWorld also compete with non-gaming hotels for a share of the Phnom Penh overnight visitor market. The market is served by a number of recognized international 5-star brands including Raffles, Sofitel, the Great Duke and Rosewood. Additional branded hotels are expected to enter the market in 2018.

- Sofitel Phnom Penh is part of the Accor Hotel network and appeals primarily to business and group demand segments, along with European tourists. It is sited next to Aeon Shopping Mall.
- Raffles, also part of the Accor Hotel network, appeals to business travelers along with western tourists. It enjoys a location near the central business district.
- The Rosewood occupies the top 14 floors of the Vattanac Capital Tower with its focus on Asian business travelers.
- Great Duke offers 346 luxury rooms and suites, has ample meeting space and is positioned closely to Sofitel.

Compared to these 5-star hotels, the rates offered by NagaWorld are significantly cheaper as illustrated in the table below.

Phnom Pennh Hotel Pricing Comparison

Property	Midweek	Weekend
Naga1	\$ 89.00	\$ 89.00
Naga2	\$122.00	\$122.00
Raffles	\$250.00	\$230.00
Sofitel	\$245.00	\$230.00
Rosewood	\$240.00	\$240.00
The Great Duke	\$250.00	\$250.00

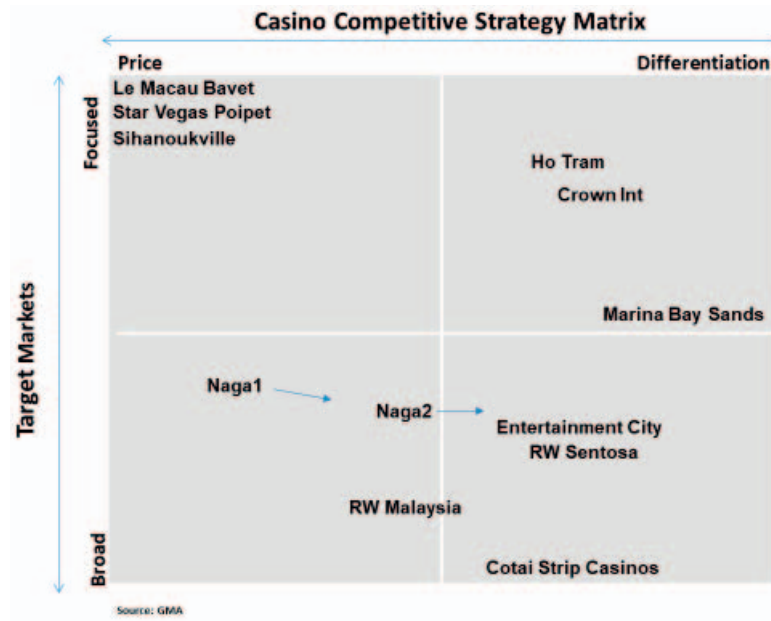
Source: Hotels.com and hotel websites
All rates are cancellable

NagaWorld’s commercial positioning compared to other casinos

Pricing in a casino is comprised of a complex mix of pricing tactics. These include the RTP (return to player) rate on a casino’s slot machines; table game minimums and limits, table game rules (which affects table game hold); commission rates paid to gaming promoters, point accrual and redemption rates, the kinds and values of promotional offers sent to customers, the value of raffles as well as the prices it charges for food and lodging.

Typically, a casino with fewer amenities and lower operating costs would gravitate toward a pricing strategy, while a full-service casino with a luxury hotel, spa, multiple food and beverage outlets and higher operating costs would adopt a differentiation strategy. In the latter, a customer would be willing to pay more, whether in the form of less advantageous table game rules, less generous marketing offers or a lower rebate rate, as well as higher food prices and hotel room rates in order to enjoy the atmosphere and amenities available in a full-service casino resort.

The casinos in Southeast Asia have been placed within a competitive matrix below to illustrate their positions within the greater market.



Naga1 has multiple market segments including a mix of Chinese, Malaysians, and Southeast Asians seeking a value gaming experience, and second tier gaming promoters. Naga1 offers affordable room rates, reasonable table game minimums, and many affordable dining options. Naga1 utilizes a pricing strategy that targets a broad range of gamblers.

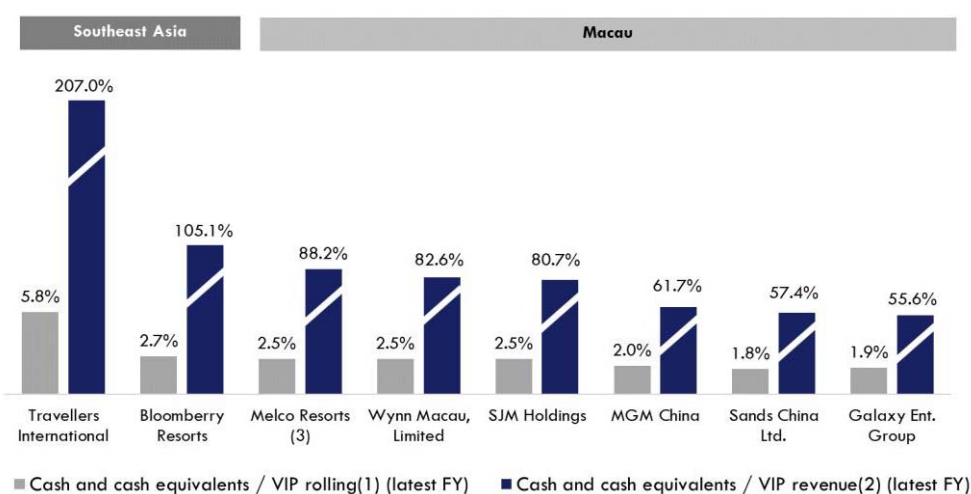
Naga2 offers a more attractive gaming/lodging experience, allowing the Company to charge more. It can also raise table game minimums and attract higher-worth gaming promoter players with its new premium gaming hall product. As Naga2 gains traction in the marketplace, GMA expects it may be able to increase price and move further right in the competitive matrix above, competing more directly with Entertainment City and Resorts World Sentosa.

Combined, Naga1 and Naga2 serve a balanced mix of gaming customers, including Mass, Premium Mass, mid-level gaming promoter players and higher-level gaming promoter players. This mix of customers and pricing strategies offers NagaWorld resiliency should external forces impact one or more of its player segments.

Financial positioning amongst Asian listed gaming companies

Comparing gaming company liquidity against VIP revenue and rolling chip volume

VIP-gaming Working Capital Comparison



Source: Company filings

1. Annual VIP rolling chip volume/turnover
2. Annual VIP gross win, prior to commission and incentives
3. Figures as of FY2017 results have not yet been released

Capex spent per position for key assets

GMA compared major integrated resort development costs on a per position basis. Despite the fact that no two integrated resort developments are exactly the same, the following table illustrates how NagaCorp's development costs compared to other large casino developments. Topping the list are Wynn's Wynn Palace and Wynn Macau properties, MGM's Cotai property, and SJM's Casino Grand Lisboa, each with a cost per position of approximately US\$1.3 million. On the opposite end of the spectrum is the Solaire Resort & Casino at US\$238,758 per position. With total development costs of approximately US\$600 million, Naga2's cost per position of approximately US\$304,569 is on par with MGM Macau's US\$311,876.

Investment Capital Use Per Gaming Position Comparison

IR	Total Development Cost		Cost Per Position
	(in US\$ million)	Total Position ⁽¹⁾	
Solaire Resort & Casino.	\$1,200	5,026	\$238,758
Naga2	\$ 600	1,970	\$304,569
MGM Macau	\$1,250	4,008	\$311,876
Galaxy Macau	\$1,900	5,500	\$345,455
City of Dreams Manila.	\$1,300	3,767	\$345,102
The Venetian Macau.	\$2,400	5,610	\$427,807
City of Dreams Macau.	\$2,250	4,099	\$548,914
Okada Manila	\$4,000	6,500	\$615,385
The Parisian Macau	\$2,700	3,809	\$708,847
Marina Bay Sands	\$5,500	6,735	\$816,630
Sands Cotai Central	\$4,000	4,381	\$913,034

IR	Total		
	Development Cost (in US\$ million)	Total Position ⁽¹⁾	Cost Per Position
Resorts World Sentosa	\$5,760	5,900	\$ 976,271
Studio City Macau	\$3,200	2,967	\$1,078,531
Casino Grand Lisboa	\$4,608	3,552	\$1,297,297
MGM Cotai	\$3,400	2,725	\$1,247,706
Wynn Palace	\$4,400	3,376	\$1,303,318
Wynn Macau	\$4,200	3,200	\$1,312,500

Source: Company filings, publicly available data

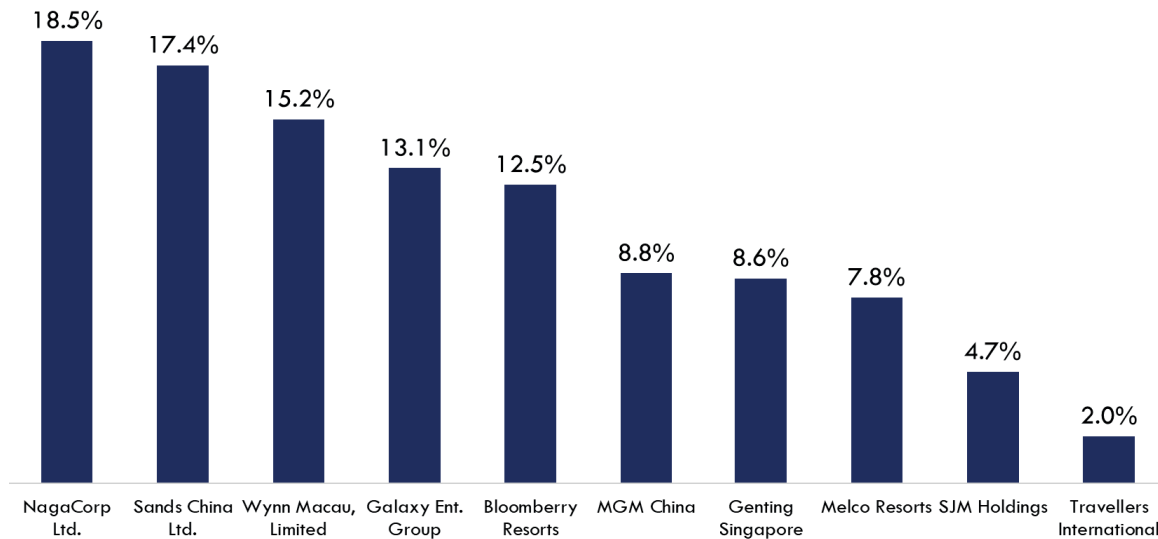
Note:

(1) Assumes seven positions per gaming table plus one position per slot machine

Return on invested capital

The following bar graph represents return on invested capital (“ROIC”) percentages for the relevant peer group of operators to understand how invested capital has generated profit. For the purposes of the comparison presented, ROIC is calculated as net operating profit after taxes divided by the sum of total financial debt and total shareholder equity. NagaCorp demonstrates a higher overall ROIC percentage among the group, achieving 18.5% in 2017. Excluding NagaCorp, the peer group averages a 10.0% ROIC.

2017 Industry Peers ROIC Comparison

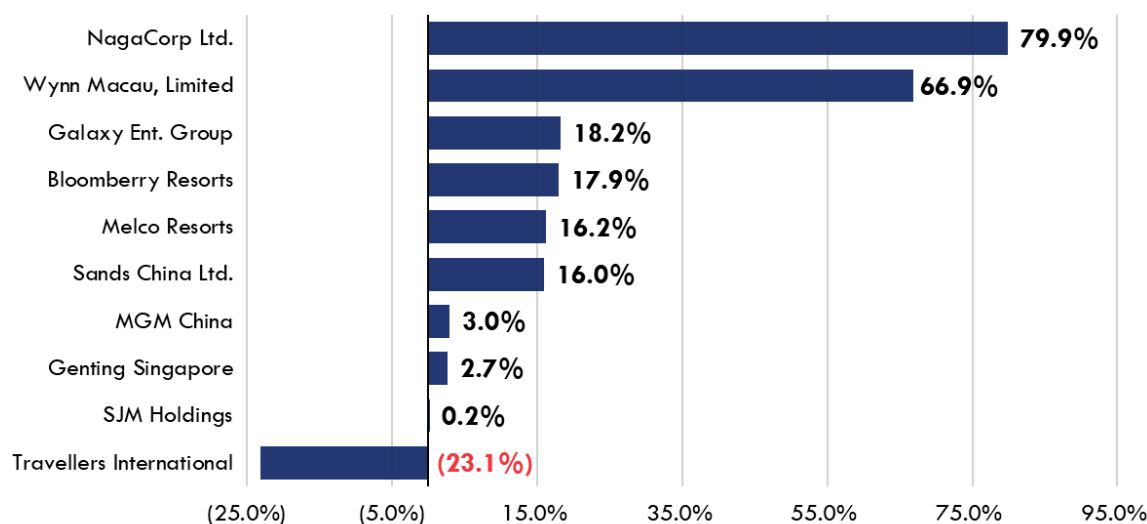


Source: Company reports, GMA

Revenue growth

The following graph illustrates the percentage change in revenue from 2016 to 2017 for NagaCorp and the competitive peer group. For the purposes of this analysis, revenue is defined as the sum of gross gaming revenue and non-gaming revenue. NagaCorp revenue increased the most by 79.9% from 2016 to 2017. Wynn Macau, Limited followed with a year-over-year increase of 66.9%. Both increases were primarily attributable to new facility openings, namely Naga2 (NagaCorp) and Wynn Palace (Wynn Macau, Limited).

2016-2017 Year-over-Year Revenue Change



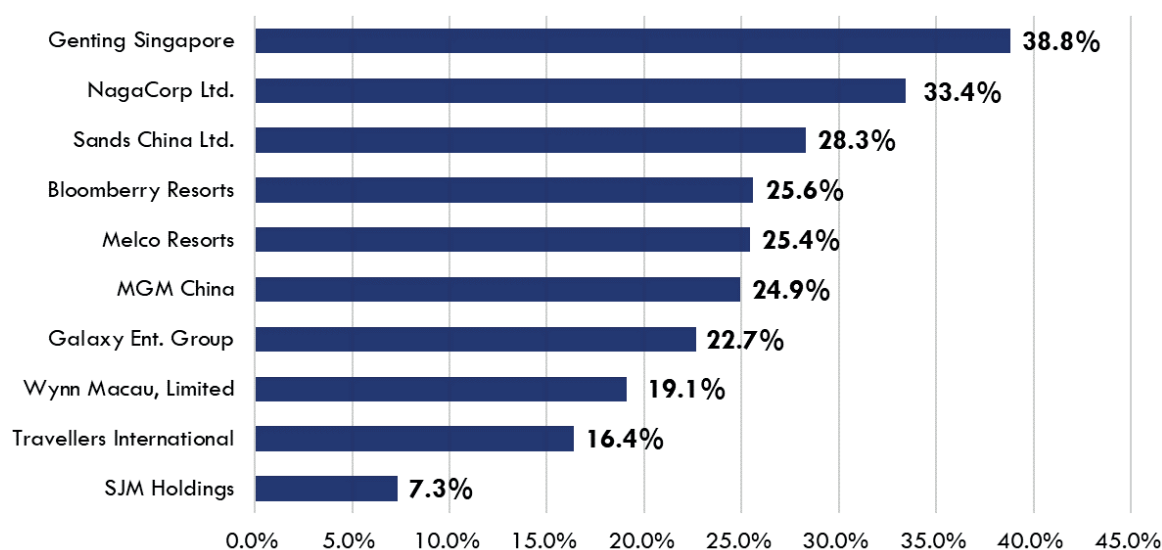
Source: Company reports

Revenue is defined as the sum of gross gaming revenue and non-gaming revenue.

EBITDA margin

The following chart compares 2017 EBITDA margins for NagaCorp and other Asian listed gaming companies. NagaCorp has one of the highest EBITDA margins primarily due to its low operating cost environment.

2017 EBITDA Margin



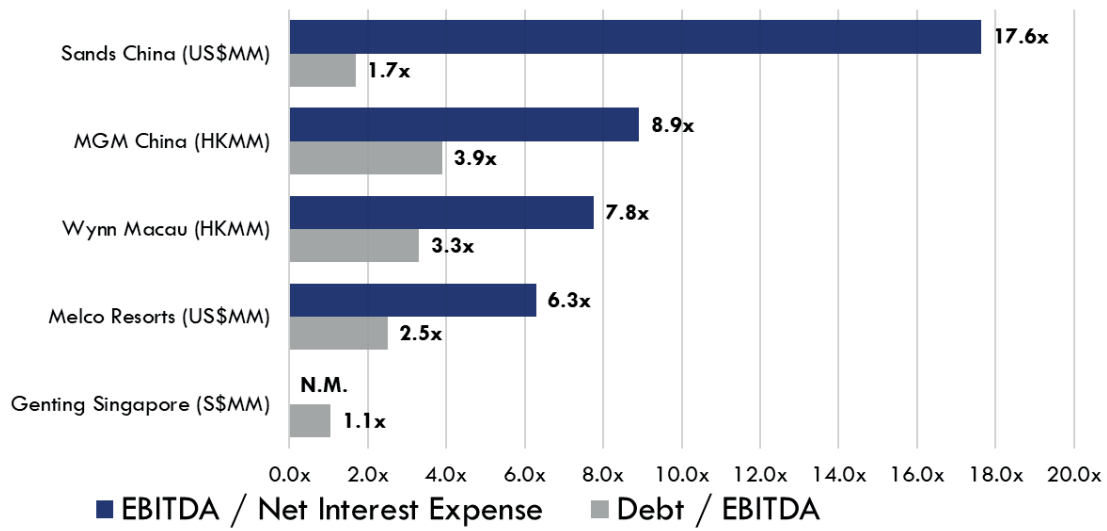
Source: Company reports

EBIDA margin is calculated based on total revenue equal to the sum of gross gaming revenue and non-gaming revenue.

Credit metrics

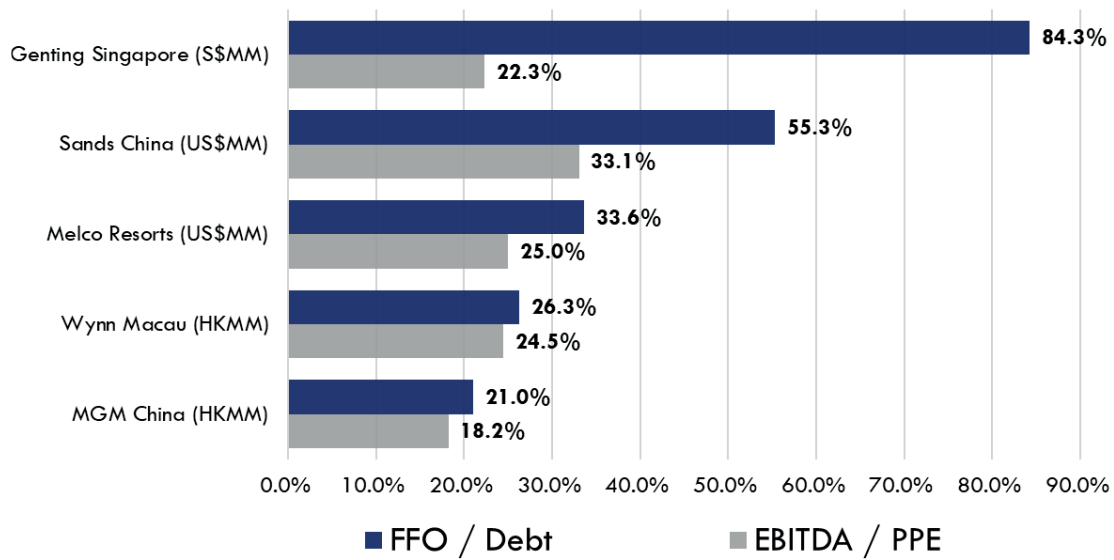
The following charts compare credit metrics of rated Asian listed gaming companies.

2017 EBITDA/Net Interest Expense and Debt/EBITDA



Source: Company reports

2017 FFO/Debt and EBITDA/PPE



Source: Company reports

REGULATORY OVERVIEW OF THE CASINO BUSINESS IN CAMBODIA

General Overview

Cambodia has legal infrastructure, laws and regulations governing the regulation of casino operations and the prevention of money laundering. Cambodia joined the Asia / Pacific Group on Money Laundering (“**APG**”) as an observer in 1997 and has been a full member since 2004. Cambodia observes FATF recommendations, the benchmark for combating money laundering and terrorist financing, in accordance with its own political, economic and constitutional framework as permitted under the recommendations. A casino license is granted by the senior officials on behalf of the Cambodian Government such as the prime minister and council of ministries.

Casino operations in Cambodia are subject to a variety of laws and regulations. The principal laws (or Krams) are the Kram on the Control of Gambling (promulgated in 1996) and the Kram on Drug Control (promulgated in 1997). The former provides that “gambling of all kinds, in all places throughout the whole kingdom of Cambodia shall be strictly prohibited except those permitted by the Royal Government”. By virtue of Ariston’s rights, as granted under the SDA and SSDA, NRCL, an indirect wholly owned subsidiary of the Company, is appropriately licensed and has the legal authority to operate its casino and gaming business in Cambodia. The Kram on Drug Control, among other things, establishes a framework for dealing with transactions (whether or not drug related).

After FATF extended its recommendations to cover casinos in June 2003, the Ministry of Interior (“**MOI**”) and National Bank of Cambodia have issued various Prakas (or guidelines) to combat money laundering in the financial and non-financial sectors in Cambodia. Prakas are guidelines rather than laws. The Government has also enacted laws on anti-money laundering and combating financing of terrorism (“**AML/ CFT**”) in 2007 and anti-corruption in 2010.

In terms of the regulatory bodies in Cambodia relevant to the Group’s casino operations, the frontline regulator as regards Anti-Money Laundering (“**AML**”) matters is the MOI, under whose authority the police agencies operate. The National Police Central Security Department is responsible for ensuring enforcement of the laws, monitoring the casino operations and in particular any money laundering activities. Pursuant to one of the Prakas referred to above, the MOI has established the “Legal Gaming Control Bureau” which is empowered to act against any criminal acts that contradict the law relating to casinos including cheating and money laundering.

Regulations relating to Cambodian’s Gaming Industry

Under Article 1 of the Kram (Law) on the Control of Gambling (“**KCG**”) 1996, gambling of all kinds in Cambodia is strictly prohibited except where permitted by the Cambodian Government. We operate the only licensed casino within the Designated Area. The Cambodian Government actively takes steps to enforce the KCG. For example, in September 2003 and June 2005, the Government has conducted high level raids on illegal casinos in Phnom Penh in compliance with the KCG.

Our casino operations are subject to supervision by the Cambodian authorities, in particular, the MOI. The front-line regulator in Cambodia for AML matters is the MOI, which is empowered to regulate casino operations including matters relating to money laundering. The National Police Central Security Department is responsible for ensuring enforcement of the laws and monitoring that casino operations are not involved in any money laundering activities. The Central Security Department of Cambodia is also responsible for gathering intelligence concerning organized criminal groups as well as individuals engaged in crimes including the distribution of proceeds from their criminal activities. This national police organization also investigates allegations and matters pertaining to counterfeit currency.

We cooperate with the MOI to assist in the identification and detection of criminal activity, including money laundering. Given that Cambodia is a member of the APG, which regularly reviews and discusses recommendations issued by the FATF; the MOI has agreed to the standards and guidelines issued by the FATF and applied to our casino operations in Phnom Penh, Cambodia. Our AML policies are promulgated based on best known practices as well as the relevant FATF Recommendations. MOI representatives together with the National Police of Cambodia are responsible for regulating and supervising casino businesses. This is also accomplished, in part, through the assignment of police officers and immigration officials working on-site at our casino.

Draft Gaming Law

Cambodia's draft gaming law (entitled the "Law on Management of Integrated Resorts and Gaming Business") was published for comment in August 2016 (the "**Draft Gaming Law**"). The Draft Gaming Law has yet to be promulgated and there is no certainty as to whether and when it will be promulgated. The Draft Gaming Law would impose taxes on a monthly basis on casino operators, calculated as a percentage of gross gaming revenue (which would vary depending on the zone in which the casino is located and the nature of the customer). The Draft Gaming Law did not specify the rate of such taxes. The Draft Gaming Law would authorize the government to establish the Gaming Management Committee, which would review the adequacy of internal financial controls as well as the prevention of money laundering and other criminal activities.

The Draft Gaming Law contained a provision that any casino license granted prior to enactment of the law would continue until the end of the term of the license, and that any agreements related to the gaming trade entered into with the Government prior to the date of the law would be protected and remain valid until the end of the term of the agreement.

The Draft Gaming Law also regulates the terms on which natural and legal persons may operate directly or participate in the Cambodian gaming trade for commercial purposes or own an establishment in Cambodia where such operations are located and carried on, including in so-called "integrated resorts".

It also authorizes the government to establish the Gaming Management Committee for purposes or regulating the industry.

Our License

The principal terms of our Casino License are as follows:

Duration of License

The Casino License is for a duration of 70 years from 2nd January, 1995. The SSSA states that the Casino License is irrevocable, but also provides that if the agreement is terminated or is breached by the Cambodian Government in relation to the grant by it of the Casino License or the right of exclusivity thereunder, for any reason, the Cambodian Government will pay Ariston a sum equivalent to the amount of money invested in businesses in Cambodia as an agreed initial investment cost and certain mutually agreed damages in respect of termination of the Casino License before expiry of its term and/or loss of the right of exclusivity.

Exclusivity

Ariston has a right of exclusivity to operate a casino within the Designated Area up to the end of 2035. During this period, the Cambodian Government is prohibited from:

- authorizing, licensing or approving the conduct of casino gaming within the Designated Area other than under the Casino License;

- entering into any written agreement with any other party with respect to casino
- gaming within the Designated Area; and
- issuing or granting any other casino license.

Casino Complex

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

Premiums/Casino Tax and License Fees

As stated above, Ariston was required to pay to the Cambodian Government certain specified premiums under the terms of the SDA. On signing of the SDA, Ariston paid a sum of US\$3 million, being the first instalment of the premiums. Pursuant to a letter agreement dated July 10, 2000 entered into between the Cambodian Government and Ariston which was supplemental to the SSDA, it was noted that Ariston had not enjoyed the rights of operating a casino on an exclusive basis as provided in the Casino License, and it was agreed and declared that the payment of premiums under the SDA should not be fully implemented and that payment of the said premiums should not be applicable.

Ariston is required under the SSDA to pay casino taxes and license fees in accordance with the provisions of the casino tax laws promulgated by the Cambodian Government. The casino taxes and license fees are, however, not payable in the manner set out in the SSDA as no casino law regulating casino taxes and license fees has been promulgated prior to the date of this document. The Group obtained a legal opinion confirming that such casino taxes are not payable. As an alternative, the MOEF in 2000 levied an “obligation payment” of US\$60,000 per month on NRCL payable from January 2000 to December 2003, in respect of gaming activities. The MOEF also confirmed that gaming taxes and license fees were not payable in respect of periods prior to January 2000. These monthly obligation payments are subject to annual increases of 12.5% per year through 2018 or until the Draft Gaming Law is enacted. In 2015 and 2016, we also made additional obligation payments of US\$9.4 million and US\$16.6 million, respectively, to the Government.

The Draft Gaming Law will change the applicable tax obligations of the Company.

Anti-Money Laundering Laws and Regulations

On June 15, 2004, Cambodia became a full member of the APG. The terms of reference of the APG recognized that recommendations issued by FATF constituted the international benchmark for AML and included a commitment that members of APG would implement the recommendations according to their particular political, economic and constitutional frameworks.

In recent years, the Government has significantly advanced its AML/CFT legal framework that is administered by the National Coordination Committee on Anti-Money Laundering and Combating the Financing of Terrorism. The Coordination Committee on Anti-Money Laundering and Combating the Financing of Terrorism plays an important role in ensuring effective implementation of AML/CFT Law as well as the compliance with FATF recommendations. Cambodia has improved its level of technical compliance with the FATF Standards since 2007, including in relation to important ‘building block’ FATF Recommendations (criminalization of money laundering and terrorist financing, customer due diligence, record-keeping and suspicious transaction reporting). According to a report by the FATF in 2017, Cambodia was deemed compliant for 2 and largely compliant for 18 of the FATF 40 Recommendations.

In order to implement effective controls, the AML/CFT Law obliges AML units in regulated entities to establish systems to control transactions to prevent the money laundering and terrorist financing.

The Government has also established the Cambodia Financial Intelligence Unit where reporting entities are under obligation to report any suspicious transaction to this competent entity and the failure to report the suspicious transaction will be resulted in sanction.

Cambodia Financial Intelligence Unit

Under the current applicable AML/CFT Law, each reporting entity is required to submit the report to Cambodian Financial Intelligence Unit (“CAFIU”). The CAFIU was established on January 29, 2008.

The Prakas on Structure, Functions and Duties of the Cambodian Financial Intelligence Unit set out the internal structure of CAFIU. The CAFIU has four internal divisions: (1) Legal Administrative and Information Technology Division, (2) Transaction Report Analysis Division, (3) Compliance Monitoring Division, (4) Cooperation Division.

The AML/CFT Law also requires the establishment of AML Unit in each entity where the compliance officer is the one who is imposed the report obligation. In accordance with the Article 17 of the AML/CFT Law, the compliance officer acts as the liaison between the reporting entity and the CAFIU in matter relating to compliance with the AML/CFT Law and any other legislation with respect to money laundering or terrorist financing. The reporting entity has the responsibility to report to the CAFIU any suspicious transactions or any transaction of US\$10,000 or more in cash, or a series of small transactions whose aggregate cash transfer is more than US\$10,000. If a reporting entity suspects or has reasonable suspicions of the financing of terrorism, it shall promptly report suspicious transaction to the CAFIU within 24 hours.

Sanctions

Pursuant to Article 28 of the AML/CFT Law, in cooperation with CAFIU, the law allows the supervisory authority to impose disciplinary sanctions on any reporting entities who fails to fulfil its obligation of reporting. The disciplinary sanction can result in warning, reprimand, the prohibition or limitation to conduct any transaction for a period of time as indicated by the supervisory authorities, the revocation of business license, demotion of relevant official or directors of the reporting entities, the fine, the temporary freezing on means and proceed of money laundering and terrorist financing.

Furthermore, it can result in criminal responsibility. In accordance with Article 29 of the AML/CFT Law, any person who fails to provide the report on cash and suspicious transaction to the CAFIU will be sentenced to imprisonment from one month to one year and will be subject to a fine from 1,000,000 Riels up to 5,000,000 Riels.

BUSINESS

OVERVIEW

We operate the only integrated casino and hotel resort (“**NagaWorld**”) in Phnom Penh, the capital city of Cambodia. Strategically located on a wide landscaped boulevard next to the Hun Sen Garden near the riverfront district of the Sisowath Quay in Phnom Penh, NagaWorld comprises:

- a casino and hotel resort spread over a total floor area of approximately 113,307 square meters which opened in December 2006 (“**Naga1**”),
- a casino and luxury hotel resort spread over a total floor area of approximately 108,764 square meters which opened in November 2017 which is adjacent to Naga1 (“**Naga2**”), and
- an underground walkway which links Naga1 and Naga2 (“**NagaCity Walk**”) which opened in August 2016. NagaCity Walk is Phnom Penh’s first underground shopping center and offers duty-free shopping operated by China Duty Free Group — one of the largest duty-free operators in China.

Our license to operate NagaWorld (the “**Casino License**”) is valid until 2065. Significantly, pursuant to the Casino License, we have an exclusive right to operate casinos in Cambodia within a 200 kilometer radius of Phnom Penh (except the Cambodia-Vietnam Border Area, Bokor, Kirirom Mountains and Sihanoukville) (the “**Designated Area**”) until the end of 2035. See “*Business — NagaWorld Development Agreements and Casino License — Casino License.*”

NagaWorld has been designed to cater to a broad range of customers, including:

- gaming patrons consisting of (i) mass market players, who enjoy both table games as well as electronic gaming machines and (ii) VIP players, who enjoy VIP gaming suites, premium accommodation and amenities, and are characterized by high stakes gaming,
- leisure customers who visit resort destinations for quality accommodation, retail, dining, entertainment and sightseeing, and who may opt to game as part of the experience, and
- meetings, incentives, conferencing and exhibitions (“**MICE**”) participants who attend trade shows, exhibitions and conventions in venues that offer them quality business-friendly accommodation, entertainment, dining and retail facilities.

Cambodia has experienced strong growth over recent years and is positioned for strong GDP growth as compared to its Southeast Asia peers, largely driven by travel and tourism. According to GMA, Cambodia’s GDP is expected to grow at a CAGR of 7.2% from 2017 through 2022 compared to an average of 5.0% in Southeast Asia. Cambodia is also benefitting from increasing international arrivals driven by improved flight connectivity which allows it to capture the growing tourism from Greater China.

We have a strong network of gaming promoters that brings VIP players to NagaWorld from around Asia, particularly Southeast Asia, Greater China and East Asia through their networking, marketing and promotional efforts. In addition, we have entered into collaboration with Bassaka Air, a Cambodian registered commercial airline and a strategic partnership with CITS, one of China’s largest tourism enterprises to encourage Chinese travellers to visit Cambodia generally. Our own private jets also enable us to provide flights to certain of our VIP players to Phnom Penh.

We are also developing an integrated casino and hotel resort in Vladivostok, Russia (“**Naga Vladivostok**”). Naga Vladivostok is expected to open in 2019. As of December 31, 2017, we had invested a total of approximately US\$78 million in Naga Vladivostok and we expect to invest a further US\$222 million for construction in 2018 and 2019 subject to the payment terms with our third party contractor. See “*Business — Naga Vladivostok.*”

Our long-term vision is to be an international gaming and tourism-related group, which we intend to achieve by adopting a conservative gaming policy and adhering to an optimum gearing policy by utilizing our existing resources, experience and financial success attained in over 20 years of operations in Cambodia. To achieve this vision, we are considering a reorganization of our corporate structure with a view to optimize the strategies of each of our businesses in order to capitalize on the expected continuing growth in these businesses in Cambodia and internationally.

Our total revenue for 2017 was US\$956.3 million, which represented a 79.9% increase from our revenue of US\$531.6 million for 2016, which, in turn, was a 5.5% increase from NagaWorld's revenue of US\$503.7 million for 2015. We divide casino revenue into VIP gaming and mass market gaming (the latter of which includes electronic gaming machines). In 2015, 2016 and 2017, the gross profit for the VIP market segment was US\$60.9 million, US\$72.0 million and US\$153.9 million, respectively, and the gross profit margin was 27.3%, 31.9% and 24.6%, respectively. In 2015, 2016 and 2017, the gross profit for the mass market segment was US\$248.7 million, US\$270.5 million and US\$294.3 million, respectively, and the gross profit margin was 96.5%, 98.3% and 97.9%, respectively.

Summary of NagaWorld's Facilities

Naga1

Naga1 opened in 2006 and encompasses a total gross floor area of 113,307 square meters, comprising:

- a casino wing of two eight-story buildings with a total gross floor area of 58,492 square meters. Located within the casino wing are various VIP gaming halls, a mass market public gaming floor, premium mass gaming areas and entertainment and food and beverage outlets; and
- a hotel and pool wing of a fourteen-story building with a total gross floor area of 53,680 square meters. Located within the hotel and pool wing are hotel rooms and suites, a mass market public gaming floor, premium mass gaming areas and entertainment and food and beverage outlets.

Naga1's facilities include:

- various casino halls offering 24-hour gaming and a full range of games, including approximately 252 gaming tables (158 VIP; tables and 94 public floor tables) and 1,680 electronic gaming machines;
- 755 hotel rooms and suites;
- 10 VIP gaming suites;
- 19 restaurants, clubs and bars characterized by high-quality food, service and decor;
- MICE facilities including a 60-seat auditorium and 1,594 square meters of ballroom meeting rooms and auditorium space able to accommodate approximately 1,000 persons; and
- a spa (with 22 spa rooms), a gym room and a swimming pool.

Naga2

Naga2 opened in November 2017 and encompasses a total gross floor area of 108,764 square meters. Naga2's facilities include:

- various casino halls offering 24-hour gaming and a full range of games, including approximately 132 gaming tables (90 VIP tables and 42 public floor tables) and 570 electronic gaming machines;
- 903 hotel rooms and suites decorated with high-end interior design elements;
- In a dedicated VIP tower, 38 luxury VIP gaming suites with superior amenities and furnishings designed to accommodate VIP players;
- Six restaurants, clubs and bars characterized by high-quality food, service and decor;
- MICE and entertainment facilities, including a theater with a seating capacity of approximately 2,000; and
- an all-suite luxury spa (with 65 spa rooms).

At full ramp up, Naga2 would be able to accommodate up to 300 gaming tables and approximately 2,500 electronic gaming machines

NagaCity Walk

NagaCity Walk links Naga1 and Naga2 and consists of a retail underground linkway, which has been leased to the China Duty Free Group. NagaCity Walk, Phnom Penh's first underground shopping center, stretches across the entire length of the underground linkway over a retail and public floor area of 7,487 square meters with a total of 39 retail stores. The tenancy arrangement with China Duty Free Group who operates NagaCity Walk expires on August 30, 2026.

STRENGTHS AND STRATEGIES

Strengths

We believe that our success of more than 20 years and our potential for expansion are primarily attributable to a combination of the following key strengths:

Our leading integrated resort complex in Cambodia with centralized location

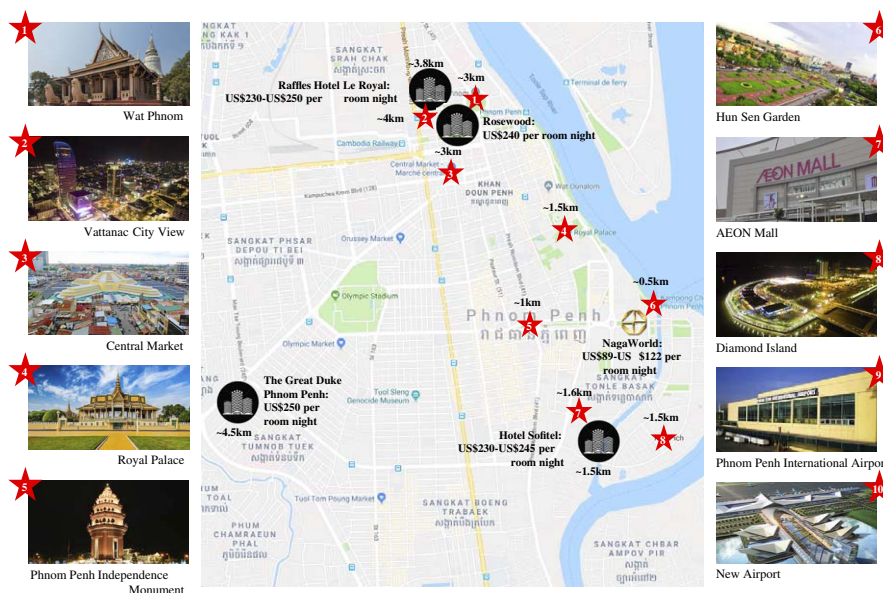
We own, manage and operate NagaWorld (comprising Naga1, Naga2 and NagaCity Walk), the largest integrated gaming and entertainment hotel complex in the Mekong region in Southeast Asia, which is a one-stop leisure destination for visitors and tourists. We are the only casino of significant scale in the Mekong region and have a long-term right of exclusivity of 200 kilometer radius around in Phnom Penh (excluding the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville). As of December 31, 2017, Naga1 and the newly completed Naga2 had 248 VIP gaming tables, 136 mass market tables and 2,250 electronic gaming machines in aggregate.

NagaWorld also offers a diverse range of food and beverage, retail, MICE and entertainment attractions. This includes 4,061 square meters of retail space for 39 retail stores in NagaCity Walk (the first underground shopping center in Phnom Penh), a new 2,000 seat theater and a ballroom with capacity for approximately 1,000 guests.

Our gaming and entertainment facilities are supported by a strong hospitality offering, with 1,658 hotel rooms as of December 31, 2017. These facilities were significantly augmented by the opening of Naga2 in November 2017. The design of Naga2 was led by Paul Steelman, a renowned casino architect who has previously been involved in leading gaming projects in Asia, including Sands Macau and Galaxy Macau in Macau and Solaire Resort and Casino in the Philippines.

NagaWorld is located within the developed and centralized zone of Phnom Penh, the capital of Cambodia. In particular, the property’s strategic location provides patrons convenient access — located approximately 12 kilometers away from the current international airport and will be approximately 24 kilometers away from the new international airport currently under development. NagaWorld is also surrounded by many landmarks including Wat Phnom, Royal Palace, Phnom Penh Independence Monument and places of interest in Phnom Penh, allowing it to be well positioned to capture international tourist arrivals.

In addition, there are only four 5-star hotels around NagaWorld, all of which with significantly higher average room rates, including Raffles Hotel, Rosewood, Sofitel Hotel and The Great Duke Phnom Penh (according to GMA).



Well positioned to capitalize on a fast-growing Cambodian economy with a favorable macro environment

Cambodia has experienced strong growth over recent years and is positioned for strong GDP growth as compared to its Southeast Asia peers, largely driven by travel and tourism. According to GMA, Cambodia’s GDP is expected to grow at a CAGR of 7.2% from 2017 through 2022 compared to an average of 5.0% in Southeast Asia.

Cambodia is benefitting from increasing international arrivals driven by improved flight connectivity which allows it to capture the growing tourism from Greater China. According to the Ministry of Tourism in Cambodia, in the first two months of 2018, international arrivals to Cambodia increased by 11% to 1,139,178 visitors compared to the first two months of 2017, with the Asia Pacific region increasing by 17% to 848,333 visitors. In particular, visitation from China increased by 84% to 317,886 visitors. China is the leading source of visitation to Cambodia, accounting for 28% of all visitors.

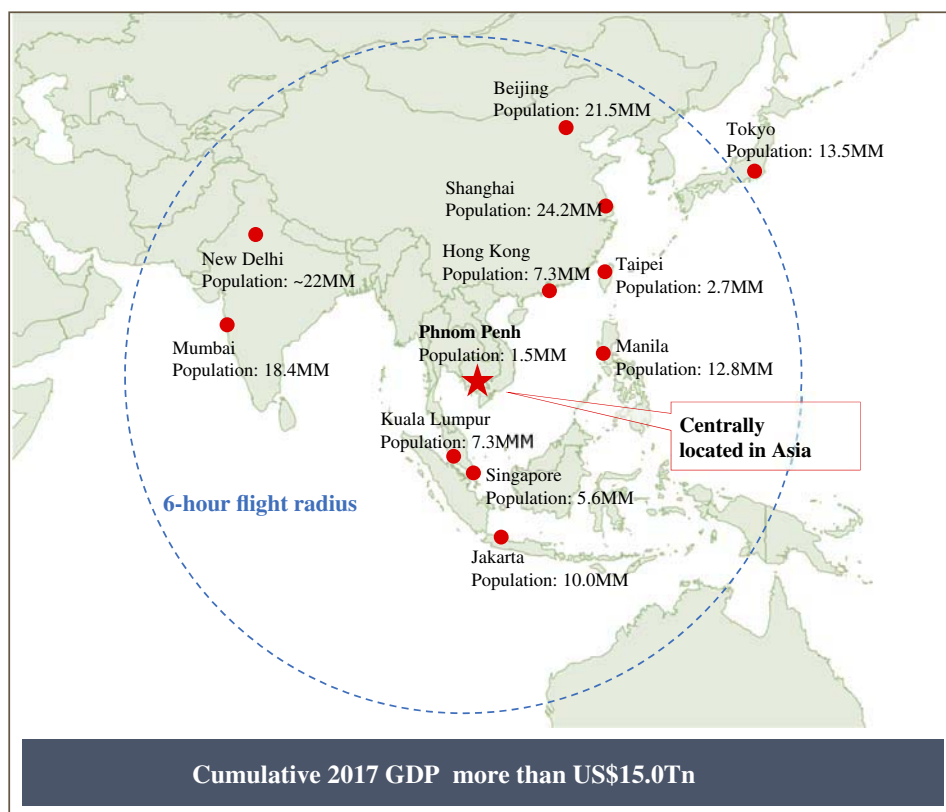
We have bolstered our ability to handle the increasing influx of Chinese tourists by:

- Renovating our VIP rooms to enhance quality;
- Opening more Chinese food establishments and other related facilities;
- Hired more Mandarin speaking staff to service Chinese tourists;
- Upgrading staff skills including teaching new hires to speak Mandarin and customer service skills through our Naga Academy; and
- Partnering with CITS and collaborating with Bassaka Air, which increases Chinese tourist visitation at Naga World.

Our prospects depend to a large extent on the foreign direct investment into Cambodia, especially from mainland China. According to the Council for the Development of Cambodia, the fixed asset investment from mainland China accounted for 20.2% of the total investment in Cambodia from 1994 to 2017. In 2017, Cambodia attracted fixed asset investment of US\$1.43 billion from mainland China, or 27% of the total investment in the country that year. According to GMA, mainland China accounted for 53% of overall foreign direct investment in 2017 compared to 41% in 2016. The foreign investments in tourism and infrastructure have ultimately helped Cambodia attract tourists and businesses. In addition, we believe that China's One Belt One Road Initiative will further strengthen Cambodia's ability to attract tourists and businesses from China.

In 2015, 2016 and 2017, we benefited from the generally strong economic environment in the Asian markets in which our gaming patrons are based.

Majority of the Asian Population is Located Within a Six-Hour Flight Time of Phnom Penh, City Centre of Cambodia



Source GMA

Exclusive and long-term gaming license with no gaming capacity restrictions

We own an exclusive license to operate a gaming business within an area marked by the 200 kilometer radius of Phnom Penh (excluding the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville), creating a significant competitive strength. Our Casino License has a 70-year tenure lasting until 2065. We also have the exclusive rights to operate the only casino with the Designated Area for 40 years until the end of 2035, with exclusivity within 200 kilometer radius of Phnom Penh (excluding the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville).

Our Casino License features the following terms:

- no restrictions on number of tables, electronic gaming machines and gaming space;
- no restriction on gaming promoter commissions and rebates, allowing us the flexibility to grow its VIP business by optimizing its incentive scheme to attract gaming promoters across the region; and
- no restriction on the right to assign, reassign or otherwise dispose or deal with any of the rights or obligations to a third party without prior consent of the Government.

Our exclusive Casino License offers a “win-win” scenario between us and the Government as we are viewed as a key partner for tourism growth and socio-economic development with proven public-private cooperation with the Government. In 2016, our expenditures (including non-gaming

cost of sales, administrative expenses, operating expenses, tax and capital expenditures, deducted by amortization of casino license premium and depreciation) were equal to approximately 1.2% of Cambodia's GDP and were equal to approximately 22.7% of Cambodia's service (hotels and restaurants) sector according to GMA. This contribution allows us to play a significant role in developing tourism infrastructure in Cambodia.

We expect our Casino License to be formally protected and recognized under provisions of the Draft Gaming Law which is expected to be adopted in 2018. According to published reports, the Government has indicated that the expected tax rate would be less than 10% of gaming revenue although there can be no assurance of the actual levels of taxation until the Drafting Gaming Law is finally adopted.

A low operating cost and gaming tax environment

We benefit from a low operating cost environment as labor costs account for a high percentage of operating cost for any casino and we, as one of the largest employers in Cambodia, have access to a large supply of labor at competitive rates. According to GMA, Macau experiences much higher table expenses than Cambodia due to much higher labor costs and cost of living. For example, a dealer in NagaWorld is paid approximately US\$6,000 per annum compared to approximately US\$25,000 per annum in Macau.

In addition, we also benefit from a low gaming tax environment. We have a competitive tax structure with fixed monthly tax obligations and periodic additional tax obligations, which has resulted in an effective tax rate of 8.7%, 11.5% and 3.1% of revenue in 2015, 2016 and 2017, respectively. According to published reports, the Government has indicated that once the Draft Gaming Law is enacted, the expected tax rate would be less than 10% of gaming revenue although there can no assurance of the actual levels of taxation until the law is finally adopted. GMA expects that a tax rate of less than 10% of gaming revenue will translate to one of the lowest level of gross gaming revenue tax in the Asia Pacific. Furthermore, we are also exempted from corporate income tax.

A low operating cost and gaming tax environment allows us to be more competitive, especially in our ability to offer higher incentive rates for gaming promoters when compared to jurisdictions such as Macau, Singapore and the Philippines, while still maintaining one of the highest EBITDA margins among Asian listed gaming peers.

Diversified business with balanced exposure to mass market players and VIP players across Asia, driving strong business growth

We maintain a balanced and actively managed exposure to the VIP gaming and mass market gaming segment (comprising table games and electronic gaming machines). In 2017, we achieved a roughly even distribution of gross profit from the three segments with 32.6%, 31.0% and 31.2% of our gross profit coming from VIP gaming, mass market table games and electronic gaming machines, respectively.

In addition, we also have a diversified customer base. In 2017, our VIP players represented a diversified mix of Malaysian (38%), Chinese (27%) and remaining Southeast Asian (29%) nationalities according to our internal data based on VIP arrivals. For the mass market, in 2017, our Golden Edge Rewards Club active members comprised a similar mix of Chinese (25%), Malaysian (24%) and remaining Southeast Asian (22%) players.

Our mass market segment revenue is more stable in nature with revenue growth largely based on footfall and had revenue growth at a CAGR of 8% from 2015 to 2017, which provides a consistent base for our revenue and profits. This segment enjoys a high profit margin due to its lower cost structure than the VIP segment. Mass market gaming growth is mainly driven by

- partnering with CITS and its subsidiary China Duty Free Group, and collaborating with, Bassaka Air to increase headcounts into Cambodia and NagaWorld, especially Chinese visitation;
- more profiling and marketing promotions and more robust player development programs including GERC members and tourists;
- creation of more tourism products in Phnom Penh; and
- positioning the Company as the leading land-based operator and promoting more diversified land-based organized tour programs.

Our VIP segment revenue has fluctuated in recent years, growing rapidly from 2016 to 2017, largely driven by

- win-win revenue-based incentive arrangements with gaming promoters which have increased our ability to attract and retain reputable gaming promoters; and
- competitive VIP program and services.

This value proposition has been further strengthened by the opening of Naga2, with a leading gaming promoter such as SunCity opening up gaming halls in the property, which has led to a growing contribution from China and Macau-based VIP players.

Prudent risk management

We are committed to maintaining a high standard of corporate governance by implementing sound internal controls, transparency, and accountability to all shareholders, robust corporate governance framework through clear investment strategies and approval procedures, and strong safeguards against potential conflicts of interest.

Our strict Anti-Money Laundering practices comply with all FATF recommendations applicable to gaming in the prevention of money laundering. To help monitoring compliance, we are audited semi-annually by independent security and risk management firm, Hill & Associates.

We have also adopted conservative financial and gaming policies. We limit credit extended to direct VIP players and do not offer any credit to gaming promoters. VIP players who are extended credit are required to go through a rigorous screening process which includes detailed background checks.

Through these policies, we have comparatively low receivables and payables as a percentage of revenue. Our revenue-based incentive model with gaming promoters as compared to commission-based model increasingly allows us to free up working capital and to mitigate downside risks as gaming promoters share in the wins and losses from VIP players. We maintain significant cash or equivalent buffer to cover our short-term financial and working capital obligations. We also plan to maintain a total debt/EBITDA ratio below 2.0x.

We also adopt a conservative approach in developing projects and capital allocation.

We manage our development costs prudently as demonstrated by Naga2's comparatively low investment capital used per gaming position of approximately US\$305,000. We have transferred a significant amount of development risk for Naga Vladivostok to our construction partner by entering into a fixed cost arrangement.

This approach has allowed us to record one of the highest returns on invested capital among integrated resorts in Asia at 18.5% as compared to our peers with an average return on invested capital of 10.0% in 2017 according to GMA. As of December 31, 2017, Naga2 and NagaCity Walk had a total development cost of approximately US\$685.8 million, which we believe is relatively low compared to other integrated resorts in Asia.

Experienced and dedicated management team with strong corporate governance

Our management team has extensive experience in the gaming and hospitality industries, and has a special expertise in developing frontier/emerging markets projects with local sensitivities and proven execution ability as evidenced by our strong results of operations between 2015 and 2017 and the successful opening of Naga2 in 2017.

From 2015 through 2017, our revenue and EBITDA have grown at CAGRs of 37.8% and 18.3% to US\$956.3 million and US\$319.7 million, respectively, in 2017. In an industry with significant fluctuations in results of operations, our EBITDA and net profit margins have ranged between 33.4% and 48.2% and between 26.8% and 34.7% during 2015 through 2017.

Our CEO and founder, Tan Sri Dr. Chen Lip Keong, has been directly involved in the running of the business for the past 23 years since we began our operations in 1995. His many years of entrepreneurial, business and managerial experiences have been instrumental to the Company's success.

Our Board of Directors is chaired by Timothy McNally who has extensive experience in the industry having worked as an Executive Director of Security and Corporate Legal Services for the Hong Kong Jockey Club and as a Special Agent for the FBI investigating serious crimes including drug trafficking, organized crimes and public corruption.

Strategies

Building on our growth and proven business model operating in an emerging, frontier market, we intend to broaden the appeal of our brand and focus on the growth of our business by pursuing the following strategies.

Continue to focus on growing the attractive mass market segment

We will continue to focus on mass market which has historically shown strong margins, and which we believe will continue to grow and enable us to continue to achieve consistent growth across our diversified revenue streams.

We have positioned NagaWorld as the integrated gaming and entertainment hotel complex which offers a one-stop entertainment destination in Cambodia. With daily performance shows in our new 2,000-seat theater in Naga2, and by hosting of conventions, we are positioned to attract the growing number of visitors to Cambodia and Phnom Penh. We believe this diverse offering combined with the destination appeal of Cambodia will result in longer average stays. Based on our and GMA's information, an average length of stay per customer at NagaWorld is 3-4 days, compared to Macau where it is 1-2 days.

As increased tourism in Cambodia has generally led to increased footfall in NagaWorld, we will continue to closely collaborate with Cambodia's Ministry of Tourism to position the country and Phnom Penh as an attractive holiday destination, and increase connectivity with Greater China and other major cities in Asia.

We will also continue to collaborate with third parties in the tourism and travel industries to promote mass market gaming growth. We will:

- continue working closely with Bassaka Air (with a current fleet of three commercial planes leased from us) and CITS to operate flights in-and-out of Phnom Penh and other destinations in Cambodia. We expect this scheduled and chartered service to expand to five destinations in Greater China by end of 2018, operating a total of approximately 60 flights a week; and
- to continue working with China Duty Free Group (the anchor tenant of NagaCity Walk, and subsidiary of CITS) to incentivize tourists to visit NagaWorld during their holiday in Cambodia and Phnom Penh.

Our loyalty program, the Golden Edge Reward Card, is expected to help drive mass market growth through targeted marketing and rewards while also providing us valuable data to better understand and anticipate customer trends. As our mass market player base continues to expand, we plan to leverage this customer information to utilize each dollar of advertising spend more effectively and strategically target certain demographics and geographies.

Expand and support our VIP gaming segment with competitive VIP programs and services

We are focused on deepening our services to VIP players and gaming promoters. Opening in November 2017, Naga2 has a tower dedicated to VIP gaming, which is the first and only of its kind in the region according to GMA.

We plan to maintain a strong cash deposit level to increase confidence on our ability to cover winnings by our VIP players and our obligations under revenue-based incentive plans with gaming promoters, which we believe will also attract VIP players who will generate higher rollings, and in turn drive revenue and profit growth. This will also allow us to mitigate the risks associated with any volatility that may arise from our VIP gaming business.

We plan to begin spending on marketing efforts to further develop the Company's strong brand equity, and to build on the improving image of Cambodia as a growing economy and tourist destination. Our geographical focus for VIP players will aim at attracting more VIP customers from Asia's largest gaming markets. For example, SunCity (one of the largest gaming promoters in Asia according to GMA) started operations in Naga2 on March 1, 2018 and brought in approximately 500 VIP players for the opening event.

We also plan to deepen our ability to provide a first-class experience for customers. Our Naga Academy provides the basis to provide leading and targeted training staff — to ensure delivery of high-quality service that is responsive to our patrons (e.g. staff knowing how to speak mandarin). We believe creating a superior customer experience will continue to enable us to retain existing VIP players and attract new players, thereby helping us to drive additional revenue and profit growth.

Build a world-class hospitality brand under “NagaHotels”

Building on our proven business model of operating in a frontier / emerging market, we aim to build “NagaHotels” into a world-class hospitality brand and we will start with NagaWorld.

Over the next two years, we intend to refurbish Naga1. Combined with Naga2, this will allow us to position NagaHotel as a recognizable brand, and a world-class hotel when tourists come to visit Phnom Penh, by setting us apart from our peers in the hospitality industry in terms of premium positioning.

Our brand position will be supported by the expected increase in demand for accommodation due to rising visitor arrivals, as Cambodia develops into an increasingly attractive holiday destination. Our investment in Naga2 and the refurbished Naga1 in turn will drive an increase in both capacity and occupancy of NagaWorld. We expect the increase in hotel guests to translate to an increase in number of both gaming and non-gaming customers.

By building a leading hospitality brand, we will be able to expand the range of product offering to our customers.

Potentially pursue strategic and opportunistic expansion initiatives with a measured approach to expansion

Applying the Company's extensive experience and expertise in frontier / emerging markets projects in other similar geographies provides an area for potential growth. We will build on our strengths and focus on attractive regions.

NagaWorld is already a well-recognized brand in Cambodia and we intend to continue to strengthen our strong brand equity by maintaining high-quality offerings at all future properties of the Company worldwide that will enhance our competitive positioning as a world-class casino resort operator.

Our approach to expansion will be to deploy capital expenditure in a prudent manner, and to pursue projects with shorter pay-back periods and comparatively high returns on invested capital.

This opportunistic approach to growth may include working with our preferred partners to reduce capital expenditure requirements for expansion which also helps maximize our return on invested capital.

Maintain a strong balance sheet and a prudent capital structure

Maintaining a strong balance sheet and conservative capital structure are the key tenets of our operating philosophy which have helped us maintain financial stability. We have historically relied on equity financing and cash from operating activities as part of our prudent capital structure management.

We will continue to proactively manage our capital and investment requirements to enhance our ability and flexibility to pursue opportunistic growth. We will also continue to adopt a prudent, risk-averse approach to financing future expansion and management of existing facilities. We will continue to take a disciplined approach to the allocation of capital across our projects, with the strict application of hurdle rates and benchmarks for each investment.

THE NAGAWORLD CASINOS

The NagaWorld casinos currently occupy approximately 222,000 square meters of floor area, offering 24-hour gaming and a full range of games. The layout of NagaWorld's main gaming halls is organized based on the different market segments it targets with separate areas focused on mass market and VIP gaming. Although most of the halls are open plan, design elements shift in an effort to create an impression of increasing exclusivity as players move towards areas with higher limit gaming. To add to this appeal, NagaWorld has separate areas for high-end electronic gaming machines as well as more exclusive private gaming areas.

Public halls



As of December 31, 2017, NagaWorld had 136 public floor tables and 2,250 electronic gaming machines.

VIP halls and VIP gaming suites





NagaWorld has 248 VIP tables and 38 VIP gaming suites. NagaWorld's VIP rooms usually have higher minimum bets per hand and higher maximum pay-outs per game compared to mass market gaming tables.

Each VIP room or suite offers a substantial amount of privacy and features a few gaming tables and entertainment areas, in addition to access to a wide array of luxury amenities and services. VIP rooms feature several enhancements, including elevated floors and sliding walls that allow rooms to be closed off for privacy. Several of our VIP rooms and suites also have their own private dining rooms.

We use the services of gaming promoters to attract VIP players to play in our VIP rooms, several of which have been allocated to specific gaming promoters. See “Business — *Gaming Patrons* — *Gaming promoters*.”

Gaming products

We offer a wide variety of table games and electronic gaming machines. The selection of table games and electronic gaming machines is primarily based on the preferences of our players, feedback and suggestions from our gaming promoters, as well as statistical gaming results. Our gaming chips are denominated in U.S. dollars.

Table Games

NagaWorld offers a wide range of table games, including baccarat, blackjack, poker, Caribbean stud poker, roulette, tai sai, wheel of fortune, ngau ham and bai buu. Gaming tables are placed at both public and VIP halls. Adapting to the demands of our patrons, a large majority of our tables offer baccarat.

Electronic gaming machines

We offer a wide selection of electronic gaming machines that complement the table games at NagaWorld. As of December 31, 2017, there were 2,250 electronic gaming machines in the public halls at NagaWorld.

Typically, these machines have a relatively low minimum bets. We work with several manufacturers of electronic gaming machines to offer and market new games to meet and drive market demand.

In previous years, we have assigned licensing rights to certain investors to operate a number of electronic gaming machines in one-off transactions. We generated revenue of US\$40.0 million, US\$60.0 million and US\$60.0 million during 2015, 2016 and 2017, respectively, from one-off sales of these licensing rights. We currently expect to enter into further one-off sales as we increase the number of electronic gaming machines in NagaWorld.

Gaming Statistics

The following table sets out the total buy-ins / bill-ins / rollings and the win rate for our mass market gaming tables, electronic gaming machines and VIP market gaming tables for the periods indicated.

	Year ended December 31,					
	2015		2016		2017	
	Total buy-ins/ rollings/ bill-ins	Win rate	Total buy-ins/ rollings/ bill-ins	Win rate	Total buy-ins/ rollings/ bill-ins	Win rate
	US\$ millions	%	US\$ millions	%	US\$ millions	%
Mass market gaming tables (buy-ins)	550.2	22.0%	617.8	21.0%	787.8	19.0%
Electronic gaming machines (bill-ins)	1,370.7	9.8%	1,498.9	8.2%	1,812.5	7.9%
VIP market gaming tables (rollings)	7,875.9	2.8%	8,714.1	2.6%	21,124.9	3.0%

NAGAWORLD DEVELOPMENT AGREEMENTS AND CASINO LICENSE

NagaWorld Development Agreements

We have entered into the following material agreements with the Government in relation to the development of NagaWorld:

- the Sihanoukville Development Agreement between Ariston Sdn. Bhd. (“**Ariston**”) and the Cambodian Government dated January 2, 1995 (the “**SDA**”);
- the Supplemental Sihanoukville Development Agreement between Ariston and the Cambodian Government dated February 2, 2000 (the “**SSDA**”); and
- the Addendum Agreement between Ariston and the Cambodian Government dated August 12, 2005 (together with the SDA and SSDA, the “**NagaWorld Development Agreements**”).

Our material rights under the NagaWorld Development Agreements

Pursuant to the NagaWorld Development Agreements, Ariston, our wholly owned subsidiary, was granted, subject to the fulfilment of certain conditions (all of which were fulfilled), development rights in respect of NagaWorld as well as:

- the rights to operate casinos in NagaWorld or any other complex that may be built by Ariston or its assignee within the Phnom Penh Municipality;
- a casino license for a period of 70 years from January 2, 1995, expiring in 2065 (the “**Casino License**”);

- a right of exclusivity to operate casinos within the Designated Area until the end of 2035; and
- a right to assign its rights under the NagaWorld Development Agreements to any third party without the prior consent of the Government.

In 1995, Ariston has assigned its rights under the NagaWorld Development Agreements as well as the Casino License to NAGAWORLD LIMITED, our wholly-owned subsidiary.

The “Designated Area” is the area within 200 kilometers of Phnom Penh (except the Cambodia-Vietnam Border Area, Bokor, Kirirom Mountains and Sihanoukville).

Our material obligations under the NagaWorld Development Agreements

The NagaWorld Development Agreements require Ariston (or its assignee) to:

- comply with applicable gaming and casino laws; and
- pay a specified amount of tax each month and license fees on a periodic basis during the validity of the Casino License.

Termination

The NagaWorld Development Agreements may be terminated by the Government if Ariston (or its assignee) fails to remedy or take steps to remedy breaches of any of its obligations under NagaWorld Development Agreements within a reasonable period from the date of delivery of the notice.

If the Government either terminates (a) the Casino License prior to its expiry in 2065 or (b) the exclusivity granted to us prior to its expiry in 2035 under the Casino License, then the NagaWorld Development Agreements state that the Government will be obligated to pay mutually agreed damages.

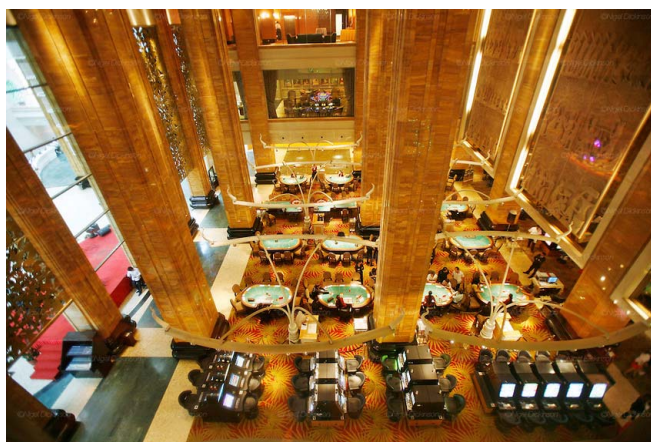
NagaWorld’s Casino License

The principal terms of the Casino License are as follows:

- an irrevocable license in favor of Ariston (or its assignee) for a period of 70 years from January 2, 1995, expiring in 2065,
- the exclusive right to operate casinos within the Designated Area until the end of 2035. Specifically, the Government is prohibited from:
 - o authorizing, licensing or approving the conduct of casino gaming within the Designated Area;
 - o entering into any written agreement with any party with respect to casino gaming within the Designated Area; and
 - o issuing or granting any other casino license to any third party with respect to casinos within the Designated Area; and
- the right to operate casinos at any premises or complexes by Ariston (or its assignee) within the Designated Area and the right to operate such games and electronic gaming machines at such casinos without the approval of the Government.

See also “*Risk factors — Risks relating to our business — Our Casino License and Terms may be revoked or not enforced by the Cambodian Government.*” In addition, we rely on the exclusive nature of the license.

OPERATIONS SUPPORTING THE GAMING BUSINESS



Our Casino License allows us to operate 24 hours a day throughout the year and contains no restrictions as to the location or size of the casino complex, casino operating areas, number of tables or type of games within the Designated Area. NagaWorld’s gaming activities are conducted through its gaming hall operations and VIP gaming suites. The gaming activities are supported by NagaWorld’s treasury operations and security and surveillance operations.

Gaming hall operations

NagaWorld’s gaming areas are divided into different sections. Each section consists of a specified area of the gaming hall and generally includes several gaming tables, cash counters and electronic gaming machines. Each gaming area also includes table inventories of gaming chips and computer terminals used by gaming supervisors.

NagaWorld’s dealers are responsible for conducting and facilitating various table games, handling chip exchanges occurring at the tables and assisting in chip counts. While most gaming tables have one dealer during operating hours, some table games, such as baccarat, require more than one dealer to run. All of NagaWorld’s dealers are trained to identify high-value or suspicious transactions occurring at the gaming table and are required to report any such transaction to their supervisor for immediate and appropriate actions.

NagaWorld’s supervisors monitor, through either the electronic surveillance system or direct on-site supervision, the gaming activities of NagaWorld’s players with a view to ensure that no illegal or fraudulent activities are conducted in NagaWorld’s gaming areas.

NagaWorld’s supervisors or gaming operations managers conduct chip counts and certify the amount and value of all chips contained in each gaming table’s chip tray on a regular basis. This process is completed in the presence of dealers and supervisors and is also recorded on NagaWorld’s electronic surveillance system.

GAMING PATRONS

Our gaming patrons include VIP players, mass market players and gaming promoters who help source NagaWorld’s VIP players. We rely on visitors to Cambodia, particularly from Southeast Asia, Greater China and East Asia.

Mass market players

Mass market players comprise non-VIP players who visit our public gaming floors, purchase gaming chips to participate in gaming activities and include business travelers to Cambodia, foreign residents in Cambodia, and tourists visiting Cambodia. Mass market players come to NagaWorld for a variety of reasons, including NagaWorld's central location, brand recognition, the quality and comfort of NagaWorld's public gaming halls and non-gaming offerings. Although public hall players are not incentivized in the same way as VIP players, in certain cases NagaWorld offers them complimentary accommodation, food and beverage, in addition to rebates on air tickets.

VIP players

Our VIP market comprises players brought in by gaming promoters, who are either under a commission or incentive program, and direct players without an intermediary. VIP players deposit cash upfront (or receive credit from gaming promoters or us) and we issue them non-negotiable chips.

VIP players typically place large individual wagers. In 2017, 65.4% of our revenue was earned from VIP players. We had 35,289 VIP arrivals in 2015, 32,927 VIP arrivals in 2016 and 33,941 VIP arrivals in 2017, with VIP players from Malaysia and Greater China representing 71.7%, 65.3% and 64.2% of the total number of VIP players in 2015, 2016 and 2017, respectively. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations*". See also "*Risk factors — Risks relating to our business — Our revenues may be volatile as a result of the high proportion of VIP players at NagaWorld, which is likely to further increase in the future.*"

The following table sets forth a breakdown of our VIP players by nationality for the years indicated.

	Year ended December 31,					
	2015		2016		2017	
	VIP players	%	VIP players	%	VIP players	%
Malaysia	16,924	48.0%	14,567	44.2%	12,732	37.5%
Southeast Asia (ex-Malaysia)	8,428	23.9%	9,450	28.7%	9,990	29.4%
Greater China	8,377	23.7%	6,918	21.0%	9,058	26.7%
Others	1,560	4.4%	1,992	6.0%	2,161	6.4%
Total	35,289	100%	32,927	100%	33,941	100%

For VIP players, we issue non-negotiable chips when they check-in or deposit their funds upfront. This allows us to monitor the volume of betting by VIP players through "total rollings". This industry term refers to, in the case of VIP hall gaming tables, the amount of non-negotiable chips purchased by a VIP player or gaming promoter, less the amount of non-negotiable chips returned. Typically only non-negotiable chips are wagered on these tables.

Gaming promoters

Gaming promoters have historically played a significant role in our business. The competitive overseas gaming promoters revenue-based incentive program introduced in March 2013 continues to enable the Group to balance the increase in table betting limits while managing volatility and credit risk since the gaming promoters bear a portion of the risk of loss from the VIP players. For 2015, 2016 and 2017, 44.3%, 42.5% and 65.4% of our revenue was derived from VIP players with 38.2%, 36.1% and 59.9% of our revenue being derived from VIP players brought by gaming promoters. In the last year, we have been particularly successful in attracting several premier Macau gaming promoters who are expected to generate significant business going forward.

We continue to emphasize the growth of the VIP gaming segment. Naga2 also has a tower specifically devoted to the VIP market and consisting of private gaming halls. We allocate a certain number of VIP tables to each gaming promoter based on the performance and credit worthiness of the gaming promoters and our views on the likelihood they will attract VIP players. Gaming promoters are able to effectively promote our casinos due to their knowledge of the gaming market and our operations as well as their experience in the logistics of sourcing and attracting VIP players. Due to our other hospitality and entertainment offerings, we are able to offer a “one-stop shop” service to our gaming promoters and their players which enhances the overall gaming experience and promoters’ loyalty to NagaWorld.

The following table sets out the contribution as a percentage of total revenue and cost of sales for VIP players brought in by our largest gaming promoter and the top five gaming promoters for the periods indicated.

	Year ended December 31,								
	2015			2016			2017		
	Total revenue	Cost of sales	Gross profit	Total revenue	Cost of sales	Gross profit	Total revenue	Cost of sales	Gross profit
	%	%	%	%	%	%	%	%	%
Largest gaming promoter	9	20	25	9	21	42	49	76	26
Top five gaming promoters in aggregate	32	70	32	35	74	51	59	90	29

Each of our gaming promoters are independent third parties. Our gaming promoters’ primary business activities involve actively promoting NagaWorld’s facilities to existing and potential VIP players, making arrangements for VIP players to visit Cambodia and play in NagaWorld and, in most cases, extending credit to VIP players. See “*Business — Credit and Payment Management — Extension of credit to VIP players*” and “*Risk Factors — Risks relating to our business — We are exposed to credit risk on delayed payment terms and credit extended to our gaming promoters.*”

In exchange for their services, we pay our gaming promoters either through revenue-based incentive plans or commission arrangements, based on the respective amount of VIP gross gaming revenue generated. The majority of our gaming promoters are compensated through revenue-based incentive plans that are based on a percentage of gross gaming revenue from the VIP players they bring to NagaWorld. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”.

We increasingly favor the revenue-based incentive plan structure as it allows us to:

- free up working capital since the gaming promoters bear a portion of the wins and losses;
- accept higher betting limits which attracts VIP players; and
- attract high-quality gaming promoters with an incentive structure that compensates them in a competitive manner.

Our gaming promoters with commission plans are compensated at a fixed percentage of rolling chip turnover and do not share in wins or losses of the VIP players they bring to NagaWorld.

In addition to this commission, our commissioned gaming promoters receive food, beverage, hotel and transportation allowances as incentives (rather than cash payments) to encourage them to provide complimentary tickets, entertainment and hotel accommodation to their VIP players. There has been no material dispute with our gaming promoters with respect to any such payments or any other matters.

We enforce stringent selection criteria when signing on a new gaming promoter. This selection process involves background checks, confirming the financial capability of the gaming promoter (by requiring a deposit), determining the commitment of the gaming promoter (by reviewing how consistently they are able to bring in VIP players) and then negotiating the commission and/ or revenue-based incentive plans to encourage the growth of the VIP gaming segment.

Under the terms of our contractual arrangements which are entered into on an annual basis, our gaming promoters are generally required to generate certain amounts of revenue, failing which, their allocated tables may be reallocated to other gaming promoters. We also have the right to change the revenue-based incentive arrangements with one month's notice. See also "*Risk Factors — Risks relating to our business — We depend upon a relatively small number of gaming promoters for a significant portion of our casino revenues. If we are unable to maintain, or develop additional, successful relationships with reputable gaming promoters, our ability to maintain or grow our business may be adversely affected. Increased competition may exert upward pressure on amounts paid to gaming promoters*" and "*Risk Factors — Risks relating to our business — The financial resources of our gaming promoters may be insufficient to allow them to continue doing business at NagaWorld.*"

CREDIT AND PAYMENT MANAGEMENT

Extension of delayed payment terms and credit from us to gaming promoters

We enter into annual contracts with our gaming promoters which require them to settle balances with us on a monthly basis. We typically allow delayed payment terms for our gaming promoters to provide them with liquidity for their business operations. We determine the period of delayed payment terms based upon background checks and current and historical levels of play generated. From time to time, we directly extend credit to our gaming promoters.

We conduct extensive background checks (which include reviewing possible non-compliance with legal and regulatory requirements, including anti-money laundering laws) on gaming promoters. If delayed payment terms are granted, the period is generally for period between 5 and 30 days.

Extension of credit to VIP players

As a general rule, we do not directly extend credit to VIP players given the absence of reliable credit databases to perform accurate credit checks as well as the credit risk associated with several of our VIP players who reside in foreign jurisdictions (where the enforcement of gaming related debts may be unreliable). From time to time, we directly extend credit to a reasonable number of VIP players in amounts up to US\$1,000,000. If credit is granted, the credit period is generally for a maximum of 14 days.

In certain cases, gaming promoters extend credit to VIP players. We are not involved in these arrangements and do not assume any credit risk with respect to such credit.

See also "*Risk Factors — Risks relating to our business — We are exposed to credit risk on delayed payment terms and credit extended to our gaming promoters*" and "*Risk Factors — Risks relating to our business — The financial resources of our gaming promoters may be insufficient to allow them to continue doing business at NagaWorld.*"

NAGAWORLD'S NON-GAMING FACILITIES

Naga1 Hotel



The 14-story Naga1 Hotel houses 755 hotel rooms comprising 702 standard guestrooms and 53 premium suites. The hotel rooms are designed to be comparable to other international hotels in Phnom Penh in terms of quality, standard and size. Each hotel room is equipped with air-conditioning, an electronic safe, a television, a mini-bar and wireless internet.

The following table sets forth the average room rate and average occupancy rate for Naga1 for the periods indicated.

	Year ended December 31,		
	2015	2016	2017
Average room rate (US\$ per room per night) . .	58	66	66
Average occupancy rate ⁽¹⁾ (%)	73	81	76

Note:

(1) Calculated as the total number of room nights sold or provided for free as a percentage of the total number of room nights available for sale during the relevant period, which may not directly reflect the total rooms in inventory due to renovations and other considerations.

Naga1's spa features a total of 22 suites, which comprise 12 single rooms, nine double rooms and one special room (which includes a steam room and jacuzzi). In addition, Naga1 also features a pillar-less ballroom that can host more than 1,000 guests in various configurations, from banquet-style to theater-style, and five fully-equipped meeting rooms with state-of-the-art audio and video systems that can each host 50 people. Naga1 also contains 381 square meters of retail space.

Naga2 Hotel



The Naga2 Hotel opened in November 2017 and continues to ramp up and expand its capacity in 2018. With 903 rooms and suites, the 24-story Naga2 Hotel is one of the largest upscale hotels in Cambodia. All of Naga2's luxury rooms are contemporary and include state-of-the-art amenities catering to the needs of gaming patrons, as well as regional leisure and business travelers. Each room is fitted with designer fixtures and fittings.

Naga2's VIP gaming suites are designed to cater to the most discerning VIP players. The 38 gaming suites are between 86 and 530 square meters in total gross floor area, featuring contemporary designer furnishings as well as a private pantry, full kitchen, separate lounge and entertainment areas.

Naga2's spa features a total of 65 suites, each of which includes a sauna and steam shower. Naga2 also features a 2,000-seat theater providing entertainment performances on a daily basis.





Restaurants and bars

NagaWorld features 25 restaurants, bars and clubs that cater to a broad range of international tastes. NagaWorld's restaurants provide high quality food, service and decor and include:

- Bistro Romano Italian Restaurant, an Italian restaurant which features a wide array of Italian food, an extensive wine list and a large selection of desserts;
- Chopstick Noodle House, an in-house Chinese fast food restaurant;
- Fortune Palace, a fine-dining Chinese restaurant;
- Indochine, an Indochinese restaurant which serves a fusion of foods from Cambodia, Vietnam and Thailand;
- Korean Grill, a Korean restaurant, which features a grill on each table, an open kitchen and a view of the lobby from the first floor;

- Le Gourmet, a French restaurant;
- NagaRock, a Mexican restaurant;
- DarlinDarlin Lounge & Disco, a club which features a live band each night;
- Club 88, one of the largest karaoke bars in Phnom Penh; and
- Gym room and swimming pool.





We operate a gym room at NagaWorld where fitness equipment, including cardio training equipment is available. In addition, the outdoor swimming pool is a complimentary facility for NagaWorld’s hotel guests.

See also *“Risk Factors — Risks relating to our business — The occupancy rates of, and revenues generated by our hotels may be volatile”* and *“Risk Factors — Risks relating to our business — If our food and beverage suppliers do not deliver high quality food and beverages and other supplies to our restaurants at competitive prices or in a timely manner, we may experience supply shortages and increased food costs.”*

NagaCity Walk



NagaCity Walk is located in a two-level structure consisting of an underground walkway (which has been leased to a single tenant — China Duty Free Group and features approximately 8,900 square meters of retail and public space) and a concourse and pedestrian walkway. NagaCity Walk also links Naga1 and Naga2.

The concourse and pedestrian walkway is located above the underground walkway and is connected to the underground walkway via eight exits through escalators and staircases. The underground walkway is approximately 300 meters in length and 17.5 meters in width and links Naga2 with a landscaped park occupying an area of 9,934 square meters located in an area owned by the Municipality of Phnom Penh adjacent to Naga1.

The underground linkway has been leased to us by the Municipality of Phnom Penh for a period of 50 years with an option to renew for a further 50 years in accordance with the laws of Cambodia. The concourse and pedestrian walkway is public property that belongs to the Municipality of Phnom Penh but is permitted to be used by us.

NagaCity Walk currently has 39 retail stores available through the China Duty Free Group. The China Duty Free Group offers duty-free shopping and a wide range of high-end luxury brands from all over the world. The assortment of luxury products offered includes perfumes, cosmetics, fashion, handbags, luggage, accessories, sunglasses, watches, travel accessories, liquor and tobacco. The tenancy arrangement with China Duty Free Group who operates NagaCity Walk expires on August 30, 2026.

See also “*Risk factors — Risks relating to our business — Should China Duty Free Group suffer a decline in its financial stability or end its tenancy and other arrangements to operate NagaCity Walk, it could have a material adverse effect on our business.*”

STRATEGIC PARTNERSHIPS AND COLLABORATIONS

Collaboration with Bassaka Air

In 2015, we began collaborating with Bassaka Air, a Cambodian registered commercial airline. Our collaborating with Bassaka Air enables us to target untapped customers from Chinese cities that previously had limited or no flight connectivity into Cambodia.

We continue to working closely with Bassaka Air (with a current fleet of three commercial planes leased from us) who operates flights in-and-out of Phnom Penh and other destinations in Cambodia. We expect this scheduled and chartered service to expand to five destinations in Greater China by end of 2018, operating a total of approximately 60 flights a week.

The Company owns two aircraft, both of which are Airbus A320-200. The Company leases these aircraft to Bassaka Air, a fully licensed Cambodian airline. Bassaka Air has signed an air-charter agreement and general sales agreement with CITS pursuant to which Bassaka Air presently operates with CITS scheduled flights from four cities in Mainland China and Macau multiple times a week to bring visitors to Phnom Penh (staying in NagaWorld) and Siem Reap. CITS is a leading provider of outbound travel services in China and each of these Chinese flights is currently operating at over 90% capacity (each with a 150-seat capacity). We intend to lease two additional commercial aircraft with the aim to increase the number of Chinese cities where Bassaka Air operates scheduled flights with CITS to five.

Partnership with China International Travel Services and China Duty Free Group

Our strategic partnership with CITS, one of China's largest tourism enterprises, enables us to capitalize on the growing demand of Chinese tourists to Cambodia. CITS offers a five-day tour package to Cambodia, with a minimum 2-day stay in Phnom Penh, specifically at NagaWorld.

Golden Passage Destinations Co., Ltd ("**GPD**"), which is a travel agency focused on developing and promoting tourism products in Cambodia and developing tourism facilities and infrastructure in Cambodia. On February 9, 2017, we, in a joint press conference with the Ministry of Tourism Cambodia ("**MOT**"), announced that our wholly-owned subsidiary incorporated in Hong Kong, Naga Travel Limited ("**NagaTravel**") had been selected to partner with the MOT to form the Cambodian Overseas Tourism Promotion Board ("**COTPB**") to promote Chinese visitation to Cambodia. NagaTravel will establish COTB offices with the MOT in various Chinese cities for the promotion of tourism to Cambodia. The COTB aims to increase visitation to Cambodia from 5.0 million in 2016 to 7.0 million per year by 2020.

CITS took over China Duty Free Group in 2004. China Duty Free Group is one of the world's leading duty-free operators and has entered into a long-term lease arrangement with us for NagaCity Walk. China Duty Free Group's rental fee comprises of a capped base fee plus a fee based on turnover generated by the retail stores.

SALES AND MARKETING

We position NagaWorld as a full service, integrated casino and resort in the leisure, conference, tourism and travel markets but have not incurred marketing expenses relating to NagaWorld — particularly within Cambodia. NagaWorld's geographic location, together with the key design elements of its hotels and other facilities and services on offer, serve to market NagaWorld as an integrated complex to gaming visitors.

We rely principally on our gaming promoters to promote NagaWorld's gaming offerings to VIP players. For VIP gaming, we work closely with our gaming promoters to provide packages that are tailored to the individual preferences of their VIP players. See also "*Business — Gaming Patrons — Gaming promoters*". In addition, we also engage in direct marketing targeted at specific market segments as well as through traditional incentives, such as reduced room rates and complimentary meals and suites for potential VIP players.

Loyalty program

In 2012, we launched our first loyalty program, the Golden Edge Rewards Club, which enables us to better understand our members' profiles and create targeted marketing efforts and incentives. The Golden Edge Rewards Club is targeted at our mass market players.

The loyalty program offers mass market players perks such as free membership, loyalty points, periodic members' only gala dinners and a lucky draw. During the year ended December 31, 2017, approximately 69% of the Golden Edge Rewards Club members returned at least twice a year (based on active members who have participated at least once in the last year). We believe we have a diversified base of mass market players representing nationalities across Asia.

Transportation services

We work with CITS and other travel agents (in China and elsewhere) as well as Bassaka Air, to bring Chinese visitors to Cambodia via scheduled flights from a variety of destinations. See “*Strategic Partnerships and Collaborations — Collaboration with Bassaka Air.*”

We also arrange chartered flights for certain VIP players. In addition, our fleet of buses and limousines provide transportation to VIP players between Phnom Penh International Airport and NagaWorld.

Promotions and special events

NagaWorld regularly hosts special events and holiday celebrations. From time to time, NagaWorld also holds promotional gaming tournaments and regular lucky draw contests for cash and other prizes. NagaWorld hosts monthly member parties and VIP events, such as Annual VIP mid-autumn gala dinner.

Customer relationship management

Our customer relationship management system contains data about our players' previous experiences at NagaWorld, allowing us to tailor our marketing efforts to individual preferences.

Entertainment

We offer free entertainment shows, including stage shows and other performances in our new 2,000 seat theater.

INTERNAL CONTROLS

We employ internal controls and procedures designed to ensure that gaming and other operations at NagaWorld are conducted in compliance with Cambodia's gaming regulations and international best practices. By its nature, gaming operations are heavily regulated and subject to the risk of loss resulting from employee or player dishonesty, in addition to fraud by our gaming promoters and our internal controls system is intended to manage this risk. See also “*Regulatory Overview of the Casino Business in Cambodia.*”

We have established our own set of casino control rules based on internationally accepted standards for the handling of chips, cash and gaming equipment to prevent, detect and deter the use of counterfeit chips, playing cards and currency as well as other fraudulent activities within gaming areas. These include:

- table game management, including safeguarding of cash and chips on tables,
- cash and chips management,
- gaming inventory management,
- management of gaming promoters, and
- administrative and accounting procedures.

We employ the following special techniques to prevent and detect potential fraudulent and counterfeiting activity:

- Tables are fitted with currency scanners in order to detect any counterfeits. All cash and chips transactions performed at the tables or the Casino Cage will be subjected to scanning.
- Slot machines employ the latest firmware on the bill validators.
- There is full camera coverage 24/7 of all cash and chips transactions.
- Operating in U.S. currency ensures that the latest techniques and software are immediately available as most of the research and development is conducted by U.S. companies.

In addition, we use the following measures:

Restricted-access to sensitive areas

Access to all sensitive areas is safeguarded with the use of physical access controls, including staff identification cards, passwords, radio-frequency identification keys, double-layered doors and security guards.

Monitoring of high-value transactions

We have a system of monitoring high-value transactions and other suspicious activity. All of our dealers are trained to identify high-value or suspicious transactions occurring at the gaming table and are required to report any such transaction to their supervisor for immediate and appropriate actions.

Management oversight

We drive a culture of compliance from the top down by building experienced management team that consists of seasoned executives with industry experience, Certified Money Laundering Specialist (CAMS) as well as legal, finance, risk and compliance professionals.

In addition, our gaming operations as well as internal controls and procedures are subject to strict management oversight.

Screening gaming promoters

We carry out due diligence on all of our gaming promoters including through the use of third party agencies. In addition, a list of players who have or are suspected of having committed cheating and fraud in other casinos is also maintained.

Administrative and accounting procedures

We have developed a comprehensive manual of policies and procedures for our internal audit and financial reporting process.

Employee recruitment and training

Our employees will undergo a screening process at the time of employment, in regard to past employment history, police clearance, references, etc. Our employees are trained to identify and detect any suspicious activities in the conduct of gaming by players.

In addition, we provide training on policies and procedures relating to AML to all new and existing employees. To ensure effective implementation of, and compliance with, the Company's AML policies and procedures, employees attend briefing sessions which are conducted at the departmental level on a regular basis. Senior employees also observe, monitor, supervise and provide guidance to their subordinates on AML policies and procedures.

Internal control measures relating to chips and cards

All gaming activities at NagaWorld's table games are conducted exclusively through the use of gaming chips. All players are required to purchase gaming chips prior to gaming and the total amount of chips purchased is monitored and recorded.

We use high-quality chips with several security features, which cannot be reproduced and are solely used by NagaWorld. The casino chips supplier is a leading manufacturer in the world with its own compliance and strict security controls in order to maintain the highest standards of their product and is licensed by all major jurisdictions in the world. The types of each series of chips are different. Each series has different denominations and the appearance of each denomination is also different. In addition, we have implemented various measures to prevent the use of counterfeit chips, including:

- a number of security features embedded into our chips,
- inventory checks at the end of each shift to verify receipts and issues of chips from the inventory room; and
- storage of chips not in use in secure locations.

We have established detailed recording and controls with respect to chips inventory. Our staff periodically inspects all chips and withdraws chips which are worn or damaged.

We also use technology to prevent and detect potential fraudulent and counterfeit activities in our casino and gaming areas. These include the use of electronic equipment, ultraviolet and laser readers, money counters with security features. Our gaming areas, gaming activity and equipment inventory are closely monitored by our Surveillance department using the latest CCTV technology.

Our playing cards, similar to our chips, are manufactured at the highest standards of security and controls. The supplier has the most secure and technologically advanced manufacturing facilities in the world. It has its own security and compliance department and is licensed by all major jurisdictions in the world. Similar to our chips, our playing cards have special security features limited to NagaWorld. We employ electronic dealing shoes which are able to detect foreign cards as well as fraudulent activity (swapping of cards). The entire process, from arrival of the new cards on the property until the destruction of used cards, is logged and supervised by table games staff and security and under full camera coverage at all times. Periodic audits are conducted to ensure compliance and detect any discrepancies.

Internal controls on money laundering and combating financing of terrorism (AML)

We have developed comprehensive anti-money laundering policies and procedures, which are regularly updated to ensure full compliance with applicable law and regulation. We comply with the recommendations of Financial Actions Task Force ("FATF").

Our anti-money laundering policies require:

- regular assessments of money laundering risks;
- reporting of suspicious activity in gaming operations based on a system of controls and procedures established to detect such activity;

- background checks in cases where suspicious activity is identified;
- verification of winnings;
- monitoring of the activities of our gaming promoters for possible money laundering;
- comprehensive training to all relevant staff on our anti-money laundering policies; and
- an annual review of the effectiveness of the anti-money laundering policies, implementation and compliance measures.

We have established a program designed to protect our reputation and mitigate money laundering risks. We believe that our long term sustainability and success is dependent on our integrity and transparency in daily gaming operations compared international best practices. We have in place a four-tier AML control structure comprising:

- Tier 1 — An AML Management Committee, led by our Compliance Officer and supported by senior managers from various key operational departments, tasked with ensuring that we adopt policies and procedures as governed by the AML Procedure Manual in its day to day operational activities.
- Tier 2 — Internal audit of AML procedures. Internal Audit Committee carries out bi-annual audit review on the AML procedures to ensure that we are in compliance with AML policies, with results of such audits reported to the Audit Committee and AML Oversight Committee.
- Tier 3 — AML Oversight Committee established at the Board level, chaired by the non-executive chairman of the Board, which meets on a quarterly basis to review the work and reports of the AML Management Committee and Internal Audit. Matters of significance are then reported to the Board for deliberation. The review team is satisfied NagaWorld maintains full control of the gaming operations and these operations remain compliant with all relevant Financial Action Task Force recommendations.
- Tier 4 — External audit of the Company’s AML procedures. We engage an AML specialist firm which carries out a biannual audit of our AML procedures, which includes work conducted by the AML Management Committee. The report of this external AML audit is reported in our annual financial reports.

As noted above, casino employees are trained to observe and identify “red-flag” transactions which are suspicious in nature, including but not limited to customers with high buy-ins but with minimal or no gaming, customers buy-ins with counterfeit notes, fake identification documents and customers betting against each other.

Upon the occurrence of a suspicious transaction, front line casino employees raise a “Suspicious Incident Report” (“**SIR**”) which is then forwarded to the Compliance Officer of AML for assessment and evaluation. A Suspicious Transaction Report (“**STR**”) is submitted to the Cambodia Financial Intelligence Unit (“**CAFIU**”) if the Compliance Officer concludes that such transaction is suspicious from the AML perspective.

The total number of SIRs raised in 2017 had increased approximately 81% that is, from 36 cases to 65 cases. Out of the 65 SIRs which were raised, 23 cases were submitted to CAFIU; this compared to six cases in 2016.

In addition, staff also conducts reviews and checks on the gaming equipment to help ensure that the integrity of the games has not been compromised and to ensure the prevention of collusion between gaming patrons and our staff.

During 2017, no legal cases regarding corruption were brought against us or, to the best of our knowledge, the employees.

Treasury

NagaWorld's treasury operations team's primary responsibilities are:

- verifying and reconciling results;
- computing, verifying and recording wins of each gaming table;
- collecting cash from electronic gaming machines and table games and preparing cash collection reports;
- managing and monitoring bank accounts; and
- auditing and ensuring compliance with anti-money laundering laws associated with high value transactions and suspicious transactions. See also "*Internal Controls — Internal Controls on Money Laundering and Combating Financing of Terrorism (AML)*."

Security and surveillance

Our security team's main function is to ensure the protection of the employees and guests during their time on the property. In addition, they are also responsible for the protection of the property and company assets against theft, vandalism and other criminal and unlawful activities. All members of the security team are carefully screened and selected, and extensively trained in law enforcement, crisis management, communication and guest services.

NagaWorld's gaming areas generally include: gaming tables, electronic gaming machines and cash desks. Security assigns at least one security officer to each cash desk and positions several security officers at key locations throughout the gaming area, such as the entrances and exits of the casino and gaming areas.

We employ the latest technology in IP cameras and digital recording of gaming areas is constantly monitored for all gaming activities, thereby minimizing the risk of cheating and other forms of fraud.

See also "*Risk factors — Risks relating to our business — We depend upon our ability to provide secure gaming products and to maintain the integrity of our employees and our reputation in order to attract players*" and "*Risk Factors — Risks relating to our business — If we fail to establish an effective system of internal controls, anti-money laundering and anti-corruption, we may be unable to accurately detect and prevent fraud and corporate governance lapses.*" and "*Risk factors — Risks relating to our business — We depend on the reputation and integrity of the parties with whom we engage in business activities. If they are unable to maintain required standards of probity and integrity, we may face reputational and other consequences.*"

NAGA VLADIVOSTOK

On September 6, 2013, we entered into an investment agreement with certain Russian governmental authorities pursuant to which we agreed to invest at least RUB 11.6 billion (approximately US\$350 million based on then current exchange rates), in a gaming and resort development project in Vladivostok, Russia. The first phase of Naga Vladivostok envisages the development of a casino with 55,839 square meter of gross floor area that will comprise an eleven story hotel (with 279 rooms), 1,758 square meter of food and beverage area and a multipurpose conference hall. It also is expected to have approximately 2,650 square meters of gaming area which accommodates approximately 48 gaming tables, 376 slot machines and 6 gaming suites. Naga Vladivostok is located in the gaming integrated entertainment zone of the Primorye Region of Russia which is one of the four legal designated casino gaming zones in Russia.

We, through a wholly-owned subsidiary, have entered into a fixed-price contract with a contractor for the development of Naga Vladivostok for a total construction cost of approximately US\$300 million. Our contractor commenced construction since 2016 and Naga Vladivostok is expected to open in 2019. As of December 31, 2017 we had invested a total of approximately US\$78 million in Naga Vladivostok. The remaining construction costs of approximately US\$222 million in aggregate over 2018 and 2019 are funded upfront by the third party construction company and, except for the initial approximately US\$78 million, will be recorded as a liability by the Company. The Company is required to repay the outstanding amount in full five years following the commencement of construction (i.e. 2021) with an option to delay repayment for two years (i.e. 2023). While the third party developer is subject to significant penalties if it does not deliver the project on time, we may not be able to enforce or recover these claims. The full cost of repayment is expected to be funded by cash generated by operations of Naga Vladivostok.

Naga Russia Limited, which is our wholly owned subsidiary, is developing, through a third party contractor, and will operate Naga Vladivostok through its directly and indirectly owned subsidiaries (the “**Russia Group**”). Neither Naga Russia Limited or any of the members of the Russia Group are “Restricted Subsidiaries” as defined in “*Description of the Notes*” and therefore not generally subject to the covenants contained in the Notes.

See “*Risk Factors — Risks Relating to Russia — Sanctions imposed by the United States and the European Union on a number of Russian individuals and entities may have an adverse effect on us.*”

INTELLECTUAL PROPERTY RIGHTS

We regard our trademarks and other intellectual property as being a significant factor of the brand recognition of our offerings. As of December 31, 2017, we had approximately 114 registered trademarks (in terms of class applications) and approximately 144 applications for trademark registrations pending. Trademarks that have been registered include NAGACORP logo, NAGAWORLD logo and NAGAHOTELS logo (in Hong Kong, Macau, Myanmar, Australia, Russia, Kazakhstan, Mongolia, Laos, the European Union, Singapore, Philippines, the United States, Japan, Vietnam and Thailand). Our trademark protections are generally in the classes 35, 39, 41 and 43. Our trademark protections are generally in one or more of the following classes (a) advertising, business, hotel administration and retail services, (b) arranging travel tour and cruises, transportation and storage services, (c) providing casino equipment and entertainment services and (d) restaurant and hotel services.

In addition, the “NAGACORP”, “NAGAWORLD” and “NAGA” (in series) as well as “Naga Device” (in series) which is a diamond shaped logo have been registered in Hong Kong.

We also rely upon our trade secrets and know-how. Our intellectual property is protected through a variety of methods, including trademark laws, as well as confidentiality agreements with suppliers, gaming promoters and others who have access to its proprietary information.

See also “*Risk Factors — Risks relating to our business — We may fail to protect or enforce our intellectual property rights, in particular in relation to “NAGA” or “NAGAWORLD”.*”

INFORMATION TECHNOLOGY

We operate an advanced information technology system. Among other things, the information technology systems features gaming management and player tracking systems as well as systems for the efficient handling of human resource records.

We have various models of Bally systems for gaming management (table games and slot management) and player tracking (certain mass market player and VIP player information). We also use VirtualRoster and HR Payroll systems for staff shift scheduling, attendance, HR records and payroll matters.

SEASONALITY

Our operations are subject to some seasonality largely relating to the tourism industry in Cambodia and impacted by Chinese new year in the first quarter of the year when footfall is typically lower during the new year period but returns to normal shortly afterwards.

INSURANCE

We maintain property damage, business interruption, and crime insurance. The fidelity coverage is under our crime insurance policy.

The electronic gaming machines in NagaWorld are owned by independent third parties and there is public liability coverage in respect of the operation of the machines in NagaWorld.

We have not made any material insurance claims since January 1, 2015.

See also “Risk Factors — Risks relating to our business — *Our insurance coverage may not be adequate to cover all potential losses that it could suffer, and our insurance costs could increase.*”

EMPLOYEES

As of December 31, 2017, we employed 8,618 employees (compared to 6,153 as of December 31, 2016), in Cambodia, China, Hong Kong, Macau, Malaysia, Singapore, Thailand, the United Kingdom, the United States and Vietnam with over 8,000 residing in Cambodia.

The following table provides a breakdown of our employees (by function) as of the dates indicated:

	As of December 31,		
	2015	2016	2017
Gaming			
Dealers	1,384	1,549	1,935
Supervisors	602	725	817
Marketing	121	97	158
Others (Supporting operations)	1,709	1,672	2,376
Total (Gaming)	<u>3,816</u>	<u>4,043</u>	<u>5,286</u>
Non-Gaming			
Naga1 Hotel	706	823	841
Naga2 Hotel	0	0	539
Restaurants and Bars	1,182	1,240	1,910
Others (Non-gaming)	48	47	42
Total (Non-gaming)	<u>1,936</u>	<u>2,110</u>	<u>3,332</u>
Total	<u>5,763</u>	<u>6,153</u>	<u>8,618</u>

We are committed to ensuring equal employment opportunity to all qualified individuals. We enter into written employment agreements with our employees. The agreements typically specify the employee's position, responsibilities, remuneration and grounds of termination consistent with relevant labor laws and regulations. We do not engage any employment agencies and recruit based on relevant work experience, education and language skills. All employees are free to join a trade union, and two unions were active as of December 31, 2017 at NagaWorld. We meet with the unions periodically.

See also "*Risk Factors — Risks relating to NagaWorld — We may face labor disputes or disagreements with our employees, which may lead to a rise in wages.*"

SUPPLIERS

We depend on suppliers to provide us with products and services such as electronic gaming machines, security and surveillance systems, retail goods, gaming equipment and construction and other administrative services.

We prioritize local suppliers whenever possible. In 2017, approximately 87% of our 132 frequent suppliers were Cambodian.

We have adopted policies to ensure that all products and services meet quality standards. We are in compliance with relevant laws and regulations relating to health and safety, advertising, labelling and privacy matters relating to products and services provided.

LEGAL PROCEEDINGS

We have not been party to any material legal or administrative proceedings.

PROPERTIES

As of December 31, 2017, we held leasehold rights in respect of the properties listed below:

<u>Location / Address</u>	<u>Square Meters</u>	<u>Existing use</u>	<u>Description, Tenure and Renewal</u>
Naga1 Building located at the south of Samdech Hun Sen Park and the east of the Ministry of Cult and Religion Land, Phnom Penh, Cambodia	113,307	Integrated hotel and casino	Expiring on July 31, 2095
Naga2 Building located at Lot 1, Village 1, Sangkat Tonle Basaac, Khan Chamkamon, Phnom Penh, Cambodia	108,764	Integrated hotel and casino	Expiring on December 14, 2110
NagaCity Walk Underground walkway located at the south sidewalk against the fence of the Buddhist Institute and Naga1	9,832	Underground walkway and shopping center	50 years commencing from June 11, 2012.
Office Unit no. 2806 on 28th Floor, Central Plaza, No. 18 Harbour Road, Wanchai, Hong Kong	462.17	Office	Expiring on December 14, 2018

See also “*Risk Factors — Risks relating to our business — We may be deprived of our rights in respect of the parcels of land on which NagaWorld is constructed.*”

COMPETITION

Although the Casino License assures us the exclusive right to operate casinos within the Designated Area, our business is subject to several competitive factors.

Casinos are popular in border towns, such as Poipet and Bavet, as well as in tourist areas, such as Koh Kong and Sihanoukville which primarily cater to foreign nationals. In addition to competition from other casinos in Cambodia, we also face intense competition from casinos in the Asia-Pacific region. With respect to VIP gaming, competitive factors include relationships with gaming promoters, the existing base of VIP players, the number of VIP rooms and VIP gaming tables, the interior decoration and facilities of VIP gaming areas, knowledge of the preferences of VIP players, revenue-based incentive plans and commission offered to gaming promoters, the services and amenities provided, and the overall VIP gaming experience. In addition, unlike NagaWorld, certain other casinos in the Asia-Pacific region offer VIP players with credit facilities for high-stakes gaming.

With respect to mass market gaming, competitive factors include ambience, location, variety and diversity of games, promotions and other services, attractions and amenities. In particular, we face competition from casinos located in other areas of Asia, such as Genting Highlands, a major gaming and resort destination located outside of Kuala Lumpur, casinos in Macau, and casinos in the Philippines, Singapore and Vietnam, some of which are located nearby on the border of Cambodia. We also face competition from other major gaming centers in the region, including Australia, as well as from cruise ships in Asia (many based in Hong Kong) that offer gaming. See “*Risk Factors — Risks relating to the gaming and tourism industries in Cambodia — The gaming industry is highly competitive.*”

Particularly since we will not have the benefit of an exclusive license arrangement, we expect to face competition from other casinos, including some backed by international casino operations, when Naga Vladivostok begins operations.

See also “*Industry Overview.*”

MANAGEMENT

Our Board consists of seven Directors, three of whom are independent non-executive Directors:

Name	Age ⁽¹⁾	Position
Timothy Patrick McNally	70	Chairman
Tan Sri Dr Chen Lip Keong	70	Founder, Controlling Shareholder and Chief Executive Officer
Philip Lee Wai Tuck	55	Executive Director and Executive Deputy Chairman
Chen Yiy Fon	36	Executive Director
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir	78	Independent Non-executive Director
Lim Mun Kee	51	Independent Non-executive Director
Michael Lai Kai Jin	48	Independent Non-executive Director

Note:

(1) As of December 31, 2017

Non-executive Director

Timothy Patrick McNally

Timothy Patrick McNally joined the Company in February 2005 as chairman of the Board. He also serves as chairman of the AML Oversight Committee of the Company. From April 1999 until October 2005, Mr. McNally was the executive director of Security and Corporate Legal Services for the Hong Kong Jockey Club. He was a member of the Executive Board of Management responsible for corporate governance issues. Mr. McNally is currently an international security consultant and is the chairman of B2G Global Strategies headquartered in California. Mr. McNally was a Special Agent of the Federal Bureau of Investigation (“**FBI**”) for almost 25 years. His career focused on the investigation and prosecution of serious crimes including organized crime, drug trafficking, public corruption and fraud matters. During his career with the FBI, Mr. McNally was assigned for two years as a legislative counsel by the FBI to handle issues arising with the U.S. Congress. Mr. McNally held several senior positions within the FBI and was the head of the FBI’s Los Angeles Office at the time of his departure. During the period 1993 through 1999, he was cited on numerous occasions for exceptional leadership and meritorious performance by the director of the FBI, Attorney General, and President of the United States. Mr. McNally is a member of the Asian Society of Southern California, the National Executive Institute and the Society of Former Special Agents of the FBI. He is a graduate of the University of Wisconsin-Eau Claire, receiving a Bachelor’s degree in Political Science in 1969. He received a Juris Doctorate (JD) degree from Marquette University Law School in 1973 and was admitted to the State Bar of Wisconsin.

Executive Directors

Tan Sri Dr Chen Lip Keong

Tan Sri Dr Chen Lip Keong (“**TSCLK**”) is an executive director, the founder, controlling shareholder, Chief Executive Officer, and a member of the Remuneration Committee, the Nomination Committee and the AML Oversight Committee of the Company. TSCLK is also a director of NagaJet Management Limited, TanSriChen (Citywalk) Inc., Tan Sri Chen Inc. (T S C I) and TanSriChen Inc., wholly-owned subsidiaries of the Company; the commercial director of Primorsky Entertainment Resorts City LLC,

a wholly-owned subsidiary of the Company, and a director of Fourth Star Finance Corp. which is a substantial shareholder of the Company. Mr. Chen Yiy Fon, executive director of the Company, is the son of TSCLK. TSCLK has many years of entrepreneurial, business and managerial experiences and in Malaysia, is currently the controlling shareholder of Karambunai Corp Bhd (“KCB”), FACB Industries Incorporated Berhad (“FACBI”) and Petaling Tin Berhad, all of which are listed on the Bursa Malaysia Securities Berhad.

Philip Lee Wai Tuck

Philip Lee Wai Tuck is a qualified Certified Public Accountant and our executive deputy chairman. Mr. Lee has experience in various industries before joining the Group in 2009. He has previously worked in or held directorships in various companies listed on the Bursa Malaysia Securities Berhad. Mr. Lee took on senior management positions in financial and management functions with wide experience in accounting, finance, treasury and corporate finance. He was named Executive Deputy Chairman in 2018 and was the Chief Financial Officer of the Company. He is a director of several of the Company’s wholly-owned subsidiaries, namely NagaCorp (HK) Limited, NAGAWORLD LIMITED, Naga Sports Limited, Naga Travel Limited, Naga Retail Limited, Naga Entertainment Limited, Naga Services Limited, Naga Media Limited, Naga Management Limited, NagaJet Management Limited, NagaWorld (Macau) Limitada, Naga Russia Limited, Naga Russia One Limited, Naga Hotels Russia Limited, Golden Passage Destinations Co. Ltd., NagaWorld Three Limited, Ariston Sdn. Bhd., Neptune Orient Sdn. Bhd., Ariston (Cambodia) Limited and Naga Lease Limited. He also acts as the general director of Primorsky Entertainment Resorts City LLC, a wholly-owned subsidiary of the Company. Mr. Lee is a member of the Malaysian Institute of Certified Public Accountants (MICPA), Malaysian Institute of Accountants (MIA) and CPA Australia.

Chen Yiy Fon

Chen Yiy Fon was appointed as an executive director of the Company on June 1, 2015. He is also a member of the AML Oversight Committee of the Company. Mr. Chen graduated with a Bachelor of Arts Degree in Economics from the University of Southern California, Los Angeles in 2003. In 2003, he interned at Morgan Stanley, Los Angeles, California and in 2004 he interned at Credit Suisse First Boston, Singapore. Mr. Chen was a non-executive director of the Company from May 2009 to February 2011 and is currently a director of several wholly-owned subsidiaries of the Company, and a director of Fourth Star Finance Corp. which is a substantial shareholder of the Company. Mr. Chen is also the chief executive officer and executive director of Karambunai Corp Berhad and Petaling Tin Berhad. He also serves as an executive director of FACB Industries Incorporated Berhad. All these three companies are listed on the Bursa Malaysia Securities Berhad and controlled by Tan Sri Dr Chen Lip Keong, an executive director and controlling shareholder of the Company. He is a son of Tan Sri Dr Chen Lip Keong, the Chief Executive Officer, founder and the controlling shareholder of the Company.

Independent Non-executive Directors

Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir

Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir has been an independent non-executive director of the Company since September 17, 2007. He is also the chairman of the Remuneration Committee and the Nomination Committee of the Company, and a member of the Audit Committee of the Company. Tan Sri Kadir is a Barrister-At-Law of Lincoln’s Inn, London. He was a practicing lawyer at Hisham, Sobri & Kadir and Kadir, Khoo & Aminah and a prominent politician in Malaysia and has served the Federal Government of Malaysia for more than 30 years. His involvement in the Malaysia Federal Government service began in 1970 where he held the position of Political Secretary, Parliamentary Secretary, Deputy Minister and Minister in various ministries. He was holding the position of Minister of Information prior to his resignation from the Cabinet in 2006. Prior to that, he was the Minister of Culture, Arts and Tourism from 1999 to 2004 where he was also the chairman of Malaysia Tourism Promotion Board.

Lim Mun Kee

Lim Mun Kee has been an independent non-executive director of the Company since 17 September 2007. Mr. Lim is the chairman of the Audit Committee, and a member of the Remuneration Committee and the Nomination Committee of the Company. Mr. Lim is a Chartered Accountant registered with the Malaysian Institute of Accountants and also a member of the Malaysian Institute of Certified Public Accountants since year 1997. Mr. Lim started his career with KPMG Peat Marwick, Malaysia in 1989. He has more than 20 years of valuable experiences gained through his working career in various fields including auditing, financial, corporate and management level. Currently, Mr. Lim is also managing his own business in Malaysia. Mr. Lim is also an independent non-executive director of Petaling Tin Berhad, FACB Industries Incorporated Berhad and Karambunai Corp Berhad, all of which are listed on the Bursa Malaysia Securities Berhad and controlled by Tan Sri Dr Chen Lip Keong, an executive director and a controlling shareholder of the Company.

Michael Lai Kai Jin

Michael Lai Kai Jin was a non-executive director of the Company from May 31, 2010 to April 5, 2011 and was redesignated as independent non-executive director of the Company on April 6, 2011. He is also a member of the Audit Committee, the Remuneration Committee, the Nomination Committee and the AML Oversight Committee of the Company. Mr. Lai graduated from the National University of Singapore with a L.L.B (Hons) Degree in 1994 and was called to the Singapore Bar the following year. He was formerly a partner of Messrs. KhattarWong, one of the largest law firms in Singapore with offices in Singapore, Shanghai, Hanoi and Ho Chi Minh. Mr. Lai's practice focused on marine and admiralty law and has handled numerous legal disputes in the area of international trade and transport. Mr. Lai was formerly the chairman of the Advisory Body Legal Matters, FIATA and the Legal Counsel for the Singapore Logistics Association. Mr. Lai is currently the Group General Counsel for Ezra Holdings Limited, an integrated offshore support provider for the oil and gas industry which executes a full spectrum of life of field engineering, construction, marine and production services throughout the world. Mr. Lai is an independent director of Interlink Petroleum Ltd, the securities of which are listed on the Mumbai Stock Exchange. He is also an independent director of Select Group Ltd which has been delisted from the Singapore Stock Exchange on September 6, 2016.

Audit Committee

The Board established an audit committee on March 16, 2005 with written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee include reviewing and supervising our financial reporting process and internal control system and advising our Board on audit matters.

The audit committee has three members, namely Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir, Lim Mun Kee, Michael Lai Kai Jin, all being independent non-executive Directors. Mr. Lim Mun Kee is the chairperson of the audit committee.

Remuneration Committee

The Board established a remuneration committee on March 16, 2005 with written terms of reference. The functions of this committee include formulating and making recommendations to our Board on our policy and structure for all remuneration of our Directors and senior management.

The members of the remuneration committee are Tan Sri Dr Chen Lip Keong, Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir (Chairman), Lim Mun Kee and Michael Lai Kai Jin.

Nomination Committee

The Board's nomination committee was formed on March 16, 2005 with written terms of reference. A primary function of the nomination committee is, among others, to review the structure, size and composition of the Board.

The members of the nomination committee are Tan Sri Dr Chen Lip Keong, Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir (Chairman), Lim Mun Kee and Michael Lai Kai Jin.

AML Oversight Committee

The AML Oversight Committee was formed by the Board on March 16, 2005 to enhance the Group's AML strategy and development program, ensure quality assurance, and perform an oversight function over the AML Sub-Committee's roles and responsibilities.

The members of the AML Oversight Committee are Timothy Patrick McNally (Chairman), Tan Sri Dr Chen Lip Keong, Chen Yiy Fon and Michael Lai Kai Jin.

AML Sub-Committee

On April 1, 2004, we formalized the AML Sub-Committee, known as the AML Co-ordination Unit since October 2003, a management committee comprising senior representatives of key operational areas of the casino, including treasury, surveillance and gaming operations. The AML Sub-Committee's role is to monitor the Group's AML activities on a day-to-day basis, develop additional AML measures at an operational level as necessary and work with the relevant authorities in Cambodia, such as the MOI and the National Bank of Cambodia, on the prevention of money laundering. Some of the Sub-Committee members are trained in AML prevention and are members of the Association of Certified Anti-Money Laundering Specialists ("ACAMS"). ACAMS is a U.S. based association formed on November 7, 2001 to advance the professional knowledge, skills and experience of those dedicated to the detection and prevention of international money laundering, and to promote the development and implementation of sound AML policies and procedures. The AML Sub-Committee reports to the AML Oversight Committee, a committee of the Board.

Compensation

In 2015, 2016 and 2017, the aggregate compensation including bonuses we paid to all Directors for their services to the Company was US\$2.5 million, US\$2.5 million and US\$19.5 million, respectively. In addition, our Directors are entitled to certain benefits such as housing, transportation and utility allowances, healthcare and association membership.

Senior Management

Our business features the following members of senior management.

Mike Ngai, Chief Marketing Officer

With nine years of experience at the Company, Mr. Ngai leads the Company's casino marketing and business development programs. Mr. Ngai previously served as managing director of Business Development (South East Asia). He is a casino industry veteran with diversified experience in accounting, business support, finance and marketing. Prior to joining the Company, he was a financial controller in the infrastructure division of Venetian Macau Hotel Resort Ltd. and was also the Chief Accounting Officer at Nevada Gold & Casinos, Inc., a U.S.-listed gaming company. Mr. Ngai graduated with a Bachelor of Accounting from University of Houston.

Tan Sean Cزون, Chief Financial Officer

Mr. Tan Sean Cزون was appointed as the Chief Financial Officer of the Company with effect from March 15, 2018 to replace Mr Philip Lee Wai Tuck.

Mr. Tan joined the Group in 2013 and previously held the position of Vice President of Business Development. Prior to joining the Group, he worked in the asset management division of Deutsche Bank (Hong Kong). Mr. Tan graduated with a Bachelor of Commerce Degree (Accounting & Finance) from University of Queensland, Australia in 1999. Mr. Tan is a member of Chartered Accountants (Australia & New Zealand) and a CFA charterholder.

Jarrod Kenneth Reyes, Managing Director, Corporate Planning & Strategy Development

Prior to joining the Company in 2017, Mr. Reyes was Senior Vice President, Corporate Planning & Strategy Development with AET Tankers. He is responsible for corporate governance-related issues. Mr. Reyes has extensive experience working with reputable multinational corporations such as Unilever, Genting Malaysia and Carlsberg Brewery. He graduated with a Bachelor of Law (LLB) from the University of London.

Chim Sook Heng, Managing Director, Corporate Services

Prior to joining the Company in 2017, Ms. Chim was Senior Vice President, Human Resources, Corporate Services of Melco Crown Entertainment. Ms. Chim is responsible for implementation of, and compliance with, the Company's AML policies and procedures. Ms. Chim graduated with a Bachelor of Laws (Hons) from Anglia Ruskin University.

Florian Pastiu, Vice President, Casino Operations

Prior to joining the Company, Mr. Pastiu worked at Star Cruises as a Casino Manager. Mr. Pastiu is responsible for overseeing the casino operations to ensure adherence to the operating standards, policies and procedures. Mr. Pastiu is a Certified Money Laundering Specialist (CAMS). He has over 20 years of casino operations experience in Asia, including eight years with us.

Stuart James Bruff, Vice President, Surveillance

Mr. Bruff has over 30 years' experience in the casino industry, of which 25 years being in management. Mr. Bruff joined the Company eight years ago. He has run surveillance and security operations for a number of international companies worldwide including being part of the pre-opening team, project managing surveillance and security setups for 15 casinos worldwide. He is a member of the Board of the International Association of Casino Security and the Asian Casino Surveillance Network.

Adam Michael Steinberg, Advisor to our Founder and Chief Executive Officer, Global Gaming

Mr. Steinberg is an experienced financial and capital markets professional with an MBA from Cornell University, and he is a CFA holder.

Mr. Steinberg brings with him 25 years of financial experience and knowledge in business and equity analysis, investor relations, gaming, lodging and leisure financial research. He founded A.M. Steinberg Advisors New Jersey in 2011 and was also the chief executive officer of the company. He was the senior vice president of Spectrum Gaming Capital New York from 2014 before joining our Company in 2018.

PRINCIPAL SHAREHOLDERS

As of December 31, 2017, the following persons held 5% or more beneficial interests of the Company.

Name of director	Capacity	Number of Shares held	% of Total Issued Shares ⁽¹⁾
Tan Sri Dr Chen Lip Keong	Founder of a discretionary trust ⁽²⁾	951,795,297 (L)	21.93 (L)
Tan Sri Dr Chen Lip Keong	Beneficial owner	1,888,169,166 (L)	43.49 (L)
ChenLa Foundation	Interest of controlled corporation ⁽²⁾	951,795,297 (L)	21.93 (L)
Fourth Star Finance Corp.	Beneficial owner	789,534,854 (L)	18.19 (L)

Notes:

- (1) Based on the Company's issued share capital of 4,341,008,041 Shares as of December 31, 2017.
- (2) Tan Sri Dr Chen Lip Keong is the founder of ChenLa Foundation. ChenLa Foundation indirectly holds, through LIPKCO ENTERPRISES LIMITED and Fourth Star Finance Corp., a total of 951,795,297 Shares. As a founder of ChenLa Foundation, Tan Sri Dr Chen Lip Keong is taken to be interested in the Shares held by ChenLa Foundation.
- (3) The letter "L" denotes the entity's long position in the Shares.

DESCRIPTION OF THE NOTES

You can find the definitions of certain terms used in this description under the subheading “*Certain Definitions*.” In this description, references to the “Issuer” refer only to NagaCorp Ltd. and not to any of its subsidiaries.

The Issuer will issue the Notes under an indenture dated as of the date of consummation of this offering (the “*Indenture*”) among itself, the Guarantors and GLAS Trust Company LLC, as trustee (the “*Trustee*”), in a private transaction that is not subject to the registration requirements of the Securities Act. See “*Transfer Restrictions*.” The Indenture will not be qualified under the U.S. Trust Indenture Act of 1939.

The following description is a summary of the material provisions of the Indenture and the Notes. It does not restate those agreements in their entirety. We urge you to read the Indenture because it, and not this description, defines your rights as holders of the Notes. Copies of the Indenture will be available as set forth below under “—*Additional Information*.” Certain defined terms used in this description but not defined below under “—*Certain Definitions*” have the meanings assigned to them in the Indenture.

The registered holder of a Note will be treated as the owner of such Note for all purposes. Only registered holders will have rights under the Indenture.

Brief Description of the Notes and the Note Guarantees

The Notes

The Notes will be general obligations of the Issuer and will:

- rank equally in right of payment with all existing and future obligations of the Issuer that are not subordinated in right of payment to the Notes;
- rank senior in right of payment to any existing and future obligations of the Issuer that are subordinated in right of payment to the Notes;
- be effectively subordinated in right of payment to any existing and future obligations of the Issuer that are secured by property or assets that do not secure the Notes, to the extent of the value of the property and assets securing such obligations;
- be structurally subordinated to all existing and future obligations of the Issuer’s Subsidiaries that do not guarantee the Notes; and
- be unconditionally guaranteed by the Guarantors.

The Note Guarantees

The Notes will be guaranteed by the Guarantors on the Issue Date. In addition, if required by the covenant described below under “—*Certain Covenants—Additional Guarantees*,” certain other Restricted Subsidiaries may provide a Note Guarantee in the future.

The Note Guarantee of each Guarantor will be a general, joint and several obligation of that Guarantor and will:

- rank equally in right of payment with all existing and future obligations of such Guarantor that are not subordinated in right of payment to such Note Guarantee;

- rank senior in right of payment to any existing and future obligations of such Guarantor that are subordinated in right of payment to such Note Guarantee; and
- be effectively subordinated in right of payment to any existing and future obligations of such Guarantor that are secured by property or assets that do not secure such Note Guarantee, to the extent of the value of the property and assets securing such obligations.

The obligations of each Guarantor under its Note Guarantee will be limited as necessary to prevent that Note Guarantee from constituting a fraudulent conveyance under applicable law. See *“Risk Factors—Risks Relating to the Notes and the Note Guarantees—The Note Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair their enforceability.”*

General

The Issuer’s Subsidiaries holding properties or assets in Russia, namely Naga Russia Limited and its Subsidiaries, will be deemed to be Unrestricted Subsidiaries as of the Issue Date for purposes of the Indenture. These Unrestricted Subsidiaries collectively generated negative EBITDA equal to 0.3% of the Issuer’s consolidated EBITDA for 2017, held 6.1% of the Issuer’s consolidated total assets as of December 31, 2017 and had no outstanding Indebtedness as of December 31, 2017. In addition, under the circumstances described below under the caption *“—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries,”* the Issuer will be permitted to designate certain of its other Subsidiaries as Unrestricted Subsidiaries. Although interactions between the Issuer and the Restricted Subsidiaries, on the one hand, and the Unrestricted Subsidiaries, on the other hand, will be restricted by the covenants set forth in the Indenture, the Unrestricted Subsidiaries will not be restricted by those covenants and will not guarantee the Notes. See *“Risk Factors—Risks Relating to the Notes and the Note Guarantees—Some of our subsidiaries will not be subject to the restrictive provisions in the Indenture governing the Notes, including restrictions on the incurrence of indebtedness.”*

The Notes will be guaranteed on the Issue Date by NagaCorp (HK) Limited, NagaWorld Limited, TanSriChen (Citywalk) Inc. and TanSriChen Inc. No other Restricted Subsidiaries will guarantee the Notes on the Issue Date. Any right of the Issuer or any Guarantor to receive assets of any of their respective Subsidiaries that are not Guarantors upon that Subsidiary’s liquidation or reorganization (and the consequent right of the holders of the Notes to participate in the distribution of those assets) will be effectively subordinated to the claims of that Subsidiary’s creditors. See *“Risk Factors—Risks Relating to the Notes and the Note Guarantees—The Notes and the Note Guarantees will be structurally subordinated to the liabilities of our non-Guarantor subsidiaries.”*

The Issuer and the Guarantors generated 99.2% of the Issuer’s consolidated EBITDA for 2017 and held 89.3% of the Issuer’s consolidated total assets as of December 31, 2017.

Principal, Maturity and Interest

The Issuer will issue US\$300 million in aggregate principal amount of Notes in this offering. The Issuer may issue additional Notes under the Indenture from time to time after this offering (*“Additional Notes”*). Any issuance of Additional Notes is subject to all of the covenants in the Indenture, including the covenant described below under the caption *“—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock.”* The Notes and any Additional Notes subsequently issued under the Indenture (or a supplement thereto) will be treated as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase; *provided* that, if any issuance of Additional Notes is not fungible with the Notes for U.S. federal income tax purposes, such Additional Notes shall have a different CUSIP number than any previously issued Notes but shall otherwise be treated as a single class with all other Notes issued under the Indenture. The Issuer will issue Notes in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. The Notes will mature on May 21, 2021.

Interest on the Notes will accrue at the rate of 9.375% per annum and will be payable semi-annually in arrears on May 21 and November 21, commencing on November 21, 2018. Interest on overdue principal, interest and premium, if any, will accrue at a rate that is 1% higher than the then applicable interest rate on the Notes. The Issuer will make each interest payment to the holders of record on the immediately preceding May 6 and November 6.

Interest on the Notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Additional Amounts

All payments by or on behalf of the Issuer under the Notes and all payments under the Note Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Issuer or any applicable Guarantor is incorporated, organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein) or any jurisdiction from or through which payment is made by or on behalf of the Issuer or any Guarantor (including the jurisdiction of any paying agent) (or any political subdivision or taxing authority thereof or therein) (each, as applicable, a “*Relevant Jurisdiction*”), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In such event, the Issuer or the applicable Guarantor, as the case may be, will make such withholding or deduction, make payment of the amount so withheld or deducted to the appropriate governmental authority and will pay such additional amounts (“*Additional Amounts*”) as will result in receipt of such amounts as would have been received had no such withholding or deduction been required, provided that no Additional Amounts will be payable:

- (1) for or on account of:
 - (a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:
 - (i) the existence of any present or former connection between the holder of the Note or beneficial owner of such Note or Note Guarantee, as the case may be, and the Relevant Jurisdiction including, without limitation, such holder or beneficial owner being or having been a citizen or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein, other than merely by acquisition, holding or disposition of such Note or Note Guarantee or the enforcement of or receipt of payments thereunder or under the Note Guarantee;
 - (ii) the presentation of such Note (where presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, or interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;
 - (iii) the failure of the holder or beneficial owner of such Note or Note Guarantee to comply (to the extent such holder or beneficial owner is legally eligible to do so) with a timely request of the Issuer or any applicable Guarantor addressed to the holder or beneficial owner, as the case may be, to provide information concerning such holder’s or beneficial owner’s nationality, residence, identity or

connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request would have reduced or eliminated any withholding or deduction as to which Additional Amounts would have otherwise been payable to such holder; or

- (iv) the presentation of such Note (where presentation is required) for payment in the Relevant Jurisdiction, unless such withholding or deduction could have been avoided by presentation of such Note in any other Relevant Jurisdiction;
 - (b) any withholding or deduction that is required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), or otherwise pursuant to Section 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing any inter-government approach thereto;
 - (c) any estate, inheritance, gift, sale, transfer, excise or personal property or similar tax, assessment or other governmental charge;
 - (d) any taxes that are payable other than by withholding or deduction from payments of principal of, or premium (if any) or interest on the Note or payments under the Note Guarantees; or
 - (e) any combination of taxes referred to in the preceding clauses (a), (b) and (c); or
- (2) with respect to any payment of the principal of, or premium (if any) or interest on, such Note or any payment under such Note Guarantee to or for the account of a fiduciary, partnership or other fiscally transparent entity or any other person (other than the sole beneficial owner of such payment) to the extent that a beneficiary or settlor with respect to that fiduciary, or a partner or member of that partnership or fiscally transparent entity or a beneficial owner with respect to such other person, as the case may be, who would not have been entitled to such Additional Amounts had such beneficiary, settlor, partner, member or beneficial owner held directly the Note with respect to which such payment was made.

In addition to the foregoing, the Issuer and the Guarantors will pay and indemnify the holder and beneficial owners for any present or future stamp, issue, registration, transfer, court, documentary, excise, property, or other similar Tax levied by any Relevant Jurisdiction (or in the case of enforcement, any jurisdiction) in connection with the execution, delivery, registration or enforcement (in each case, other than on or in connection with a transfer of the Notes that occurs after the initial sale by the initial purchasers) of any of the Notes, the Note Guarantees or any other document or instrument referred to therein, or the receipt of any payments with respect thereto (limited, solely in the case of Taxes attributable to the receipt of any payments with respect thereto, to any such Taxes imposed in a relevant Tax Jurisdiction that are not excluded under immediately preceding clauses (1)(a), 1(b) and (2) or any combination thereof).

If the Issuer or any Guarantor, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes or any Note Guarantee, the Issuer or the relevant Guarantor, as the case may be, will deliver to the trustee on a date at least 30 days prior to the date of payment (unless the obligation to pay Additional Amounts arises after the 30th day prior to that payment date, in which case the Issuer or the relevant Guarantor shall notify the Trustee promptly thereafter) an Officer’s Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Officer’s Certificate must also set forth any other information reasonably necessary to enable the paying agent to pay Additional

Amounts on the relevant payment date. The Trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary. The Issuer or the relevant Guarantor will provide the Trustee with documentation satisfactory to the Trustee evidencing the payment of Additional Amounts.

Whenever there is mentioned in the Indenture or this "Description of the Notes" in any context any payment under any Note or Note Guarantee, such mention will be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The above obligations will survive any termination, defeasance or discharge of the Indenture, any transfer by a holder or beneficial owner of its Notes, and will apply, *mutatis mutandis*, to any jurisdiction in which any successor Person to the Issuer or any Guarantor is then incorporated, organized, resident for tax purposes or engaged in business for tax purposes (or any political subdivision or taxing authority thereof or therein) or any jurisdiction from or through which payment under, or with respect to, the Notes or any Note Guarantee is made by or on behalf of such successor Person (including the jurisdiction of any paying agent) (or any political subdivision or taxing authority thereof or therein).

Methods of Receiving Payments on the Notes

If a holder of Notes has given wire transfer instructions to the Issuer, the Issuer will pay all principal, interest and premium and Additional Amounts, if any, on that holder's Notes in accordance with those instructions and shall so notify the Trustee and each paying agent thereof. All other payments on the Notes will be made at the office or agency of the paying agent and registrar within the City and State of New York unless the Issuer elects to make interest payments by check mailed to holders of the Notes, at their address set forth in the register of holders.

Paying Agent and Registrar for the Notes

The Trustee will initially act as paying agent and registrar. The Issuer may change the paying agent or registrar with prior written notice to the Trustee but without prior notice to the holders of the Notes, and the Issuer or any of its Subsidiaries may act as paying agent or registrar.

Transfer and Exchange

A holder may transfer or exchange Notes in accordance with the Indenture. The registrar and the Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents in connection with a transfer of Notes. Holders will be required to pay all taxes due on transfer. The Issuer will not be required to transfer or exchange any Note selected for redemption. Also, the Issuer will not be required to transfer or exchange any Note for a period of 15 days prior to the mailing of a notice of redemption of Notes to be redeemed.

If and for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the global certificate is exchanged for certificates in definitive form, the Issuer will appoint and maintain a paying agent in Singapore where the Notes may be presented or surrendered for payment or redemption. If a global certificate is exchanged for certificates in definitive form, an announcement of the exchange will be made by or on behalf of the Issuer through the SGX-ST that will include all material information with respect to the delivery of the definitive certificates, including details of the Singapore paying agent, if and for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

Note Guarantees

The Issuer's obligations under the Notes and the Indenture will be guaranteed by (i) NagaCorp (HK) Limited, NagaWorld Limited, TanSriChen (Citywalk) Inc. and TanSriChen Inc. on the Issue Date and (ii) each future Restricted Subsidiary as set forth under "*—Additional Note Guarantees*" (subject to the limitations described therein). The Issuer will use commercially reasonable efforts to obtain such consents as may be required to enable Ariston to become a Guarantor, as described further under "*—Additional Note Guarantees.*"

The Note Guarantees will be joint and several obligations of the Guarantors. The obligations under the Note Guarantee of each Guarantor will rank *pari passu* in right of payment with all existing and future senior Indebtedness of that Guarantor. The obligations of each Guarantor under its Note Guarantee will be limited as necessary to prevent that Note Guarantee from constituting a fraudulent conveyance under applicable law. See "*Risk Factors—Risks Relating to the Notes and the Note Guarantees—The Note Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair their enforceability.*"

The Note Guarantee of a Guarantor will be released:

- (1) in connection with any sale or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger or consolidation) to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary, if the sale or other disposition does not violate the "Asset Sale" provisions of the Indenture;
- (2) in connection with any sale or other disposition of all of the Capital Stock of that Guarantor to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary, if the sale or other disposition does not violate the "Asset Sale" provisions of the Indenture;
- (3) upon the merger or consolidation of any Guarantor with and into the Issuer or a Wholly Owned Guarantor (or a Wholly Owned Restricted Subsidiary that becomes a Guarantor concurrently with the transaction) that is the surviving Person in such merger or consolidation, or upon the liquidation of such Guarantor following the transfer of all or substantially all of its assets to the Issuer or a Wholly Owned Guarantor (or a Wholly Owned Restricted Subsidiary that becomes a Guarantor concurrently with the transaction);
- (4) if the Issuer designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary in accordance with the Indenture;
- (5) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided below under the captions "*—Legal Defeasance and Covenant Defeasance*" and "*—Satisfaction and Discharge*";
- (6) as described under "*—Amendment, Supplement and Waiver,*" or
- (7) upon repayment of the Notes in full.

Optional Redemption

At any time prior to May 21, 2020, the Issuer may on any one or more occasions redeem up to 35% of the aggregate principal amount of Notes issued under the Indenture at a redemption price of 109.375% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date, with the net cash proceeds of one or more Equity Offerings; *provided* that:

- (1) at least 65% of the aggregate principal amount of Notes originally issued under the Indenture (excluding Notes held by the Issuer and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and
- (2) the redemption occurs within 45 days of the date of the closing of such Equity Offering.

Any redemption notice given in respect of the redemption referred to in the preceding paragraph may be given prior to completion of the related Equity Offering, and any such redemption or notice may, at the discretion of the Issuer, be subject to the satisfaction of one or more conditions precedent, including the completion of the related Equity Offering.

At any time prior to May 21, 2020, the Issuer may also redeem all or a part of the Notes, upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each holder's registered address, at a redemption price equal to 100% of the principal amount of Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to the date of redemption (the "*Redemption Date*"), subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date. Any such redemption and notice may, at the discretion of the Issuer, be subject to the satisfaction of one or more conditions precedent.

Except pursuant to the preceding paragraphs and "*—Special Mandatory Redemption for Reorganization Event*," "*—Gaming Redemption*" and "*—Redemption for Taxation Reasons*" below, the Notes will not be redeemable at the Issuer's option prior to May 21, 2020.

On or after May 21, 2020, the Issuer may redeem all or a part of the Notes upon not less than 30 nor more than 60 days' notice, at a redemption price of 104.6875% of the principal amount plus accrued and unpaid interest, if any, on the Notes redeemed, to the applicable redemption date, subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant interest payment date.

Unless the Issuer defaults in the payment of the redemption price or fails to satisfy the conditions precedent to the redemption and thereby terminates the redemption, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

Special Mandatory Redemption for Reorganization Event

Within 30 days following any Reorganization Event, the Issuer will mail a redemption notice to each holder describing the transaction or transactions that constitute the Reorganization Event and stating that the Issuer will redeem all of the Notes then outstanding on the redemption date specified in the notice, which date will be no later than 30 days from the date such notice is mailed, at a redemption price of 104.6875% of the principal amount thereof plus accrued and unpaid interest, if any, to the redemption date, subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant interest payment date.

Notwithstanding any other provision of this "Description of the Notes" or the Indenture, the entry into or consummation of any Reorganization Event (or any step or transaction taken as part of or in connection with, and occurring concurrently or substantially concurrently with (as that term is defined within the definition of "Reorganization Event"), such Reorganization Event) will not be deemed to

be a breach of or default under any covenant or obligation contained or described in this “Description of the Notes” or the Indenture (including those set forth under “—*Certain Covenants*”), an Asset Sale, a Change of Control, a Default or an Event of Default, *provided* that the Issuer complies with this covenant.

The agreements governing other Indebtedness of the Issuer and its Subsidiaries may contain prohibitions of certain events, including events that would constitute a Reorganization Event and including redemptions of the Notes. The redemption of the Notes following a Reorganization Event may cause a default under these other agreements, even if the Reorganization Event itself does not, due to the financial effect of such redemption on the Issuer. If a Reorganization Event occurs at a time when the Issuer is prohibited from redeeming the Notes, the Issuer could seek the consent of its lenders to the redemption of the Notes or could attempt to refinance the borrowings that contain such prohibition. If the Issuer does not obtain a consent or repay those borrowings, the Issuer will remain prohibited from redeeming the Notes. In that case, the Issuer’s failure to redeem the Notes would constitute an Event of Default which could, in turn, constitute a default under the other indebtedness. Finally, the Issuer’s ability to pay cash to the holders of Notes upon a redemption may be limited by the Issuer’s then existing financial resources. See “*Risk Factors—Risks Relating to the Notes and the Note Guarantees—We may not be able to redeem the Notes upon a Reorganization Event.*”

Gaming Redemption

Each holder, by accepting a Note, shall be deemed to have agreed that if the Gaming Authority of any jurisdiction in which the Issuer or any of its Subsidiaries or any Permitted Holder conducts or proposes to conduct gaming requires that a person who is a holder or beneficial owner of Notes be licensed, qualified or found suitable under applicable Gaming Laws, such holder or beneficial owner, as the case may be, shall apply for a license, qualification or a finding of suitability within the required time period. If such Person fails to apply or become licensed or qualified or is found unsuitable, the Issuer shall have the right, at its option:

- (1) to require such Person to dispose of its Notes or beneficial interest therein within 30 days of receipt of notice of the Issuer’s election or such earlier date as may be requested or prescribed by such Gaming Authority; or
- (2) to redeem such Notes, which redemption may be less than 30 days following the notice of redemption if so requested or prescribed by the applicable Gaming Authority, at a redemption price equal to:
 - (a) the lesser of:
 - (i) the person’s cost, plus accrued and unpaid interest, if any, to the earlier of the redemption date or the date of the finding of unsuitability or failure to comply; and
 - (ii) 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the earlier of the redemption date or the date of the finding of unsuitability or failure to comply; or
 - (b) such other amount as may be required by applicable law or order of the applicable Gaming Authority.

The Issuer shall notify the Trustee in writing of any such redemption as soon as practicable. Neither the Issuer nor the Trustee shall be responsible for any costs or expenses any holder or beneficial owner of Notes may incur in connection with its application for a license, qualification or a finding of suitability.

Redemption for Taxation Reasons

The Notes may be redeemed, at the option of the Issuer, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the holders (which notice will be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest and Additional Amounts, if any, to the date fixed by the Issuer for redemption if, as a result of:

- (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or
- (2) any change in, or amendment to, an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment becomes effective on or after the date of the Indenture with respect to any payment due or to become due under the Notes, the Indenture or a Note Guarantee, the Issuer or a Guarantor (but, in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the Issuer or another Guarantor without the obligation to pay Additional Amounts), as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the Issuer or a Guarantor, as the case may be, taking reasonable measures available to it; *provided* that for the avoidance of doubt changing the jurisdiction of the Issuer or a Guarantor is not a reasonable measure for the purposes of this section; *provided, further*, that no such notice of redemption will be given earlier than 90 days prior to the earliest date on which the Issuer or a Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due and unless at the time such notice is given, the obligation to pay Additional Amounts remains in effect.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer or a Guarantor, as the case may be, will deliver to the Trustee:

- (1) an Officer's Certificate certifying that such change or amendment referred to in the prior paragraph has occurred, and describing the facts related thereto and certifying that such requirement cannot be avoided by the Issuer or a Guarantor (but, in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the Issuer or another Guarantor without the obligation to pay Additional Amounts), as the case may be, taking reasonable measures available to it; and
- (2) a legal opinion of counsel or an opinion of a tax consultant of recognized international standing certifying that the requirement to pay such Additional Amounts results from such change or amendment referred to in the prior paragraph, and that all conditions precedent to such redemption have been met.

The Trustee will accept, and shall be fully indemnified in relying upon, such certificate and legal opinion or opinion of tax consultant as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it will be conclusive and binding on the holders.

Any Notes that are redeemed will be cancelled.

No Sinking Fund

The Issuer will not be required to make any sinking fund payments with respect to the Notes.

Open Market Purchases

The Issuer may at any time and from time to time purchase Notes in the open market or otherwise. Any Notes, while held by the Issuer or any of its Affiliates, will not entitle the holder to vote the Notes and shall not be deemed outstanding for purposes of waivers and consents or other actions by holders of the Notes. Any Notes repurchased must be cancelled.

Repurchase at the Option of Holders

Change of Control

Upon the occurrence of a Change of Control, each holder of Notes will have the right to require the Issuer to repurchase all or any part of such holder's Notes pursuant to a Change of Control Offer (as defined below) on the terms set forth in the Indenture. In the Change of Control Offer, the Issuer will offer to purchase the Notes at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Within ten days following any Change of Control, the Issuer will mail a notice to each holder describing the transaction or transactions that constitute the Change of Control and offering to repurchase Notes on the Change of Control Payment Date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed, pursuant to the procedures required by the Indenture and described in such notice.

The Issuer will comply with the applicable requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations in connection with the repurchase of Notes pursuant to the Change of Control provisions of the Indenture. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of such compliance.

On the Change of Control Payment Date, the Issuer will, to the extent lawful:

- (1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;
- (2) deposit with the paying agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and
- (3) deliver or cause to be delivered to the Trustee the Notes properly accepted together with an Officer's Certificate certifying the aggregate principal amount of Notes or portions of Notes being purchased by the Issuer, certifying that all conditions precedent to such repurchase have been met.

The paying agent will mail to each holder of Notes properly tendered the Change of Control Payment for such Notes as soon as practicable, and the Trustee will authenticate and mail as soon as practicable (or cause to be transferred by book entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any. The Issuer will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The provisions described above that require the Issuer to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the holders of the Notes to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer, or (2) notice of redemption has been given pursuant to the Indenture as described above under the caption “—*Optional Redemption*,” unless and until there is a default in payment of the applicable redemption price.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of “all or substantially all” of the properties or assets of the Issuer and its Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require the Issuer to repurchase its Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Issuer and its Subsidiaries taken as a whole to another Person or group may be uncertain.

Asset Sales

The Issuer will not, and will not permit any Restricted Subsidiary to, consummate an Asset Sale unless:

- (1) the Issuer (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets or Equity Interests issued or sold or otherwise disposed of; and
- (2) at least 75% of the consideration received in the Asset Sale by the Issuer or such Restricted Subsidiary is in the form of cash. For purposes of making this calculation under this clause (2), each of the following will be deemed to be cash:
 - (a) any liabilities, as shown on the Issuer’s most recent consolidated balance sheet, of the Issuer or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Note Guarantee) that are assumed by the transferee of any such assets pursuant to a customary novation agreement that releases the Issuer or such Restricted Subsidiary from further liability;
 - (b) any securities, notes or other obligations received by the Issuer or any such Restricted Subsidiary from such transferee that are converted by the Issuer or such Restricted Subsidiary into cash or Cash Equivalents within 90 days following the closing of such Asset Sale, to the extent of the cash or Cash Equivalents received in that conversion; and
 - (c) any Capital Stock or assets of the kind referred to in clauses (2) or (4) of the next paragraph of this covenant.

The preceding paragraph will not apply to any Event of Loss.

Within 360 days after the receipt of any Net Proceeds from an Asset Sale, the Issuer (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Proceeds:

- (1) to repay (a) Indebtedness, other than Subordinated Indebtedness, of the Issuer or a Guarantor, (b) Indebtedness of the Issuer or a Guarantor secured by the asset that is the subject of such Asset Sale or (c) Indebtedness of a Restricted Subsidiary that is not a Guarantor, and in each case if the Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto;
- (2) to acquire all or substantially all of the assets of, or any Capital Stock of, a Person undertaking a Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Person is or becomes a Restricted Subsidiary (*provided* that (a) such acquisition funded with any proceeds from an Event of Loss occurs within the date that is 545 days after receipt of the Net Proceeds from the relevant Event of Loss to the extent that a binding agreement to acquire such assets or Capital Stock is entered into on or prior to the date that is 360 days after receipt of the Net Proceeds from the relevant Event of Loss, and (b) if such acquisition is not consummated within the period set forth in clause (a), the Net Proceeds not so applied will be deemed to be Excess Proceeds);
- (3) to make a capital expenditure (*provided* that (a) such capital expenditure funded with any proceeds from an Event of Loss occurs within the date that is 545 days after receipt of the Net Proceeds from the relevant Event of Loss to the extent that filings with the relevant Gaming Authorities have been made within 360 days of such Event of Loss, and (b) if such capital expenditure is not commenced in the time period set forth in clause (a), the Net Proceeds not so applied will be deemed to be Excess Proceeds); or
- (4) to acquire other assets that are not classified as current assets under GAAP or that replace the properties or assets that were the subject of such Asset Sale and that are used or useful in a Permitted Business (*provided* that (a) such acquisition funded from an Event of Loss occurs within the date that is 545 days after receipt of the Net Proceeds from the relevant Event of Loss to the extent that a binding agreement to acquire such assets is entered into on or prior to the date that is 360 days after receipt of the Net Proceeds from the relevant Event of Loss, and (b) if such acquisition is not consummated within the period set forth in clause (a), the Net Proceeds not so applied will be deemed to be Excess Proceeds).

Pending the final application of any Net Proceeds, the Issuer may temporarily reduce revolving credit borrowings or invest the Net Proceeds in any manner that is not prohibited by the Indenture.

Any Net Proceeds from Asset Sales that are not applied or invested as provided in the second paragraph of this covenant will constitute "*Excess Proceeds*." No later than five days after the aggregate amount of Excess Proceeds exceeds US\$5.0 million, the Issuer will make an Asset Sale Offer to all holders of Notes and all holders of other Indebtedness that is *pari passu* with the Notes containing provisions similar to those set forth in the Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets to purchase the maximum principal amount of Notes and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of the principal amount plus accrued and unpaid interest, if any, to the date of purchase, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Issuer may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and other *pari passu* Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Notes and such other *pari passu* Indebtedness will be purchased on a pro rata basis based on the principal amount of the Notes and such other *pari passu* Indebtedness tendered. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

The Issuer will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations, in each case to the extent those laws and regulations are applicable in connection with the repurchase of Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the Indenture, the Issuer will comply with applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue thereof.

The agreements governing other Indebtedness of the Issuer and its Subsidiaries may contain prohibitions of certain events, including events that would constitute a Change of Control or an Asset Sale and including repurchases of or other prepayments in respect of the Notes. The exercise by the holders of Notes of their right to require the Issuer to repurchase the Notes upon a Change of Control or an Asset Sale may cause a default under these other agreements, even if the Change of Control or Asset Sale itself does not, due to the financial effect of such repurchases on the Issuer. If a Change of Control or Asset Sale occurs at a time when the Issuer is prohibited from purchasing Notes, the Issuer could seek the consent of its lenders to the purchase of Notes or could attempt to refinance the borrowings that contain such prohibition. If the Issuer does not obtain a consent or repay those borrowings, the Issuer will remain prohibited from purchasing Notes. In that case, the Issuer's failure to purchase tendered Notes would constitute an Event of Default which could, in turn, constitute a default under the other indebtedness. Finally, the Issuer's ability to pay cash to the holders of Notes upon a repurchase may be limited by the Issuer's then existing financial resources. See "*Risk Factors—Risks Relating to the Notes and the Note Guarantees—We may not be able to repurchase the Notes upon a change of control.*"

Selection and Notice

If less than all of the Notes are to be redeemed at any time, the Trustee, in accordance with the procedures of the depository, will select Notes for redemption on a pro rata basis unless otherwise required by law or applicable clearing system or stock exchange requirements. No Notes of US\$200,000 or less can be redeemed in part.

Notices of redemption will be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of that Note that is to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the holder of Notes upon cancellation of the original Note; *provided* that the unredeemed portion has a minimum denomination of US\$200,000. Notes called for redemption become due on the date fixed for redemption. Unless the Issuer defaults in the payment of the redemption price or fails to satisfy the conditions precedent to the redemption and thereby terminates the redemption, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

Certain Covenants

Restricted Payments

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly:

- (1) declare or pay any dividend or make any other payment or distribution on account of the Issuer's or any Restricted Subsidiary's Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Issuer or any

Restricted Subsidiary) or to the direct or indirect holders of the Issuer's or any Restricted Subsidiary's Equity Interests in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Issuer and other than dividends or distributions payable to the Issuer or a Restricted Subsidiary);

- (2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Issuer) any Equity Interests of the Issuer or any direct or indirect parent of the Issuer;
- (3) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Subordinated Indebtedness of the Issuer or any Guarantor (excluding any intercompany Indebtedness between or among the Issuer and/or any of the Restricted Subsidiaries), except a payment of interest or principal at the Stated Maturity thereof; or
- (4) make any Restricted Investment

(all such payments and other actions set forth in these clauses (1) through (4) above being collectively referred to as "*Restricted Payments*"), unless, at the time of and after giving effect to such Restricted Payment:

- (1) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;
- (2) the Issuer would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable two semi-annual period, have been permitted to incur at least US\$1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described below under the caption "*—Incurrence of Indebtedness and Issuance of Preferred Stock*"; and
- (3) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Issuer and the Restricted Subsidiaries since the date of the Indenture (excluding Restricted Payments permitted by clauses (2), (3), (4), (6), (7), (8) and (11) of the next succeeding paragraph), is less than the sum, without duplication, of:
 - (a) 75% of the Consolidated Cash Flow of the Issuer less 2.25 times Fixed Charges for the period (taken as one accounting period) from January 1, 2018 to the end of the Issuer's most recently ended semi-annual period for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Cash Flow for such period is a deficit, less 100% of such deficit); *plus*
 - (b) 100% of the aggregate net cash proceeds received by the Issuer since the date of the Indenture as a contribution to its common equity capital or from the issue or sale of Equity Interests of the Issuer (other than Disqualified Stock) or from the issue or sale of convertible or exchangeable Disqualified Stock or convertible or exchangeable debt securities of the Issuer that have been converted into or exchanged for such Equity Interests (other than Equity Interests (or Disqualified Stock or debt securities) sold to a Subsidiary of the Issuer) or from the exercise by a Person who is not a Subsidiary of the Issuer of any options, warrants or other rights to acquire Capital Stock of the Issuer; *plus*
 - (c) to the extent that any Restricted Investment that was made after the date of the Indenture is (i) reduced as a result of payments of dividends or interest or repayments of loans or advances to the Issuer or a Restricted Subsidiary, (ii) sold for cash or otherwise liquidated or repaid for cash, the lesser of (A) the cash return of capital with respect to such Restricted Investment (less the cost of disposition, if any) and (B) the

initial amount of such Restricted Investment or (iii) is reduced upon the release of a Guarantee granted by the Issuer or a Restricted Subsidiary that constituted a Restricted Investment, to the extent that the initial granting of such Guarantee reduced the restricted payment capacity under this clause (iii); *plus*

- (d) to the extent that any Unrestricted Subsidiary designated as such after the date of the Indenture is redesignated as a Restricted Subsidiary after the date of the Indenture, the lesser of (i) the Fair Market Value of the Issuer's Investment in such Subsidiary as of the date of such redesignation or (ii) such Fair Market Value as of the date on which such Subsidiary was originally designated as an Unrestricted Subsidiary after the date of the Indenture; *plus*
- (e) 100% of any dividends received by the Issuer or a Restricted Subsidiary after the date of the Indenture from an Unrestricted Subsidiary, to the extent that such dividends were not otherwise included in the Consolidated Cash Flow of the Issuer for such period; *plus*
- (f) 100% of the aggregate amount of net cash proceeds received by the Issuer or a Restricted Subsidiary from the sale of any Capital Stock of any Unrestricted Subsidiary.

The preceding provisions will not prohibit:

- (1) the payment of any dividend or the consummation of any irrevocable redemption within 60 days after the date of declaration of the dividend or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of the Indenture;
- (2) the making of any Restricted Payment in exchange for, or out of the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary of the Issuer) of, Equity Interests of the Issuer (other than Disqualified Stock) or from the substantially concurrent contribution of common equity capital to the Issuer; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded from clause (3)(b) of the preceding paragraph;
- (3) the repurchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Issuer or any Guarantor with the net cash proceeds from a substantially concurrent incurrence of Permitted Refinancing Indebtedness;
- (4) the payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary to the holders of its Equity Interests on a pro rata basis or a basis more favorable to the Issuer;
- (5) the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Issuer or any Restricted Subsidiary held by any current or former officer, director or employee of the Issuer or any Restricted Subsidiary or acquired at fair market value in broker's transactions pursuant to any equity subscription agreement, stock option agreement, shareholders' agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed US\$2.0 million in any twelve-month period;

- (6) the repurchase of Equity Interests deemed to occur upon the exercise of stock options to the extent such Equity Interests represent a portion of the exercise price of those stock options;
- (7) the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Issuer or any Restricted Subsidiary issued on or after the date of the Indenture in accordance with the Fixed Charge Coverage Ratio test described below under the caption “—*Incurrence of Indebtedness and Issuance of Preferred Stock*”;
- (8) cash payments in lieu of the issuance of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Issuer or any Restricted Subsidiary;
- (9) so long as no Default has occurred and is continuing or would be caused thereby, any other Restricted Payments in an aggregate amount, when taken together with all other Restricted Payments made pursuant to this clause (9), not to exceed US\$25.0 million;
- (10) any Restricted Payment to the extent required to be made by any Gaming Authority having jurisdiction over the Issuer or any of the Restricted Subsidiaries; and
- (11) the declaration and payment of the dividend in an aggregate amount not to exceed US\$62,945,000 as recommended by the Issuer’s Board of Directors in March 2018 for the year ended December 31, 2017, which is expected to be paid on or about May 17, 2018.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The Fair Market Value of any assets or securities that are required to be valued by this covenant will be determined by the Board of Directors of the Issuer whose resolution with respect thereto will be delivered to the Trustee. The Board of Directors’ determination must be based upon an opinion or appraisal issued by an accounting, appraisal or investment banking firm of international standing if the Fair Market Value exceeds US\$30.0 million.

Incurrence of Indebtedness and Issuance of Preferred Stock

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, “*incur*”) any Indebtedness (including Acquired Debt), and the Issuer will not issue any Disqualified Stock and will not permit any Restricted Subsidiary to issue any shares of preferred stock; *provided, however*, that the Issuer may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock, any Guarantor may incur Indebtedness (including Acquired Debt) or issue preferred stock and any Non-Guarantor Subsidiary may incur Permitted Subsidiary Indebtedness (including Acquired Debt), in each case if the Fixed Charge Coverage Ratio for the Issuer’s most recently ended two semi-annual periods for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or such preferred stock is issued, as the case may be, would have been at least 2.25 to 1, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Stock or the preferred stock had been issued, as the case may be, at the beginning of such two semi-annual period.

The first paragraph of this covenant will not prohibit the incurrence of any of the following Indebtedness (collectively, “*Permitted Debt*”):

- (1) *[intentionally left blank]*
- (2) the incurrence by the Issuer and the Restricted Subsidiaries of Existing Indebtedness (other than Indebtedness described in clause (3) of this paragraph);
- (3) the incurrence by the Issuer and the Guarantors of Indebtedness represented by the Notes and the related Note Guarantees to be issued on the date of the Indenture;
- (4) the incurrence by the Issuer or any Restricted Subsidiary of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case, incurred for the purpose of financing all or any part of the purchase price or cost of design, construction, installation or improvement of property, plant or equipment used in a Permitted Business of the Issuer or any Restricted Subsidiary, in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (4), not to exceed the greater of US\$50.0 million and 2.0% of Total Assets at any time outstanding;
- (5) the incurrence by the Issuer or any Restricted Subsidiary of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Indebtedness (other than intercompany Indebtedness) that was permitted by the Indenture to be incurred under the first paragraph of this covenant or clauses (2), (3), (5) or (15) of this paragraph;
- (6) the incurrence by the Issuer or any Restricted Subsidiary of intercompany Indebtedness between or among the Issuer and/or any Restricted Subsidiaries; *provided* that:
 - (a) if the Issuer or any Guarantor is the obligor on such Indebtedness and the payee is not the Issuer or a Guarantor, such Indebtedness must be expressly subordinated to the prior payment in full in cash of all Obligations then due with respect to the Notes, in the case of the Issuer, or the applicable Note Guarantee, in the case of a Guarantor; and
 - (b) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Issuer or a Restricted Subsidiary and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Issuer or a Restricted Subsidiary, will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Issuer or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);
- (7) the issuance by any Restricted Subsidiary to the Issuer or to any other Restricted Subsidiary of shares of preferred stock; *provided, however*, that:
 - (a) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than the Issuer or a Restricted Subsidiary; and
 - (b) any sale or other transfer of any such preferred stock to a Person that is not either the Issuer or a Restricted Subsidiary,will be deemed, in each case, to constitute an issuance of such preferred stock by such Restricted Subsidiary that was not permitted by this clause (7);

- (8) the incurrence by the Issuer or any Restricted Subsidiary of Hedging Obligations in the ordinary course of business and not for speculative purposes;
- (9) the guarantee by the Issuer or any Guarantors of Indebtedness of the Issuer or a Guarantor that was permitted to be incurred by another provision of this covenant; *provided* that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes, then the guarantee shall be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness guaranteed;
- (10) the incurrence by the Issuer or any Restricted Subsidiary of Indebtedness in respect of workers' compensation claims, self-insurance obligations, bankers' acceptances, performance and surety bonds in the ordinary course of business;
- (11) the incurrence by the Issuer or any Restricted Subsidiary of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is extinguished within five business days of its incurrence;
- (12) the incurrence by the Issuer or any Restricted Subsidiary of Indebtedness with a maturity of one year or less used by the Issuer or any Restricted Subsidiary for working capital in an aggregate principal amount at any time outstanding not to exceed 2.0% of Total Assets;
- (13) the incurrence by the Issuer or any Restricted Subsidiary of additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (13), not to exceed US\$50.0 million;
- (14) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from guarantees or letters of credit, surety bonds, or performance bonds securing any obligation of the Issuer or any Restricted Subsidiary pursuant to such agreements, in each case incurred or assumed in connection with the acquisition or disposition of any business, assets or Capital Stock of a Restricted Subsidiary, other than guarantees of Indebtedness incurred by any Person acquiring all or any portion of such business, assets or Capital Stock for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received in connection with such disposition; and
- (15) Indebtedness of any Person incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Restricted Subsidiary (other than Indebtedness incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (ii) otherwise in connection with or contemplation of such acquisition); *provided*, however, that at the time of such acquisition or other transaction, the Issuer would have been able to incur US\$1.00 of additional Indebtedness pursuant to the first paragraph of this covenant after giving pro forma effect to the relevant acquisition or other transaction and the incurrence of such Indebtedness pursuant to this clause (15).

The Issuer will not incur, and will not permit any Guarantor to incur, any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer or such Guarantor unless such Indebtedness is also contractually subordinated in right of

payment to the Notes and the applicable Note Guarantee on substantially identical terms; *provided, however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer solely by virtue of being unsecured or by virtue of being secured on a first or junior Lien basis.

For purposes of determining compliance with this “Incurrence of Indebtedness and Issuance of Preferred Stock” covenant, if an item of proposed Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (2) through (15) above, or is entitled to be incurred pursuant to the first paragraph of this covenant, the Issuer will be permitted to classify such item of Indebtedness on the date of its incurrence, or later reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant.

The accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, the reclassification of preferred stock as Indebtedness due to a change in accounting principles, and the payment of dividends on Disqualified Stock in the form of additional shares of the same class of Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of Disqualified Stock for purposes of this covenant; *provided*, in each such case, that the amount of any such accrual, accretion or payment is included in Fixed Charges of the Issuer as accrued. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or any Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

The amount of any Indebtedness outstanding as of any date will be:

- (1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;
- (2) the principal amount of the Indebtedness, in the case of any other Indebtedness; and
- (3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:
 - (a) the Fair Market Value of such assets at the date of determination; and
 - (b) the amount of the Indebtedness of the other Person.

Liens

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume or permit to exist any Lien of any kind on any asset now owned or hereafter acquired, except Permitted Liens, or, if such Lien is not a Permitted Lien, unless the Notes and the Note Guarantees are equally and ratably secured with the obligations so secured until such time as such obligations are no longer secured by a Lien.

Limitation on Sale and Leaseback Transactions

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into any Sale and Leaseback Transaction; *provided* that the Issuer or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

- (1) the Issuer or such Restricted Subsidiary, as the case may be, could have (a) incurred Indebtedness in an amount equal to the Attributable Debt relating to such Sale and Leaseback Transaction under the covenant described under the caption “—*Incurrence of*

Indebtedness and Issuance of Preferred Stock” and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption “—*Liens*,” in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;

- (2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and
- (3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Issuer or such Restricted Subsidiary, as the case may be, applies the proceeds of such transaction in compliance with, the covenant described under the caption “—*Repurchase at the Option of Holders—Asset Sales*.”

Dividend and Other Payment Restrictions Affecting Subsidiaries

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

- (1) pay dividends or make any other distributions on its Capital Stock to the Issuer or any Restricted Subsidiary, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Issuer or any Restricted Subsidiary;
- (2) make loans or advances to the Issuer or any Restricted Subsidiary; or
- (3) sell, lease or transfer any of its properties or assets to the Issuer or any Restricted Subsidiary.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

- (1) agreements governing Indebtedness or any other agreements as in effect on the date of the Indenture and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other restrictions than those contained in those agreements on the date of the Indenture;
- (2) the Indenture, the Notes and the Note Guarantees;
- (3) applicable law, rule, regulation or order, or governmental license, permit or concession;
- (4) any agreement or instrument governing Indebtedness or Capital Stock of a Person or assets acquired by the Issuer or any Restricted Subsidiary as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired (and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements or instruments; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or

refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other restrictions than those contained in those agreements or instruments at the time of such acquisition); *provided, further*, that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the Indenture to be incurred;

- (5) customary non-assignment provisions in contracts and licenses entered into in the ordinary course of business;
- (6) purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clause (3) of the preceding paragraph;
- (7) any agreement for the sale or other disposition of Equity Interests or property or assets of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending the sale or other disposition;
- (8) Permitted Refinancing Indebtedness; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;
- (9) Liens permitted to be incurred under the provisions of the covenant described above under the caption “—*Liens*” that limit the right of the debtor to dispose of the assets subject to such Liens;
- (10) provisions limiting dividends or the disposition or distribution of assets or property or Equity Interests in joint venture or operating agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements, merger agreements and other similar agreements entered into with the approval of the Issuer’s Board of Directors, which limitation is applicable only to the assets, property or Equity Interests that are the subject of such agreements;
- (11) restrictions on cash or other deposits or net worth imposed by customers or suppliers under contracts entered into in the ordinary course of business; and
- (12) any agreement or instrument with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Subsidiary or its subsidiaries or the property or assets of such Subsidiary or its subsidiaries, and any extensions, refinancing, renewals, supplements or amendments or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal, supplement, amendment or replacement, taken as a whole, are no more restrictive in any material respect than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed, supplemented, amended or replaced.

Merger, Consolidation or Sale of Assets

The Issuer will not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not the Issuer survives); or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Issuer and the Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

- (1) either: (a) the Issuer is the surviving Person; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Issuer) or to which such sale, assignment, transfer, conveyance or other disposition has been made is an entity organized and existing under the laws of the British Virgin Islands, the Cayman Islands, Cambodia, Hong Kong, Malaysia, the United States, any state of the United States or the District of Columbia;
- (2) the Person formed by or surviving any such consolidation or merger (if other than the Issuer) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made assumes all the obligations of the Issuer under the Notes and the Indenture pursuant to agreements satisfactory to the Trustee;
- (3) immediately after such transaction, no Default or Event of Default exists;
- (4) the Issuer or the Person formed by or surviving any such consolidation or merger (if other than the Issuer), or to which such sale, assignment, transfer, conveyance or other disposition has been made, would, on the date of such transaction after giving pro forma effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable two semi-annual period, be permitted to incur at least US\$1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption “—*Incurrence of Indebtedness and Issuance of Preferred Stock*”;
- (5) the Consolidated Net Worth is at least the same as the Consolidated Net Worth before such merger, consolidation or sale of assets, on a pro forma basis; and
- (6) the Issuer shall deliver to the Trustee (a) an Officer’s Certificate (attaching the arithmetic computations to demonstrate compliance with clause (4) of this paragraph) and (b) a legal opinion of counsel, in each case stating that such consolidation, merger or transfer and any relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with.

In addition, the Issuer will not, directly or indirectly, lease all or substantially all of the properties and assets of it and the Restricted Subsidiaries taken as a whole, in one or more related transactions, to any other Person.

Subject to the provisions in the Indenture governing release of a Guarantor upon the sale or disposition of a Restricted Subsidiary that is a Guarantor, the Issuer will not permit any Guarantor to, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not such Guarantor survives); or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of such Guarantor in one or more related transactions, to another Person, unless:

- (1) either: (a) such Guarantor is the surviving Person; or (b) the Person formed by or surviving any such consolidation or merger (if other than such Guarantor) or to which such sale, assignment, transfer, conveyance or other disposition has been made is a corporation organized or existing under the laws of the British Virgin Islands, Cayman Islands, Malaysia, any member state of the European Union, Singapore, Hong Kong, the United States, any state of the United States or the District of Columbia;
- (2) the Person formed by or surviving any such consolidation or merger (if other than such Guarantor) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made assumes all the obligations of such Guarantor under the Notes, the Indenture and the Note Guarantees pursuant to agreements satisfactory to the Trustee;
- (3) immediately after such transaction, no Default or Event of Default exists; and

- (4) with respect to the consolidation, or merger of, or the sale, assignment, transfer, conveyance or other disposition of all or substantially all of the properties or assets of a Guarantor, the Issuer would, on the date of such transaction after giving pro forma effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable two semi-annual period, be permitted to incur at least US\$1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption “—*Incurrence of Indebtedness and Issuance of Preferred Stock.*”

This “Merger, Consolidation or Sale of Assets” covenant will not apply to:

- (1) a merger of the Issuer or a Guarantor, as the case may be, with an Affiliate solely for the purpose of reincorporating or reorganizing the Issuer or a Guarantor, as the case may be, in another jurisdiction, *provided* such jurisdiction is a jurisdiction listed in clause (1) of the preceding paragraph; or
- (2) any consolidation or merger, or any sale, assignment, transfer, conveyance or other disposition of assets between or among the Issuer and the Guarantors or between or among Guarantors.

Transactions with Affiliates

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, (a) any holder (or any Affiliate of such holder) of 10% or more of any class of Capital Stock of the Issuer or (b) any Affiliate of the Issuer or any Restricted Subsidiary (each, an “*Affiliate Transaction*”), unless:

- (1) the Affiliate Transaction is on terms that are no less favorable to the Issuer or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Restricted Subsidiary with a Person that is not such a holder or Affiliate of the Issuer or such Restricted Subsidiary; and
- (2) the Issuer delivers to the Trustee:
 - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$30.0 million, a resolution of the Board of Directors of the Issuer set forth in an Officer’s Certificate certifying that such Affiliate Transaction complies with this covenant and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors of the Issuer; and
 - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$45.0 million, an opinion as to the fairness to the Issuer or such Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of international standing, or other recognized independent expert of international standing with experience appraising the terms and conditions of the type of transaction or series of related transactions.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

- (1) any employment agreement, service agreement (including with officers and directors), employee benefit plan (including compensation, retirement, disability, severance and other similar plan), officer or director indemnification agreement, stock option or incentive plan or agreement, employee equity subscription agreement or any similar arrangement entered into by the Issuer or any Restricted Subsidiary in the ordinary course of business and payments pursuant thereto;
- (2) transactions between or among the Issuer and/or the Restricted Subsidiaries;
- (3) transactions with a Person (other than an Unrestricted Subsidiary) that is an Affiliate of the Issuer solely because the Issuer owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;
- (4) payment of reasonable and customary fees and reimbursement of expenses (pursuant to indemnity arrangements or otherwise) of officers, directors, employees or consultants of the Issuer or any Restricted Subsidiary;
- (5) any issuance of Equity Interests (other than Disqualified Stock) of the Issuer to any holder of 10% or more of any class of Capital Stock of the Issuer or to Affiliates of the Issuer;
- (6) Restricted Payments that do not violate the provisions of the Indenture described above under the caption “—*Restricted Payments*”;
- (7) transactions contemplated pursuant to agreements or arrangements in effect on the Issue Date and described or disclosed in this Offering Memorandum, or any amendment or modification or replacement thereof that is not materially more disadvantageous to the Issuer or any Restricted Subsidiary than the agreement or arrangement in effect on the Issue Date;
- (8) transactions or arrangements with customers, clients, suppliers or sellers of goods or services in the ordinary course of business and otherwise in compliance with the terms of the Indenture, on terms that are fair to the Issuer or any Restricted Subsidiary, as applicable, or are no less favorable than those that might reasonably have been obtained in a comparable transaction at such time on an arms-length basis from a Person that is not an Affiliate of the Issuer;
- (9) any agreement between any Person and an Affiliate of such Person existing at the time such Person is acquired by or merged into the Issuer or any Restricted Subsidiary; provided that such agreement was not entered into in connection with such acquisition or merger, or any amendment or modification or replacement thereof that is not materially more disadvantageous to such Person, the Issuer or any Restricted Subsidiary than the agreement or arrangement in effect on the date of such acquisition or merger;
- (10) loans or advances to employees in the ordinary course of business not to exceed US\$1.0 million in the aggregate at any time outstanding; and
- (11) the payment of compensation to employees, officers and directors of the Issuer or any Restricted Subsidiary pursuant to an employee stock or share option scheme, so long as such scheme is approved by the Board of Directors in good faith, or if the Issuer or such Restricted Subsidiary is listed on an internationally recognized stock exchange, in compliance with the listing rules of such stock exchange.

Business Activities

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; *provided, however*, that the Issuer or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or a joint venture or another entity that is not a Subsidiary that is engaged in businesses other than Permitted Businesses as long as any Investment therein was not prohibited when made under the covenant described under the caption “—*Restricted Payments*.”

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Issuer will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell, any shares of Capital Stock of a Restricted Subsidiary (including in each case options, warrants or other rights to purchase shares of such Capital Stock) except:

- (1) to the Issuer or a Restricted Subsidiary;
- (2) to the extent such Capital Stock represents director’s qualifying shares or is required by law to be held by a Person other than the Issuer or a Restricted Subsidiary;
- (3) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided* that the Issuer or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the covenant described under the caption “—*Repurchase at the Option of Holders—Asset Sales*”; and
- (4) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer be a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the “*Restricted Payments*” covenant if made on the date of such issuance or sale and provided that the Issuer complies with the covenant described under the caption “—*Repurchase at the Option of Holders—Asset Sales*.”

Additional Note Guarantees

The Issuer will cause Ariston (i) to apply, as soon as practicable, to Bank Negara (the central bank of Malaysia) for consent to guarantee the Notes, (ii) to use commercially reasonable efforts to obtain such consent and any other consent or approval required to enable Ariston to become a Guarantor and (iii) promptly after receiving such consent (if at all), to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which Ariston will become a Guarantor. No assurance can be made that such consent will be obtained or that Ariston will become a Guarantor. The Issuer will use commercially reasonable efforts to cause any other License Holder (to the extent not already a Guarantor), as soon as practicable after such Person becomes a License Holder, to obtain such consents or approvals required to enable such Person to become a Guarantor and to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such License Holder will become a Guarantor. No assurance can be made that such consents or approvals will be obtained or that such Person will become a Guarantor.

The Issuer will cause each future Restricted Subsidiary (other than any Listed Subsidiary), within 30 days after becoming a Restricted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will become a Guarantor. The Issuer will cause each Listed Subsidiary (if any), within 30 days after ceasing to be a Listed Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will become a Guarantor. Notwithstanding the foregoing, the Issuer may elect to have any Restricted Subsidiary (including any Listed Subsidiary that ceases to be a Listed Subsidiary) not become a Guarantor, provided that, after giving effect to the Consolidated

Assets and Consolidated Revenues of such Restricted Subsidiary, the Consolidated Assets and Consolidated Revenues of all Restricted Subsidiaries that are not Guarantors (other than any Listed Subsidiaries) do not account for more than 10.0% of Total Assets or 10.0% of Total Revenues. Restricted Subsidiaries that are not Guarantors are referred to as “*Non-Guarantor Subsidiaries*.”

If, at any time, the Consolidated Assets or Consolidated Revenues of all Non-Guarantor Subsidiaries (excluding any Listed Subsidiaries) exceed 10.0% of Total Assets or 10.0% of Total Revenues, the Issuer must promptly (i) cause one or more such Non-Guarantor Subsidiaries to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Non-Guarantor Subsidiaries will become Guarantors, (ii) designate one or more Non-Guarantor Subsidiaries as Unrestricted Subsidiaries, provided that such designation is permitted under the Indenture, and/or (iii) cause one or more Non-Guarantor Subsidiaries to pay dividends or make distributions on or with respect to their respective Capital Stock pro rata to their respective shareholders or on a basis more favorable to the Issuer, provided that such payment of dividends or distribution is permitted under the Indenture, such that the Consolidated Assets and Consolidated Revenues of all Non-Guarantor Subsidiaries (excluding any Listed Subsidiaries) no longer exceed 10.0% of Total Assets or 10.0% of Total Revenues.

Such execution and delivery of a supplemental indenture, designation as an Unrestricted Subsidiary and/or payment of dividends or distributions, as the case may be, must be made no later than 30 days after the date any consolidated financial statements of the Issuer (which the Issuer shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements) which show that the Consolidated Assets and Consolidated Revenues of all Non-Guarantor Subsidiaries (excluding any Listed Subsidiary) exceed 10.0% of Total Assets or 10.0% of Total Revenues.

Notwithstanding the foregoing, the Issuer will not be obligated to cause any Restricted Subsidiary to Guarantee the Notes to the extent that such Note Guarantee would reasonably be expected to give rise to or result in a violation of applicable law.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors of the Issuer may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Issuer and the Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under the covenant described above under the caption “—*Restricted Payments*” or under one or more clauses of the definition of Permitted Investments, as determined by the Issuer. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary so designated otherwise meets the definition of an Unrestricted Subsidiary. Any designation of a Restricted Subsidiary as an Unrestricted Subsidiary will be evidenced to the Trustee by delivering to the Trustee a certified copy of a resolution of the Board of Directors giving effect to such designation and an Officer’s Certificate certifying that such designation complied with the preceding conditions and was permitted by the covenant described above under the caption “—*Restricted Payments*.”

The Board of Directors of the Issuer may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under the covenant described under the caption “—*Incurrence of Indebtedness and Issuance of Preferred Stock*,” calculated on a pro forma basis as if such designation had occurred at the beginning of the reference period; and (2) no Default or Event of Default would be in existence following such designation.

Payments for Consent

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid and is paid to all holders of the Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

Notwithstanding the foregoing, the Issuer and any Restricted Subsidiary shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes, to exclude holders of the Notes in any jurisdiction where (a) the solicitation of such consent, waiver or amendment, including in connection with an offer to purchase for cash, or (b) the payment of the consideration therefor, would require the Issuer or any Restricted Subsidiary to (i) file a registration statement, prospectus or similar document or subject the Issuer or any Restricted Subsidiary to ongoing periodic reporting or similar requirements under any securities laws (including but not limited to, the United States federal securities laws and the laws of the European Union or its member states), (ii) qualify as a foreign corporation or other entity as a dealer in securities in such jurisdiction if it is not otherwise required to so qualify, (iii) generally consent to service of process in any such jurisdiction or (iv) subject the Issuer or any Restricted Subsidiary to taxation in any such jurisdiction if it is not otherwise so subject, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Issuer in its sole discretion.

Use of Proceeds

The Issuer will use the proceeds from the offering of the Notes as set forth in the Offering Memorandum (or, in the case of Additional Notes, as set forth in the offering memorandum for the offering of such Additional Notes).

Maintenance of Insurance

The Issuer will, and will cause each Restricted Subsidiary to, maintain insurance with reputable and financially sound carriers against such risks and in such amounts as in effect on the Issue Date or as otherwise it reasonably and in good faith determines to be prudent, including, without limitation, property and casualty insurance.

Government Approvals and Licenses; Compliance with Law

The Issuer will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Business; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Issuer and the Restricted Subsidiaries taken as a whole or (b) the ability of the Issuer or any Guarantor to perform its obligations under the Notes, the relevant Note Guarantee or the Indenture.

Maintenance of Ratings

The Issuer will use commercially reasonable best efforts to maintain a rating of the Notes from at least two “nationally recognized statistical rating organizations” (as defined in Section 3(a)(62) of the Exchange Act).

Reports

So long as any of the Notes remain outstanding, the Issuer will file with the Trustee and furnish to the holders upon request, as soon as they are available but in any event not more than 10 days after they are filed with The Stock Exchange of Hong Kong Limited or any other internationally recognized stock exchange on which the Issuer's Common Stock is at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided that*, if at any time the Issuer's Common Stock ceases to be listed for trading on The Stock Exchange of Hong Kong Limited or any other internationally recognized stock exchange, the Issuer will file with the Trustee and furnish to the holders:

- (1) as soon as they are available, but in any event within 90 days after the end of each fiscal year of the Issuer, copies of its consolidated financial statements for such financial year (including a statement of income, balance sheet and cash flow statement), in English and audited by a member firm of an internationally recognized firm of independent accountants together with management's discussion and analysis comparing the financial results of such fiscal year to the prior fiscal year;
- (2) as soon as they are available, but in any event within 60 days after the end of the first semi-annual period of each fiscal year of the Issuer, copies of its consolidated financial statements for such semi-annual period (including a statement of income, balance sheet and cash flow statement) in English and reviewed by a member firm of an internationally recognized firm of independent accountants; and
- (3) promptly after the occurrence of (i) any Material Acquisition or Disposition or material restructuring, (ii) any senior executive officer changes at the Issuer, or change in auditors of the Issuer, or (iii) any other material event not in the ordinary course of business, solely with respect to this sub-clause (iii), that the Issuer announces publicly, a report containing a description of such event and, in the event of the occurrence of any Material Acquisition or Disposition, within 75 days following the occurrence of such Material Acquisition or Disposition, unaudited *pro forma* consolidated income statement information and balance sheet information of the Issuer, in English (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any such Material Acquisition or Disposition.

The Trustee will have no responsibility to determine whether any filings have occurred and the delivery of such reports, information and documents to the Trustee is for informational purposes only. The Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on an Officer's Certificate certifying compliance with such covenants and conditions precedent).

The annual and semi-annual financial statements required by the preceding paragraphs will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, and in the management's discussion and analysis, of the financial condition and results of operations of the Issuer and the Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries.

In addition, the Issuer and the Guarantors agree that, for so long as any Notes remain outstanding, they will furnish to the holders of Notes and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

In addition, so long as any of the Notes remain outstanding, the Issuer will provide to the Trustee (1) within 120 days after the end of each fiscal year of the Issuer, an Officer's Certificate stating the Fixed Charge Coverage Ratio and the Consolidated Cash Flow with respect to the two most recent

semi-annual periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio and the Consolidated Cash Flow, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio and the Consolidated Cash Flow with a certificate from the Issuer's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; and (2) as soon as possible and in any event within 30 days after the Issuer becomes aware or should reasonably become aware of the occurrence of a Default or an Event of Default, an Officer's Certificate setting forth the details of the Default or the Event of Default, and the action which the Issuer proposes to take with respect thereto.

Events of Default and Remedies

Each of the following is an "*Event of Default*":

- (1) default for 30 days in the payment when due of interest on, and Additional Amounts, if any, with respect to, the Notes;
- (2) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Notes;
- (3) failure by the Issuer or any Restricted Subsidiary to comply with its obligations under the provisions described under the captions "*—Special Mandatory Redemption for Reorganization Event,*" "*—Repurchase at the Option of Holders*" or "*—Certain Covenants—Merger, Consolidation or Sale of Assets*";
- (4) failure by the Issuer or any Restricted Subsidiary to comply with any of the other agreements in the Indenture, the Note Guarantees or the Notes (other than a default specified in clauses (1), (2) and (3) of this paragraph), which failure is continuing for 60 days after notice to the Issuer by the Trustee or the holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class;
- (5) default under any agreement, mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any Restricted Subsidiary (or the payment of which is guaranteed by the Issuer or any Restricted Subsidiary), whether such Indebtedness or Guarantee now exists, or is incurred after the date of the Indenture, if that default:
 - (a) is caused by a failure to pay principal of, or interest or premium, if any, on, such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "*Payment Default*"); or
 - (b) results in the acceleration of such Indebtedness prior to its express maturity,

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness or the maturity of which has been so accelerated, aggregates US\$20.0 million or more;

- (6) failure by the Issuer or any Restricted Subsidiary to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of US\$20.0 million, which judgments are not paid, discharged or stayed for a period of 60 days;
- (7) except as permitted by the Indenture or the applicable Note Guarantee, any Note Guarantee is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor, or any Person acting on behalf of any Guarantor, denies or disaffirms its obligations under its Note Guarantee;

- (8) certain events of bankruptcy or insolvency described in the Indenture with respect to the Issuer or any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary; and
- (9) revocation, termination or rescission of the Casino License which is continuing for a period of 60 days.

In the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to the Issuer, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in aggregate principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately.

Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding Notes may direct the Trustee in writing in its exercise of any trust or power. The Trustee may withhold from holders of the Notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal, interest or premium, or Additional Amounts, if any.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any holders of Notes unless such holders have offered (and if requested, provided) to the Trustee indemnity or security satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium, if any, or interest, or Additional Amounts, if any, when due, no holder of a Note may pursue any remedy with respect to the Indenture or the Notes unless:

- (1) such holder has previously given the Trustee written notice that an Event of Default is continuing;
- (2) holders of at least 25% in aggregate principal amount of the then outstanding Notes have requested the Trustee in writing to pursue the remedy;
- (3) such holders have offered the Trustee (and if requested, provided) security or indemnity satisfactory to the Trustee against any loss, liability or expense;
- (4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity; and
- (5) holders of a majority in aggregate principal amount of the then outstanding Notes have not given the Trustee a direction inconsistent with such request within such 60-day period.

The holders of a majority in aggregate principal amount of the then outstanding Notes by written notice to the Trustee may, on behalf of the holders of all of the Notes, rescind an acceleration or waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest, premium, or Additional Amounts, if any, on, or the principal of, the Notes.

The Issuer is required to deliver to the Trustee annually a statement regarding compliance with the Indenture.

The Trustee shall not be deemed to have knowledge of a Default or Event of Default (other than a payment default on a scheduled interest payment date) unless a Responsible Officer of the Trustee receives written notice thereof, stating it is a notice of default and referencing the applicable section of the Indenture.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator or stockholder of the Issuer or any Guarantor, as such, will have any liability for any obligations of the Issuer or the Guarantors under the Notes, the Indenture or the Note Guarantees, or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the U.S. federal securities laws.

Legal Defeasance and Covenant Defeasance

The Issuer may at any time, at the option of its Board of Directors evidenced by a resolution set forth in an Officer's Certificate, elect to have all of its obligations discharged with respect to the outstanding Notes and all obligations of the Guarantors discharged with respect to their Note Guarantees ("*Legal Defeasance*") except for:

- (1) the rights of holders of outstanding Notes to receive payments in respect of the principal of, or interest or premium, and Additional Amounts, if any, on, such Notes when such payments are due from the trust referred to below;
- (2) the Issuer's obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;
- (3) the rights, powers, trusts, duties and immunities of the Trustee, the paying agent and the registrar, and the Issuer's and the Guarantors' obligations in connection therewith; and
- (4) the Legal Defeasance and Covenant Defeasance provisions of the Indenture.

In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer and the Guarantors released with respect to certain covenants (including its obligation to make Change of Control Offers and Asset Sale Offers) that are described in the Indenture ("*Covenant Defeasance*") and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default. If Covenant Defeasance occurs, certain events (not including non-payment, bankruptcy, receivership, rehabilitation and insolvency events) described under "*—Events of Default and Remedies*" will no longer constitute an Event of Default.

In order to exercise either Legal Defeasance or Covenant Defeasance:

- (1) the Issuer must irrevocably deposit with the Trustee, in trust, for the benefit of the holders of the Notes, cash in U.S. dollars, non-callable U.S. Government securities, or a combination of cash in U.S. dollars and non-callable U.S. Government securities, in amounts as will be sufficient, in the opinion of an internationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, or interest and premium, and Additional Amounts, if any, on, the outstanding Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Issuer must specify whether the Notes are being defeased to such stated date for payment or to a particular redemption date;
- (2) in the case of Legal Defeasance, the Issuer must deliver to the Trustee a legal opinion of counsel acceptable to the Trustee confirming that (a) the Issuer has received from, or there has been published by, the Internal Revenue Service a ruling or (b) since the date of the Indenture, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion of counsel will confirm that, the

holders and beneficial owners of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

- (3) in the case of Covenant Defeasance, the Issuer must deliver to the Trustee a legal opinion of counsel acceptable to the Trustee confirming that the holders and beneficial owners of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;
- (4) no Default or Event of Default has occurred and is continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit and any other deposit used to defease or discharge other Indebtedness substantially concurrently with the Notes) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Issuer or any Guarantor is a party or by which the Issuer or any Guarantor is bound (other than any instrument governing or evidencing Indebtedness being defeased or discharged substantially concurrently with the Notes);
- (5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the Indenture and any agreement or instrument governing or evidencing other Indebtedness being defeased or discharged substantially concurrently with the Notes) to which the Issuer or any of its Subsidiaries is a party or by which the Issuer or any of its Subsidiaries is bound;
- (6) the Issuer must deliver to the Trustee an Officer's Certificate certifying that the deposit was not made by the Issuer with the intent of preferring the holders of Notes over the other creditors of the Issuer with the intent of defeating, hindering, delaying or defrauding any creditors of the Issuer or others; and
- (7) the Issuer must deliver to the Trustee an Officer's Certificate and a legal opinion of counsel, each certifying that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Amendment, Supplement and Waiver

Except as provided in the next two succeeding paragraphs, the Indenture, the Notes or the Note Guarantees may be amended or supplemented with the consent of the holders of a majority in aggregate principal amount of the Notes then outstanding (including Additional Notes, if any) voting as a single class (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), and any existing Default or Event of Default or compliance with any provision of the Indenture, the Notes or the Note Guarantees may be waived with the consent of the holders of a majority in aggregate principal amount of the then outstanding Notes (including Additional Notes, if any) voting as a single class (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes).

Without the consent of each holder of Notes affected, an amendment, supplement or waiver may not (with respect to any Notes held by a non-consenting holder):

- (1) reduce the principal amount of Notes whose holders must consent to an amendment, supplement or waiver;

- (2) reduce the principal of, premium, if any, or change the fixed maturity of any Note or alter or waive any provisions with respect to the redemption of the Notes (other than provisions relating to the covenants described above under the caption “—*Repurchase at the Option of Holders*”);
- (3) reduce the rate of or change the time for payment of interest, including default interest, on any Note;
- (4) waive a Default or Event of Default in the payment of principal of, or interest or premium, or Additional Amounts, if any, on, the Notes (except a rescission of acceleration of the Notes by the holders of at least a majority in aggregate principal amount of the then outstanding Notes and a waiver of the payment default that resulted from such acceleration);
- (5) make any Note payable in money other than that stated in the Notes;
- (6) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of holders of Notes to receive payments of principal of, or interest or premium, or Additional Amounts, if any, on, the Notes;
- (7) waive a redemption payment with respect to any Note (other than a payment required by one of the covenants described above under the caption “—*Repurchase at the Option of Holders*”);
- (8) release any Guarantor from any of its obligations under its Note Guarantee or the Indenture, except in accordance with the Indenture and the Note Guarantee; or
- (9) make any change in the preceding amendment and waiver provisions.

Notwithstanding the preceding, without the consent of any holder of Notes, the Issuer, the Guarantors and the Trustee, as the case may be, may amend or supplement the Indenture, the Notes or the Note Guarantees:

- (1) to cure any ambiguity, defect or inconsistency;
- (2) to provide for uncertificated Notes in addition to or in place of certificated Notes (provided that such uncertificated Notes are issued in registered form for purposes of Section 163(f) of the U.S. Internal Revenue Code of 1986, as amended);
- (3) to comply with the provisions described under the caption “—*Certain Covenants—Merger, Consolidation or Sale of Assets*”;
- (4) to make any change that would provide any additional rights or benefits to the holders of Notes or that does not adversely affect the legal rights under the Indenture of any such holder;
- (5) to conform the text of the Indenture, the Notes or the Note Guarantees to any provision of this “Description of the Notes” to the extent that such provision in this “Description of the Notes” was intended to be a verbatim recitation of a provision of the Indenture, the Notes or the Note Guarantees as provided in an Officer’s Certificate to the Trustee;
- (6) to provide for the issuance of Additional Notes in accordance with the Indenture; or
- (7) to allow any Guarantor to execute a supplemental indenture to the Indenture and/or a Note Guarantee.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder, when:

- (1) either:
 - (a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Issuer, have been delivered to the Trustee for cancellation; or
 - (b) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and the Issuer or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the holders, cash in U.S. dollars, non-callable U.S. Government securities, or a combination of cash in U.S. dollars and non-callable U.S. Government securities, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Trustee for cancellation for principal, premium, if any, and accrued interest to the date of maturity or redemption;
- (2) no Default or Event of Default has occurred and is continuing on the date of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit and any other deposit relating to other Indebtedness being defeased or discharged substantially concurrently with the Notes) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Issuer or any Guarantor is a party or by which the Issuer or any Guarantor is bound (other than any instrument governing or evidencing Indebtedness being defeased or discharged substantially concurrently with the Notes);
- (3) the Issuer or any Guarantor has paid or caused to be paid all sums payable by it under the Indenture; and
- (4) the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

In addition, the Issuer must deliver an Officer's' Certificate and a legal opinion of counsel to the Trustee certifying that all conditions precedent to satisfaction and discharge have been satisfied.

Concerning the Trustee

If the Trustee becomes a creditor of the Issuer or any Guarantor, the Indenture limits the right of the Trustee to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days or resign.

The holders of a majority in aggregate principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that if an Event of Default occurs and is continuing, the Trustee will be required, in the exercise of its power, to use the

degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of Notes, unless such holder has offered to the Trustee (and if requested, provided) security and indemnity satisfactory to the Trustee against any loss, liability or expense.

Governing Law

The Indenture and the Notes will be governed by, and construed in accordance with, the laws of the State of New York.

Additional Information

Anyone who receives this Offering Memorandum may obtain a copy of the Indenture without charge by writing to the Paying Agent.

Book-Entry, Delivery and Form

The Notes are being offered and sold to qualified institutional buyers in reliance on Rule 144A (“*Rule 144A Notes*”). The Notes also may be offered and sold in offshore transactions in reliance on Regulation S (“*Regulation S Notes*”). Except as set forth below, the Notes will be issued in registered, global form in minimum denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. Notes will be issued at the closing of this offering only against payment in immediately available funds.

Rule 144A Notes initially will be represented by one or more Notes in registered, global form without interest coupons (collectively, the “*Rule 144A Global Notes*”). Regulation S Notes initially will be represented by one or more Notes in registered, global form without interest coupons (collectively, the “*Regulation S Global Notes*” and, together with the Rule 144A Global Notes, the “*Global Notes*”). The Global Notes will be deposited upon issuance with the Trustee as custodian for The Depository Trust Company (“*DTC*”), in New York, New York, and registered in the name of DTC or its nominee, in each case, for credit to an account of a direct or indirect participant in DTC as described below. Through and including the 40th day after the later of the commencement of this offering and the closing of this offering (such period through and including such 40th day, the “*Distribution Compliance Period*”), beneficial interests in the Regulation S Global Notes may be held only through Euroclear Bank SA/NV (“*Euroclear*”) and Clearstream Banking, S.A. (“*Clearstream*”) (as indirect participants in DTC), unless transferred to a person that takes delivery through a Rule 144A Global Note in accordance with the certification requirements described below. Beneficial interests in the Rule 144A Global Notes may not be exchanged for beneficial interests in the Regulation S Global Notes at any time except in the limited circumstances described below. See “—*Exchanges between Regulation S Notes and Rule 144A Notes.*”

Except as set forth below, the Global Notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Notes may not be exchanged for definitive Notes in registered certificated form (“*Certificated Notes*”) except in the limited circumstances described below. See “—*Exchange of Global Notes for Certificated Notes.*” Except in the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to receive physical delivery of Notes in certificated form.

Rule 144A Notes (including beneficial interests in the Rule 144A Global Notes) will be subject to certain restrictions on transfer and will bear a restrictive legend as described under “*Transfer Restrictions.*” Regulation S Notes will also bear the legend as described under “*Transfer Restrictions.*” In addition, transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear and Clearstream), which may change from time to time.

Depository Procedures

The following description of the operations and procedures of DTC, Euroclear and Clearstream are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. None of the Issuer, the Guarantors or the Trustee take responsibility or assume any liability for these operations and procedures and urges investors to contact the system or their participants directly to discuss these matters.

DTC has advised the Issuer that DTC is a limited-purpose trust company created to hold securities for its participating organizations (collectively, the “*Participants*”) and to facilitate the clearance and settlement of transactions in those securities between the Participants through electronic book-entry changes in accounts of its Participants. The Participants include securities brokers and dealers (including the initial purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC’s system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (collectively, the “*Indirect Participants*”). Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through the Participants or the Indirect Participants. The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the Participants and Indirect Participants.

DTC has also advised the Issuer that, pursuant to procedures established by it:

- (1) upon deposit of the Global Notes, DTC will credit the accounts of the Participants designated by the initial purchasers with portions of the principal amount of the Global Notes; and
- (2) ownership of these interests in the Global Notes will be shown on, and the transfer of ownership of these interests will be effected only through, records maintained by DTC (with respect to the Participants) or by the Participants and the Indirect Participants (with respect to other owners of beneficial interest in the Global Notes).

Investors in the Rule 144A Global Notes who are Participants may hold their interests therein directly through DTC. Investors in the Rule 144A Global Notes who are not Participants may hold their interests therein indirectly through organizations (including Euroclear and Clearstream) which are Participants. Investors in the Regulation S Global Notes must initially hold their interests therein through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations that are participants. After the expiration of the Distribution Compliance Period (but not earlier), investors may also hold interests in the Regulation S Global Notes through Participants in the DTC system other than Euroclear and Clearstream. Euroclear and Clearstream will hold interests in the Regulation S Global Notes on behalf of their participants through customers’ securities accounts in their respective names on the books of their respective depositories, which are Euroclear Bank SA/NV, as operator of Euroclear, and Citibank, N.A., as operator of Clearstream. All interests in a Global Note, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of such systems. The laws of some states require that certain Persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a Global Note to such Persons will be limited to that extent. Because DTC can act only on behalf of the Participants, which in turn act on behalf of the Indirect Participants, the ability of a Person having beneficial interests in a Global Note to pledge such interests to Persons that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests.

Except as described below, owners of interests in the Global Notes will not have Notes registered in their names, will not receive physical delivery of Notes in certificated form and will not be considered the registered owners or “holders” thereof under the Indenture for any purpose.

Payments in respect of the principal of, and interest and premium, if any, and Additional Amounts, if any, on, a Global Note registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered holder under the Indenture. Under the terms of the Indenture, the Issuer and the Trustee will treat the Persons in whose names the Notes, including the Global Notes, are registered as the owners of the Notes for the purpose of receiving payments and for all other purposes. Consequently, neither the Issuer, the Trustee nor any agent of the Issuer or the Trustee has or will have any responsibility or liability for:

- (1) any aspect of DTC’s records or any Participant’s or Indirect Participant’s records relating to or payments made on account of beneficial ownership interest in the Global Notes or for maintaining, supervising or reviewing any of DTC’s records or any Participant’s or Indirect Participant’s records relating to the beneficial ownership interests in the Global Notes; or
- (2) any other matter relating to the actions and practices of DTC or any of its Participants or Indirect Participants.

DTC has advised the Issuer that its current practice, upon receipt of any payment in respect of securities such as the Notes (including principal and interest), is to credit the accounts of the relevant Participants with the payment on the payment date unless DTC has reason to believe that it will not receive payment on such payment date. Each relevant Participant is credited with an amount proportionate to its beneficial ownership of an interest in the principal amount of the relevant security as shown on the records of DTC. Payments by the Participants and the Indirect Participants to the beneficial owners of Notes will be governed by standing instructions and customary practices and will be the responsibility of the Participants or the Indirect Participants and will not be the responsibility of DTC, the Trustee or the Issuer. Neither the Issuer nor the Trustee will be responsible or liable for any delay by DTC or any of the Participants or the Indirect Participants in identifying the beneficial owners of the Notes, and the Issuer and the Trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Subject to the transfer restrictions set forth under “*Transfer Restrictions*,” transfers between the Participants will be effected in accordance with DTC’s procedures, and will be settled in same-day funds, and transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the Notes described herein, cross-market transfers between the Participants, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC’s rules on behalf of Euroclear or Clearstream, as the case may be, by their respective depositories; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant Global Note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Participants to whose account DTC has credited the interests in the Global Notes and only in respect of such portion of the aggregate principal amount of the Notes as to which such Participant or Participants has or have given such direction.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures to facilitate transfers of interests in the Rule 144A Global Notes and the Regulation S Global Notes among participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and may discontinue such procedures at any time. None of the Issuer, the Trustee and any of their respective agents will have any responsibility or assume any liability for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Exchange of Global Notes for Certificated Notes

A Global Note is exchangeable for Certificated Notes if:

- (1) DTC (a) notifies the Issuer that it is unwilling or unable to continue as depository for the Global Notes or (b) has ceased to be a clearing agency registered under the Exchange Act and, in either case, the Issuer fails to appoint a successor depository;
- (2) (2) the Issuer, at its option, notifies the Trustee in writing that it elects to cause the issuance of the Certificated Notes; or
- (3) (3) there has occurred and is continuing a Default or Event of Default.

If there is an Event of Default, DTC reserves the right to exchange the Global Notes for legended Notes in certificated form, and to distribute such Notes to its Participants. In addition, beneficial interests in a Global Note may be exchanged for Certificated Notes upon prior written notice given to the Trustee by or on behalf of DTC in accordance with the Indenture. In all cases, Certificated Notes delivered in exchange for any Global Note or beneficial interests in Global Notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depository (in accordance with its customary procedures) and will bear the applicable restrictive legend referred to in “Notice to Investors,” unless that legend is not required by applicable law.

Exchange of Certificated Notes for Global Notes

Certificated Notes may not be exchanged for beneficial interests in any Global Note unless the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See “*Transfer Restrictions*.”

Exchanges Between Regulation S Notes and Rule 144A Notes

Prior to the expiration of the Restricted Period, beneficial interests in the Regulation S Global Note may be exchanged for beneficial interests in the Rule 144A Global Note only if:

- (1) such exchange occurs in connection with a transfer of the Notes pursuant to Rule 144A; and
- (2) the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that the Notes are being transferred to a Person:
 - (a) who the transferor reasonably believes to be a qualified institutional buyer within the meaning of Rule 144A;
 - (b) purchasing for its own account or the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; and
 - (c) in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

Beneficial interests in a Rule 144A Global Note may be transferred to a Person who takes delivery in the form of an interest in the Regulation S Global Note, whether before or after the expiration of the Restricted Period, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S or Rule 144 (if available) and that, if such transfer occurs prior to the expiration of the Restricted Period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream.

Transfers involving exchanges of beneficial interests between the Regulation S Global Notes and the Rule 144A Global Notes will be effected by DTC by means of an instruction originated by the Trustee through the DTC's Deposit/Withdraw at Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note or vice versa, as applicable. Any beneficial interest in one of the Global Notes that is transferred to a Person who takes delivery in the form of an interest in the other Global Note will, upon transfer, cease to be an interest in such Global Note and will become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for so long as it remains such an interest. The policies and practices of DTC may prohibit transfers of beneficial interests in the Regulation S Global Note prior to the expiration of the Restricted Period.

Same Day Settlement and Payment

The Issuer will make payments in respect of the Notes represented by the Global Notes (including principal, premium, if any, interest, and Additional Amounts, if any) by wire transfer of immediately available funds to the accounts specified by DTC or its nominee. The Issuer will make all payments of principal, interest and premium, if any, and Additional Amounts, if any, with respect to Certificated Notes by wire transfer of immediately available funds to the accounts specified by the holders of the Certificated Notes or, if no such account is specified, by mailing a check to each such holder's registered address. The Notes represented by the Global Notes are expected to be eligible to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in such Notes will, therefore, be required by DTC to be settled in immediately available funds. The Issuer expects that secondary trading in any Certificated Notes will also be settled in immediately available funds.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Note from a Participant will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream) immediately following the settlement date of DTC. DTC has advised the Issuer that cash received in Euroclear or Clearstream as a result of sales of interests in a Global Note by or through a Euroclear or Clearstream participant to a Participant will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

Certain Definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

“*Acquired Debt*” means, with respect to any specified Person:

- (1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary of, such specified Person; and
- (2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

“*Affiliate*” of any specified Person means any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew or niece of a Person described in clause (1) or (2) of this definition. For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling”, “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“*Applicable Premium*” means, with respect to any Note on any redemption date, the greater of:

- (1) 1.0% of the principal amount of the Note; or
- (2) the excess of:
 - (a) the present value at such redemption date of (i) the redemption price of the Note at May 21, 2020 (such redemption price being set forth in the table appearing above under the caption “—*Optional Redemption*”) plus (ii) all required interest payments due on the Note through May 21, 2020 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over
 - (b) the principal amount of the Note, if greater.

“*Ariston*” means Ariston Sdn. Bhd., a company incorporated under the laws of Malaysia and, as of the Issue Date, a Wholly Owned Subsidiary.

“*Asset Sale*” means:

- (1) the sale, lease, conveyance or other disposition of any assets or rights; *provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Issuer and the Restricted Subsidiaries taken as a whole will be governed by the provisions of the Indenture described above under the caption “—*Repurchase at the Option of Holders—Change of Control*” and/or “—*Certain Covenants—Merger, Consolidation or Sale of Assets*” and not by the provisions of the Asset Sale covenant;
- (2) the issuance of Equity Interests in any of the Issuer’s Restricted Subsidiaries or the sale of Equity Interests in any of its Subsidiaries; and
- (3) any Event of Loss.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

- (1) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than US\$5.0 million;
- (2) a transfer of assets between or among the Issuer and/or the Restricted Subsidiaries;
- (3) an issuance of Equity Interests by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary;
- (4) the sale, license, transfer, lease (including the right to use) or other disposal of products, services or accounts receivable or other current assets in the ordinary course of business and any sale or other disposition of damaged, worn-out, surplus or obsolete assets in the ordinary course of business;
- (5) operating leases, licenses, right to use or equivalent interest under applicable law entered into in the ordinary course of business in connection with the operation of a Permitted Business;
- (6) the sale or other disposition of cash or Cash Equivalents;
- (7) a Restricted Payment that does not violate the provisions of the covenant described above under the caption “—*Certain Covenants—Restricted Payments*” or a Permitted Investment;
- (8) the granting of easements, rights of way, rights of access and/or similar rights to any governmental authority, utility provider, cable or other communication providers and/or other parties providing services or benefits to the Issuer or a Restricted Subsidiary;
- (9) transfers, assignments or dispositions constituting an incurrence of a Permitted Lien (but not the actual sale or other disposition of the property subject to such Lien);
- (10) any surrender or waiver of contractual rights or settlement, release, recovery on or surrender of contract, tort or other claims in the ordinary course of business; and
- (11) any disposition of Capital Stock, Indebtedness or other securities, or assets of, an Unrestricted Subsidiary.

“*Asset Sale Offer*” has the meaning assigned to that term in the Indenture.

“*Attributable Debt*” in respect of a Sale and Leaseback Transaction means, at the time of determination, the present value of the obligation of the lessee for net rental payments during the remaining term of the lease included in such Sale and Leaseback Transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with GAAP.

“*Beneficial Owner*” has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular “person” (as that term is used in Section 13(d)(3) of the Exchange Act), such “person” will be deemed to have beneficial ownership of all securities that such “person” has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms “Beneficially Owns” and “Beneficially Owned” have a corresponding meaning.

“*Board of Directors*” means:

- (1) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board;
- (2) with respect to a partnership, the board of directors of the general partner of the partnership;
- (3) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and
- (4) with respect to any other Person, the board or committee of such Person serving a similar function.

“*Capital Lease Obligation*” means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet prepared in accordance with GAAP, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

“*Capital Stock*” means:

- (1) in the case of a corporation, corporate stock or share capital or shares;
- (2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;
- (3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and
- (4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

“*Cash Equivalents*” means:

- (1) securities issued or directly and fully guaranteed or insured by the government of Hong Kong, the United Kingdom, the United States or any member state of the European Union or any agency or instrumentality of the United States government (*provided* that the full faith and credit of the United States is pledged in support of those securities) having maturities of not more than one year from the date of acquisition;
- (2) demand deposits, current accounts, certificates of deposit, time deposits and eurodollar time deposits with maturities of six months or less from the date of acquisition, bankers’ acceptances with maturities not exceeding six months and overnight bank deposits, in each case, with any commercial bank organized under the laws of Cambodia, Hong Kong, Malaysia, a member state of the European Union or of the United States or any state thereof having capital and surplus in excess of US\$100.0 million (or the foreign currency equivalent thereof as of the date of such investment) and whose long-term debt is rated “A-3” or higher by Moody’s or “A-” or higher by S&P or the equivalent rating category of another “nationally recognized statistical rating organizations” (as defined in Section 3(a)(62) of the Exchange Act);

- (3) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (1) and (2) above entered into with any financial institution meeting the qualifications specified in clause (2) above;
- (4) commercial paper having one of the two highest ratings obtainable from Moody's or S&P and, in each case, maturing within 12 months after the date of acquisition;
- (5) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (4) of this definition;
- (6) demand deposits, current deposits, certificates of deposit, time deposits and eurodollar time deposits with maturities of six months or less from the date of acquisition, bankers' acceptances with maturities not exceeding six months and overnight bank deposits, in each case with (i) CIMB Group Holdings Berhad, Malayan Banking Berhad or any of their respective subsidiaries licensed as a commercial bank or (ii) a commercial bank organized under the laws of Cambodia, Hong Kong, Malaysia, a member state of the European Union or of the United States or any state thereof; *provided* that for purposes of sub-clause (ii), such deposits or acceptances do not exceed US\$20.0 million with any single bank or US\$50.0 million in the aggregate at any time;
- (7) any corporate debt securities which, at the date of acquisition, are rated "A" (or such similar equivalent rating) or higher by at least one "nationally recognized statistical rating organization" (as defined in Section 3(a)(62) of the Exchange Act) and have maturities of not more than one year from the date of acquisition; and
- (8) structured deposit products with any bank or trust company organized under the laws of the Hong Kong or the United States or any state thereof or any jurisdiction where the Issuer or any Restricted Subsidiary conducts Permitted Business that (a) are 100% principal protected if held to maturity (which shall not be more than one year) and (b) can be withdrawn at any time with no more than six months' notice.

"*Casino License*" means the license to operate NagaWorld issued by the Cambodian government to Ariston on January 2, 1995 and any amendment or successor thereto or replacement thereof.

"*Casualty*" means any casualty, loss, damage, destruction or other similar loss with respect to real or personal property or improvements.

"*Change of Control*" means the occurrence of any of the following:

- (1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Issuer and its Subsidiaries taken as a whole to any "person" (as that term is used in Section 13(d) of the Exchange Act) (other than a Permitted Holder);
- (2) the adoption of a plan relating to the liquidation or dissolution of the Issuer;
- (3) the Permitted Holders cease collectively to beneficially own, directly or indirectly, at least 30% of the outstanding Capital Stock of the Issuer (including any and all agreements, warrants, rights or options to acquire any Capital Stock) (measured in each case by both voting power and size of equity interests);

- (4) the consummation of the first transaction (including, without limitation, any merger or consolidation) the result of which is that any Person (including any “person” (as defined above)) becomes the Beneficial Owner, directly or indirectly, of more of the Voting Stock of the Issuer (measured by voting power rather than number of shares) than is at the time Beneficially Owned by the Permitted Holders in the aggregate; or
- (5) the Issuer ceases to own, directly or indirectly, 100% of the outstanding Capital Stock of the License Holder (including any and all agreements, warrants, rights or options to acquire any Capital Stock) (measured in each case by both voting power and size of equity interests).

“*Change of Control Offer*” has the meaning assigned to that term in the Indenture.

“*Condemnation*” means any taking by a governmental authority of assets or property, or any part thereof or interest therein, for public or quasi-public use under the power of eminent domain, by reason of any public improvement or condemnation or in any other manner.

“*Consolidated Assets*” means, with respect to any Restricted Subsidiary as of any date, the Issuer and the Restricted Subsidiaries’ proportionate interest in the total consolidated assets of that Restricted Subsidiary and its Subsidiaries that are Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent semi-annual period for which the Issuer’s consolidated financial statements (which the Issuer will use commercially reasonable best efforts to compile in a timely manner) are available.

“*Consolidated Cash Flow*” means, with respect to the Issuer for any period, the Consolidated Net Income of the Issuer for such period plus, without duplication,

- (1) an amount equal to any extraordinary loss plus any net loss realized by the Issuer or any Restricted Subsidiary in connection with an Asset Sale, to the extent such losses were deducted in computing such Consolidated Net Income; *plus*
- (2) provision for taxes, obligation payments or similar payments based on income or profits of the Issuer and the Restricted Subsidiaries for such period, to the extent that such provision for taxes, obligation payments or similar payments was deducted in computing such Consolidated Net Income; *plus*
- (3) the Fixed Charges of the Issuer and the Restricted Subsidiaries for such period, to the extent that such Fixed Charges were deducted in computing such Consolidated Net Income; *plus*
- (4) depreciation, amortization (including amortization of intangibles but excluding amortization of period cash expenses that were paid in a prior period) and other non-cash expenses (excluding any such non-cash expense to the extent that it represents an accrual of or reserve for cash expenses in any future period or amortization of a prepaid cash expense that was paid in a prior period) of the Issuer and the Restricted Subsidiaries for such period to the extent that such depreciation, amortization and other non-cash expenses were deducted in computing such Consolidated Net Income; *plus*
- (5) any non-cash compensation charge arising from any grant of stock, stock options or other equity-based awards; *minus*
- (6) non-cash items increasing such Consolidated Net Income for such period, other than the accrual of revenue in the ordinary course of business,

in each case, on a consolidated basis and determined in accordance with GAAP.

“*Consolidated Net Income*” means, with respect to the Issuer for any period, the aggregate of the Net Income of the Issuer and the Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP, *provided* that:

- (1) the Net Income (but not loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the Issuer or a Restricted Subsidiary;
- (2) the Net Income of any Restricted Subsidiary will be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that Net Income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its stockholders; and
- (3) the cumulative effect of a change in accounting principles will be excluded.

“*Consolidated Net Worth*” means, as of any date, the sum of:

- (1) the total equity of the Issuer and the Restricted Subsidiaries as of such date; *plus*
- (2) the respective amounts reported on the Issuer’s consolidated balance sheet as of such date with respect to any series of preferred stock (other than Disqualified Stock) that by its terms is not entitled to the payment of dividends unless such dividends may be declared and paid only out of net earnings in respect of the year of such declaration and payment.

“*Consolidated Revenues*” means, with respect to any Restricted Subsidiary as of any date, the total consolidated revenues of that Restricted Subsidiary and its Subsidiaries that are Restricted Subsidiaries measured in accordance with GAAP for the most recent semi-annual period for which the Issuer’s consolidated financial statements (which the Issuer will use commercially reasonable best efforts to compile in a timely manner) are available.

“*Default*” means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

“*Disqualified Stock*” means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 91 days after the date on which the Notes mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the Issuer to repurchase such Capital Stock upon the occurrence of a change of control or an asset sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the Issuer may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption “—*Certain Covenants—Restricted Payments.*” The amount of Disqualified Stock deemed to be outstanding at any time for purposes of the Indenture will be the maximum amount that the Issuer and the Restricted Subsidiaries may become obligated to pay upon the maturity of, or pursuant to any mandatory redemption provisions of, such Disqualified Stock, exclusive of accrued dividends.

“*Equity Interests*” means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

“*Equity Offering*” means any public sale or private issuance of Capital Stock (other than Disqualified Stock) of (1) the Issuer or (2) a direct or indirect parent of the Issuer to the extent the net proceeds from such issuance are contributed in cash to the common equity capital of the Issuer (in each case other than pursuant to a registration statement on Form S-8 or otherwise relating to equity securities issuable under any employee benefit plan of the Issuer).

“*Event of Loss*” means, with respect to the Issuer or any Restricted Subsidiary that is a Significant Subsidiary, any (1) Casualty, (2) Condemnation or seizure (other than pursuant to foreclosure) or (3) settlement in lieu of clause (2) above, in each case having a fair market value in excess of US\$10.0 million.

“*Exchange Act*” means the U.S. Securities Exchange Act of 1934, as amended.

“*Existing Indebtedness*” means the Indebtedness of the Issuer and its Subsidiaries in existence on the date of the Indenture.

“*Fair Market Value*” means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress or necessity of either party, determined in good faith by the Board of Directors of the Issuer (unless otherwise provided in the Indenture).

“*Fixed Charge Coverage Ratio*” means with respect to the Issuer for any period, the ratio of the Consolidated Cash Flow of the Issuer for such period to the Fixed Charges of the Issuer for such period. If the Issuer or any Restricted Subsidiary incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the “*Calculation Date*”), then the Fixed Charge Coverage Ratio will be calculated giving pro forma effect to such incurrence, assumption, Guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable two semi-annual reference period.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

- (1) acquisitions that have been made by the Issuer or any Restricted Subsidiary, including through mergers or consolidations, or any Person acquired by the Issuer or any Restricted Subsidiary, and including any related financing transactions and including increases in ownership of Restricted Subsidiaries, during such reference period or subsequent to such reference period and on or prior to the Calculation Date will be given pro forma effect (in accordance with Regulation S-X under the Securities Act) as if they had occurred on the first day of such reference period;
- (2) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;
- (3) the Fixed Charges attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the Issuer or any Restricted Subsidiary following the Calculation Date;

- (4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such reference period;
- (5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such reference period; and
- (6) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months).

“Fixed Charges” means, with respect to the Issuer for any period, the sum, without duplication, of:

- (1) the consolidated interest expense of the Issuer and the Restricted Subsidiaries for such period, whether paid or accrued, including, without limitation, amortization of debt issuance costs and original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to Attributable Debt, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers’ acceptance financings, and net of the effect of all payments made or received pursuant to Hedging Obligations in respect of interest rates; *plus*
- (2) the consolidated interest expense of the Issuer and the Restricted Subsidiaries that was capitalized during such period; *plus*
- (3) any interest on Indebtedness of another Person that is guaranteed by the Issuer or a Restricted Subsidiary or secured by a Lien on assets of the Issuer or a Restricted Subsidiary, whether or not such Guarantee or Lien is called upon; *plus*
- (4) the product of (a) all dividends, whether paid or accrued and whether or not in cash, on any series of preferred stock of the Issuer or any Restricted Subsidiary, other than dividends on Equity Interests payable solely in Equity Interests of the Issuer (other than Disqualified Stock) or to the Issuer or a Restricted Subsidiary, times (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined national, state and local statutory tax rate of such Person, expressed as a decimal, in each case, determined on a consolidated basis in accordance with GAAP.

“GAAP” means the accounting standards issued by the International Accounting Standards Board as in effect from time to time.

“Gaming Authority” means, in any jurisdiction in which the Issuer or any of its Subsidiaries or any Permitted Holder manages or conducts any casino, gaming business or activities, the applicable gaming board, commission, or other governmental gaming regulatory body or agency which (a) has, or may at any time after issuance of the Notes have, jurisdiction over the gaming activities of the Issuer or any of its Subsidiaries, or any successor to such authority or (b) is, or may at any time after the issuance of the Notes be, responsible for interpreting, administering and enforcing the Gaming Laws.

“Gaming Laws” means all applicable constitutions, treaties, resolutions, laws, regulations, instructions and statutes pursuant to which any Gaming Authority possesses regulatory, licensing or permit authority over gaming, gambling or casino activities, and all rules, rulings, orders, ordinances, regulations of any Gaming Authority applicable to the gambling, casino, gaming businesses or activities of the Issuer or any of its Subsidiaries or any Permitted Holder in any jurisdiction, as in effect from time to time, including the policies, interpretations and administration thereof by the Gaming Authorities.

“*Guarantee*” means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take or pay or to maintain financial statement conditions or otherwise).

“*Guarantors*” means:

- (1) NagaCorp (HK) Limited, NAGAWORLD LIMITED, TanSriChen (Citywalk) Inc. and TanSriChen Inc.; and
- (2) any other Subsidiary of the Issuer that in the future provides a Note Guarantee in accordance with the Indenture,

and their respective successors and assigns, in each case, until the Note Guarantee of such Person has been released in accordance with the Indenture.

“*Hedging Obligations*” means, with respect to any specified Person, the obligations of such Person under:

- (1) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;
- (2) other agreements or arrangements designed to manage interest rates or interest rate risk; and
- (3) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or commodity prices.

“*Indebtedness*” means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables), whether or not contingent:

- (1) in respect of borrowed money;
- (2) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);
- (3) in respect of banker’s acceptances;
- (4) representing Capital Lease Obligations or Attributable Debt in respect of Sale and Leaseback Transactions;
- (5) representing the balance deferred and unpaid of the purchase price of any property or services due more than six months after such property is acquired or such services are completed; or
- (6) representing any Hedging Obligations,

if and to the extent any of the preceding items (other than letters of credit, Attributable Debt and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with GAAP. In addition, the term “Indebtedness” includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the Guarantee by the specified Person of any Indebtedness of any other Person.

“*Investments*” means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees or other obligations), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP. If the Issuer or any of its Subsidiaries sells or otherwise disposes of any Equity Interests of any direct or indirect Subsidiary of the Issuer such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary of the Issuer, the Issuer will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Issuer’s Investments in such Subsidiary that were not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption “—*Certain Covenants—Restricted Payments.*” The acquisition by the Issuer or any of its Subsidiaries of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Issuer or such Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of the covenant described above under the caption “—*Certain Covenants—Restricted Payments.*” Except as otherwise provided in the Indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value.

“*Issue Date*” means the date on which the Notes (other than any Additional Notes) are originally issued.

“*License Holder*” means any Person that holds the Casino License (which, as of the Issue Date, is Ariston).

“*Lien*” means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction.

“*Listed Subsidiary*” means any Restricted Subsidiary any class of the Capital Stock of which is listed on a Qualified Exchange and any Subsidiary of a Listed Subsidiary

“*Material Acquisitions or Dispositions*” means any transaction that would require the preparation of pro forma financial information pursuant to Rule 11-01(a) or (b) of Regulation S-X promulgated under the Securities Act, assuming that such Rule is applicable to the Issuer and the Restricted Subsidiaries.

“*Moody’s*” means Moody’s Investors Service, Inc.

“*Net Income*” means, with respect to the Issuer, the net income (loss) of the Issuer, determined in accordance with GAAP and before any reduction in respect of preferred stock dividends, excluding, however:

- (1) any gain (but not loss), together with any related provision for taxes on such gain (but not loss), realized in connection with: (a) any Asset Sale; or (b) the disposition of any securities by the Issuer or any Restricted Subsidiary or the extinguishment of any Indebtedness of the Issuer or any Restricted Subsidiary; and
- (2) any extraordinary gain (but not loss), together with any related provision for taxes on such extraordinary gain (but not loss).

“*Net Proceeds*” means the aggregate cash proceeds received by the Issuer or any Restricted Subsidiary in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale, in each case, after taking into account any available tax credits or deductions and any tax sharing arrangements and any reserve for adjustment in respect of the sale price of such asset or assets established in accordance with GAAP.

“*Non-Recourse Debt*” means Indebtedness:

- (1) as to which neither the Issuer nor any Restricted Subsidiary (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (b) is directly or indirectly liable as a guarantor or otherwise, or (c) constitutes the lender;
- (2) no default with respect to which (including any rights that the holders of the Indebtedness may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time or both any holder of any other Indebtedness of the Issuer or any Restricted Subsidiary to declare a default on such other Indebtedness or cause the payment of the Indebtedness to be accelerated or payable prior to its Stated Maturity; and
- (3) as to which the lenders have been notified in writing that they will not have any recourse to the stock or assets of the Issuer or any Restricted Subsidiary.

“*Note Guarantee*” means the Guarantee by each Guarantor of the Issuer’s obligations under the Indenture and the Notes.

“*Obligations*” means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

“*Officer’s Certificate*” means a certificate signed on behalf of the Issuer by an executive officer of the Issuer which meets the requirements set forth in the Indenture.

“*Permitted Business*” means any business which is the same as or related, ancillary, connected, incidental or complementary to any of the businesses of the Issuer and the Restricted Subsidiaries on the Issue Date (which includes the tourism, travel and hospitality businesses).

“*Permitted Holder*” means:

- (1) Tan Sri Dr Chen Lip Keong and his immediate family members;
- (2) any Affiliate (other than an Affiliate as defined in clause (1) or (2) of the definition of Affiliate) of the Persons specified in clause (1) of this definition; and
- (3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are more than 80% owned by Persons specified in clauses (1) and (2) of this definition.

For purposes of this definition, “immediate family member” means a spouse, child, child-in-law, parent or sibling.

“*Permitted Investments*” means:

- (1) any Investment in the Issuer or in a Restricted Subsidiary;
- (2) any Investment in cash or Cash Equivalents;

- (3) any Investment by the Issuer or any Restricted Subsidiary in a Person, if as a result of such Investment:
 - (a) such Person becomes a Restricted Subsidiary; or
 - (b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Issuer or a Restricted Subsidiary;
- (4) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with the covenant described above under the caption “—*Repurchase at the Option of Holders—Asset Sales*”;
- (5) any acquisition of assets or Capital Stock solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Issuer;
- (6) any Investments received in compromise or resolution of (A) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Issuer or any Restricted Subsidiary, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (B) litigation, arbitration or other disputes with Persons who are not Affiliates;
- (7) Investments represented by Hedging Obligations;
- (8) loans or advances to employees, officers or directors made in the ordinary course of business of the Issuer or any Restricted Subsidiary in an aggregate principal amount not to exceed US\$1.0 million at any time outstanding;
- (9) repurchases of the Notes;
- (10) any Investments consisting of gaming credit extended to customers, gaming operators and junket operators in the ordinary course of business and consistent with applicable law;
- (11) advances to contractors and suppliers and accounts, trade and notes receivables created or acquired in the ordinary course of business;
- (12) deposits made by the Issuer or any Restricted Subsidiary in the ordinary course of business to comply with statutory or regulatory obligations (including land grants) to maintain deposits for the purposes specified by the applicable statute or regulation or which are in accordance with customary trade terms;
- (13) any Investment existing on the Issue Date or made pursuant to binding commitments in effect on the Issue Date, in each case so long as described in this Offering Memorandum, or an Investment consisting of any extension, modification or renewal of any Investment existing on the Issue Date; *provided* that the amount of any such Investment may be increased (x) as required by the terms of such Investment as in existence on the Issue Date of the Indenture or (y) as otherwise permitted under the Indenture;
- (14) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (14) that are at the time outstanding, not to exceed the greater of (a) US\$50.0 million and (b) 3% of Total Assets;
- (15) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary; and

- (16) investments held by a Person that becomes a Restricted Subsidiary, *provided* that such Investments were not acquired in contemplation of the acquisition of such Person; and
- (17) Guarantees permitted under the “—*Incurrence of Indebtedness and Issuance of Preferred Stock*” covenant.

“*Permitted Liens*” means:

- (1) Liens on assets of the Issuer or any Restricted Subsidiary securing Indebtedness incurred pursuant to clauses (12) and (13) of the second paragraph of the covenant set forth under the caption “—*Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*”;
- (2) Liens in favor of the Issuer or the Guarantors;
- (3) Liens on property of a Person existing at the time such Person becomes a Restricted Subsidiary or is merged with or into or consolidated with the Issuer or any Restricted Subsidiary; *provided* that such Liens were not created in connection with or contemplation of such Person becoming a Restricted Subsidiary or such merger or consolidation and do not extend to any assets other than those of the Person that becomes a Restricted Subsidiary or is merged into or consolidated with the Issuer or Restricted Subsidiary;
- (4) Liens on property (including Capital Stock) existing at the time of acquisition of the property by the Issuer or any Restricted Subsidiary; *provided* that such Liens were not created in connection with, or in contemplation of, such acquisition;
- (5) Liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature incurred in the ordinary course of business, any netting or set-off arrangement entered into by the Issuer or any Restricted Subsidiary in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances of the Issuer or any Restricted Subsidiary but only so long as: (i) such arrangement does not permit credit balances of the Issuer or the Restricted Subsidiaries to be netted or set off against debit balances of persons which are other Persons; and (ii) such arrangement does not give rise to other Liens over the assets of the Issuer or any Restricted Subsidiary in support of liabilities of persons other than the Issuer or Restricted Subsidiaries;
- (6) Liens created in favor of a plaintiff or defendant in any proceedings as security for costs or expenses;
- (7) Liens arising under any retention of title, hire purchase or conditional sale arrangement or arrangements having similar effect in respect of goods supplied to the Issuer or Restricted Subsidiaries in the ordinary course of trading and on the supplier’s standard or usual terms and not arising as a result of any default or omission by the Issuer or Restricted Subsidiaries, *provided* that the aggregate value of all assets subject to any such Liens shall not exceed US\$5.0 million;
- (8) Liens incurred or deposits made in the ordinary course of business in connection with workmen’s compensation or unemployment obligations or other obligations of a like nature, including any Lien securing letters of credit issued in the ordinary course of business in connection therewith, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

- (9) Liens to secure Indebtedness (including Capital Lease Obligations) permitted by clause (4) of the second paragraph of the covenant entitled “—*Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*” covering only the assets acquired with or financed by such Indebtedness;
- (10) Liens existing on the date of the Indenture;
- (11) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; *provided* that any reserve or other appropriate provision as is required in conformity with GAAP has been made therefor;
- (12) Liens over goods, documents of title to goods and related documents and insurances and their proceeds to secure liabilities of the Issuer or any Restricted Subsidiary in respect of letters of credit, trust receipts, import loans or shipping guarantees issued or granted for all or part of the purchase price and costs of shipment, insurance and storage of goods acquired by the Issuer or any Restricted Subsidiary in the ordinary course of business;
- (13) Liens upon specific items of inventory or other goods and proceeds the Issuer or any Restricted Subsidiary securing obligations in respect of bankers’ acceptances issued or created to facilitate the purchase, shipment or storage of such inventory or other goods in the ordinary course of business;
- (14) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of custom duties in connection with the importation of goods in the ordinary course of business;
- (15) Liens or deposits in connection with workers’ compensation, unemployment insurance and other social security legislation of all applicable laws provided that such Liens are contested in good faith by appropriate measures and sufficient reserves in cash or other liquid assets are available to discharge such Liens;
- (16) Liens on assets deemed to arise in connection with and solely as a result of the execution, delivery or performance of contracts to sell such assets if such sale is otherwise permitted under the Indenture;
- (17) Liens arising, subsisting or imposed by law, including but not limited to carrier’s, warehousemen’s, landlord’s and mechanics’ Liens, in each case, incurred in the ordinary course of business;
- (18) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;
- (19) Liens created for the benefit of (or to secure) the Notes or the Note Guarantees;
- (20) Liens to secure any Permitted Refinancing Indebtedness permitted to be incurred under the Indenture; *provided, however*, that:
 - (a) the new Lien shall be limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and

- (b) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, committed amount, of the Permitted Refinancing Indebtedness and (y) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;
- (21) Liens securing Hedging Obligations so long as the related Indebtedness is, and is permitted to be under the Indenture, secured by a Lien on the same assets or property securing such Hedging Obligations;
- (22) Liens that are contractual rights of set-off (i) relating to the establishment of depository relations with banks not given in connection with the money borrowed, (ii) relating to pooled deposit or sweep accounts of the Issuer or any Restricted Subsidiary to permit satisfaction of overdraft or similar obligations incurred in the ordinary course of business of the Issuer and the Restricted Subsidiaries or (iii) relating to purchase orders and other agreements entered into with customers of the Issuer or any Restricted Subsidiary in the ordinary course of business;
- (23) Liens arising out of judgments against such Person not giving rise to an Event of Default, with respect to which such Person shall then be proceeding with an appeal or other proceedings for review; *provided* that any reserve or other appropriate provision as shall be required in conformity with GAAP shall have been made therefor;
- (24) Liens granted to the Trustee for its compensation and indemnities pursuant to the Indenture;
- (25) Liens arising out of or in connection with licenses, sublicenses, leases (other than capital leases) and subleases (including rights to use) of assets (including, without limitation, intellectual property) entered into in the ordinary course of business;
- (26) Liens on deposits made in the ordinary course of business to secure liability to insurance carriers;
- (27) Liens incurred in the ordinary course of business of the Issuer or any Subsidiary of the Issuer with respect to obligations that do not exceed US\$10.0 million at any time outstanding;
- (28) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Issuer or any Restricted Subsidiary relating to such property or assets; and
- (29) Liens arising under customary provisions limiting the disposition or distribution of assets or property or any related restrictions thereon in operating agreements, joint venture agreements, partnership agreements, contracts for sale and other agreements arising in the ordinary course of business, provided that such Liens do not extend to any assets of the Issuer or any Restricted Subsidiary other than the assets subject to such agreements of contracts.

“*Permitted Refinancing Indebtedness*” means any Indebtedness of the Issuer or any Restricted Subsidiary issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge other Indebtedness of the Issuer or any Restricted Subsidiary (other than intercompany Indebtedness); *provided* that:

- (1) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);

- (2) such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged;
- (3) if the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged is subordinated in right of payment to the Notes, such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and is subordinated in right of payment to, the Notes with subordination terms at least as favorable to the holders of Notes as those contained in the documentation governing the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged; and
- (4) such Indebtedness is incurred either by the Issuer or by the Restricted Subsidiary who is the obligor on the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged.

“*Permitted Subsidiary Indebtedness*” means Indebtedness of, and all preferred stock issued by, Non-Guarantor Subsidiaries, taken as a whole, *provided* that, on the date of the Incurrence of such Indebtedness or issuance of such preferred stock, as the case may be, and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness and preferred stock does not exceed an amount equal to 10.0% of Total Assets.

“*Person*” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

“*Qualified Exchange*” means (1) a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act), or (2) the Bursa Malaysia, the Singapore Exchange Securities Trading Limited or the Nasdaq Stock Market.

“*Reorganization Event*” means a transaction or a series of related transactions occurring concurrently or substantially concurrently which taken together (and upon completion of all such transactions) results in the sale, lease, conveyance, transfer or other disposition of more than 20% of Total Assets, measured as of immediately prior to the last date of completion of all such transactions, to any “person” (as that term is used in Section 13(d) of the Exchange Act) that is not the Issuer or a Wholly Owned Restricted Subsidiary and which transaction or transactions would not otherwise (a) be permitted by the covenants contained or described in this “Description of the Notes” or the Indenture, (b) result in a Change of Control, a Default or an Event of Default or (c) require the Issuer to make an Asset Sale Offer. For the avoidance of doubt, the term “Reorganization Event” should be construed as referring to the series of transactions as a whole, which may include (but is not limited to) sales of some or all the Capital Stock of a Restricted Subsidiary or Restricted Subsidiaries, sales of all or substantially all the assets of a Restricted Subsidiary or Restricted Subsidiaries, the acquisition of an entity that will become a Restricted Subsidiary, and/or the incurrence of Indebtedness in connection with such transaction(s)). For purposes of this definition, a series of related transactions will be deemed to occur substantially concurrently if they occur within 30 days of each other.

“*Restricted Investment*” means an Investment other than a Permitted Investment.

“*Restricted Subsidiary*” means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

“*S&P*” means Standard & Poor’s Ratings Group.

“*Sale and Leaseback Transaction*” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired, whereby the Issuer or any Restricted Subsidiary transfers such property to another Person and the Issuer or any Restricted Subsidiary leases it from such Person.

“*Securities Act*” means the U.S. Securities Act of 1933, as amended.

“*SGX-ST*” means Singapore Exchange Securities Trading Limited.

“*Significant Subsidiary*” means any Subsidiary that would be a “significant subsidiary” as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the date of the Indenture.

“*Stated Maturity*” means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the first date it was incurred in compliance with the Indenture, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

“*Subordinated Indebtedness*” means (a) with respect to the Issuer, any Indebtedness of the Issuer which is by its terms subordinated in right of payment to the Notes, and (b) with respect to any Guarantor, any Indebtedness of such Guarantor which is by its terms subordinated in right of payment to such Guarantor’s Obligations in respect of its Note Guarantee.

“*Subsidiary*” means, with respect to any specified Person:

- (1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders’ agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and
- (2) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are that Person or one or more Subsidiaries of that Person (or any combination thereof).

“*Total Assets*” means, as of any date, the total consolidated assets of the Issuer and the Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent semi-annual period for which the Issuer’s consolidated financial statements (which the Issuer will use commercially reasonable best efforts to compile in a timely manner) are available.

“*Total Revenues*” means, as of any date, the total consolidated revenues of the Issuer and the Restricted Subsidiaries measured in accordance with GAAP for the most recent semi-annual period for which the Issuer’s consolidated financial statements (which the Issuer will use commercially reasonable best efforts to compile in a timely manner) are available.

“*Treasury Rate*” means, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to May 21, 2020; *provided, however*, that if the period from the redemption date to May 21, 2020 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

“*Unrestricted Subsidiary*” means any Subsidiary of the Issuer that is designated by the Board of Directors of the Issuer as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors, but only to the extent that such Subsidiary, on the date of designation:

- (1) has no Indebtedness other than Non-Recourse Debt;
- (2) except as permitted by the covenant described above under the caption “—*Certain Covenants—Transactions with Affiliates*,” is not party to any agreement, contract, arrangement or understanding with the Issuer or any Restricted Subsidiary unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Issuer;
- (3) is a Person with respect to which none of the Issuer or any of the Restricted Subsidiaries has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person’s financial condition or to cause such Person to achieve any specified levels of operating results; and
- (4) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of the Issuer or any Restricted Subsidiary,

provided that, as of the date of the Indenture, the only Unrestricted Subsidiaries are Naga Russia Limited, Naga Russia One Limited, Naga Hotels Russia Limited, Naga Primorsky Entertainment Limited, Naga Entertainment No. 3 Limited, Naga Primorsky Beach Resorts Limited, Primorsky Entertainment Resorts City LLC and Primorsky Entertainment Resorts City No. 2 LLC.

“*Voting Stock*” of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

“*Weighted Average Life to Maturity*” means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

- (1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by
- (2) the then outstanding principal amount of such Indebtedness.

“*Wholly Owned Guarantor*” is any Wholly Owned Subsidiary that is a Guarantor.

“*Wholly Owned Restricted Subsidiary*” is any Wholly Owned Subsidiary that is a Restricted Subsidiary.

“*Wholly Owned Subsidiary*” of any Person means a Subsidiary of such Person 100% of the outstanding Capital Stock or other ownership interests of which (other than directors’ qualifying shares, Investments by foreign nationals mandated by law or a minimum number of shares owned by a second shareholder as mandated by law) shall at the time be owned by such Person or by one or more Wholly Owned Subsidiaries of such Person.

TAXATION

The following discussion is a summary of certain Cayman Islands and United States federal income tax consequences under present law of the purchase, ownership and disposition of the Notes. It addresses only purchasers who will hold Notes as capital assets and, in the case of the discussion of U.S. federal income taxation, use the U.S. Dollar as their functional currency; it does not address the tax treatment of investors subject to special rules including banks, dealers, insurance companies, tax-exempt entities, and persons holding Notes as part of a hedge, straddle, conversion or constructive sale transaction. It does not address state, local and foreign tax consequences of ownership and disposition of Notes.

Cayman Islands Taxation

Under existing Cayman Islands laws, payments of interest and principal on the Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal or a dividend or capital to any holder of the Notes, as the case may be, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.

No stamp duty is payable in respect of the issue of the Notes. An instrument of transfer in respect of a Note is stampable if executed in or brought into the Cayman Islands.

Certain United States Federal Income Tax Considerations

The following discussion is a summary based on present law of certain U.S. federal income tax considerations relevant to the purchase, ownership and disposition of Notes. This discussion addresses only U.S. Holders (as defined below) who purchase Notes in the original offering at the original “issue price” (as defined below), hold Notes as capital assets and use the U.S. dollar as their functional currency. This discussion is not a complete description of all U.S. federal tax considerations relating to the purchase, ownership and disposition of Notes and is not a substitute for tax advice. It does not address all of the tax consequences that may be relevant in light of a U.S. Holder’s particular circumstances, including tax consequences that may be applicable to prospective investors subject to special rules, such as banks and certain other financial institutions, dealers in securities or currencies, traders that elect to mark-to-market, insurance companies, regulated investment companies, real estate investment trusts, investors liable for the alternative minimum tax, investors required to take certain amounts into income no later than the time such amounts are reflected on their audited financial statements, certain U.S. expatriates, tax-exempt entities, pass-through entities, including partnerships and S-corporations, or persons holding Notes as part of a hedge, straddle, conversion, constructive sale or other integrated financial transaction. It also does not address the tax treatment of U.S. Holders that will hold Notes in connection with a permanent establishment or fixed base outside of the United States. It does not consider U.S. federal taxes other than the income tax (e.g. estate or gift taxes) or U.S. state or local tax or non-U.S. tax considerations.

For purposes of this discussion, a “U.S. Holder” is a beneficial owner of a Note that is, for purposes of U.S. federal income taxation, (i) a citizen or individual resident of the United States, (ii) a corporation or other entity taxable as a corporation created or organized under the laws of the United States, any state thereof or the District of Columbia, (iii) a trust subject to the control of a U.S. person and the primary supervision of a U.S. court or (iv) an estate the income of which is subject to U.S. federal income taxation regardless of its source.

The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that acquires, holds and disposes of Notes generally will depend on the status of the partner and the activities of the partnership. Partnerships are urged to consult their own tax advisers regarding the specific tax consequences to their partners of purchasing, owning and disposing of Notes.

Characterization of the Notes

The Notes provide for contingent payments in certain circumstances (see “*Description of the Notes — Repurchase at the Option of Holders — Change of Control Triggering Event*,” “*Description of the Notes — Special Mandatory Redemption for Reorganization Event*”). The rules applicable to debt instruments with payment contingencies are unclear. In general, if the amount or timing of any payment on a debt instrument is contingent and the amount is not incidental or the contingency is not remote, the debt instrument could be subject to special rules that apply to contingent payment debt instruments (“**CPDIs**”). The Company is required to redeem the Notes at a price above par upon the occurrence of a Reorganization Event and is obligated to offer to repurchase the Notes at a price above par upon the occurrence of a Change of Control Triggering Event. The Company intends to take the position, to the extent it may be required to do so, that the likelihood of the occurrence of such events is remote and that, therefore, the Notes are not CPDIs. The Company’s determination is binding on a U.S. Holder unless such holder discloses that it is taking a contrary position on a statement attached to its tax return in the manner required by applicable U.S. Treasury regulations. The Company’s determination is not, however, binding on the U.S. Internal Revenue Service (“**IRS**”), and if the IRS were successfully to assert, and a court were to sustain, a contrary position, the Notes would be treated as issued with original issue discount (“**OID**”) so that a U.S. Holder may be required to accrue OID on the Notes prior to receipt of or in excess of their yield to maturity and gain realized on a sale or other taxable disposition of the Notes would be treated as ordinary income rather than as capital gain. The remainder of this discussion assumes that the Notes will not be treated as CPDIs. Prospective purchasers of the Notes should consult their own tax advisors regarding the treatment of the Notes as CPDIs.

Interest

It is anticipated, and this discussion assumes, that the Notes will be issued with no more than a de minimis amount of OID. Interest on the Notes, including any tax withheld therefrom and Additional Amounts paid in respect of such withholding, if any, will generally be includible in the gross income of a U.S. Holder in accordance with its regular method of tax accounting. The interest on the Notes will generally be ordinary income from sources outside the United States. Subject to applicable limitations, a U.S. Holder may claim a deduction or a foreign tax credit only for tax withheld at the appropriate rate.

Sale, Redemption, Retirement or other Taxable Disposition

A U.S. Holder generally will recognize gain or loss on the sale, redemption, retirement or other taxable disposition of a Note in an amount equal to the difference between the U.S. dollar value of the amount realized (less any accrued but unpaid interest, which will be taxable as ordinary interest income to the extent not previously included in income) and the U.S. Holder’s adjusted tax basis in the Note. A U.S. Holder’s adjusted tax basis in a Note generally will be the amount paid to acquire the Note less the amount of any payments previously received by the holder (other than payments of interest).

Gain or loss on disposition of a Note generally will be from U.S. sources and will be capital gain or loss. Any capital gain or loss will be long-term capital gain or loss if the U.S. Holder has held the Note for more than one year. The long-term capital gains of non-corporate U.S. Holders may be taxed at lower rates. Deductions for capital losses are subject to limitations.

Medicare Tax on Net Investment Income

Certain non-corporate U.S. Holders whose income exceeds certain thresholds generally will be subject to a 3.8% surtax on their “net investment income” (which generally includes, among other things, interest and capital gain from the sale or other disposition of securities). Each U.S. Holder should consult with its own tax advisors regarding the possible effect of such tax on ownership and disposition of Notes.

Information reporting and backup withholding

Payments of interest and proceeds from the sale, redemption or other taxable disposition of a Note may be reported to the IRS unless the holder is a corporation or otherwise establishes a basis for exemption. Backup withholding tax may apply to amounts subject to reporting if the holder fails to provide an accurate taxpayer identification number or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. A U.S. Holder can claim a credit against its U.S. federal income tax liability for the amount of any backup withholding tax and a refund of any excess. Prospective investors should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for establishing an exemption.

Certain non-corporate U.S. Holders are required to report information with respect to their investment in Notes not held through an account with a financial institution to the IRS. Investors who fail to report required information could become subject to substantial penalties. Potential investors are encouraged to consult with their own tax advisors regarding the possible implications of this new legislation on their investment in Notes.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN NOTES IN LIGHT OF THE INVESTOR’S OWN CIRCUMSTANCES.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a purchase agreement dated May 14, 2018 (the “**Purchase Agreement**”), we have agreed to sell to Credit Suisse (Hong Kong) Limited and Morgan Stanley & Co. International plc (the “**Initial Purchasers**”), and each of the Initial Purchasers has agreed, severally and not jointly, to purchase from us, the principal amount of the Notes set forth opposite its name below.

Initial Purchaser	Principal Amount of Notes
Credit Suisse (Hong Kong) Limited	US\$150,000,000
Morgan Stanley & Co. International plc	US\$150,000,000
Total	<u>US\$300,000,000</u>

The Purchase Agreement provides that the Initial Purchasers are obligated to purchase all of the Notes if any are purchased. The Purchase Agreement also provides that if an Initial Purchaser defaults the purchase commitments of non-defaulting Initial Purchasers may be increased or the offering may be terminated.

The Initial Purchasers are offering the Notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Notes, and other conditions in the Purchase Agreement, such as the receipt by the Initial Purchasers of officer’s certificates and legal opinions. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

The Initial Purchasers propose to offer the Notes initially at the offering price on the cover page of this Offering Memorandum. After the initial offering, the offering price may be changed. The Initial Purchasers may offer and sell the Notes in various jurisdictions through certain of their affiliates.

We have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments which they may be required to make in respect of those liabilities. We have also agreed to reimburse the Initial Purchasers for certain expenses incidental to the sale of the Notes.

We have agreed with the Initial Purchasers that private banks resident outside the United States may, to the extent permitted by any applicable legal and regulatory framework, be paid a placement fee in connection with the purchase of the Notes on behalf of their private bank clients resident outside the United States under Regulation S under the Securities Act. The amount of the placement fee will be based upon the principal amount of the Notes so purchased and may be deducted from the purchase price for the Notes payable by such private banks upon settlement.

Purchasers of Notes sold outside the United States may be required to pay stamp taxes and other charges in compliance with the laws and practices of the country of purchase in addition to the price to investors on the cover page of this Offering Memorandum.

The Initial Purchasers and their respective affiliates may purchase Notes and be allocated Notes for asset management or proprietary purposes and not with a view to distribution. The Initial Purchasers and their respective affiliates may purchase Notes for their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or our other securities, at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any sale or resale of the Notes to which this Offering Memorandum relates (notwithstanding that such selected counterparties may also purchase the Notes).

No Sales of Similar Securities

We have agreed that we will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the U.S. Securities and Exchange Commission a registration statement under the Securities Act relating to, any debt securities issued or guaranteed by us, or publicly disclose our intention to make any offer, sale, pledge, disposition or filing, without the prior written consent of the Initial Purchasers for a period of 90 days after the date of this Offering Memorandum.

New Issue of Securities

The Notes are a new issue of securities for which there currently is no market. Although we have received approval in-principle for the listing of the Notes on the SGX-ST, such listing might not be obtained or maintained. The Initial Purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law. They are not obligated, however, to make a market in the Notes and any market-making may be discontinued at any time at their sole discretion. Accordingly, no assurance can be given as to the development or liquidity of any market for the Notes.

Settlement and Delivery

We expect that delivery of the Notes will be made against payment therefor on or about the closing date specified on the cover page of this Offering Memorandum, which will be the fifth business day following the date of pricing of the Notes (this settlement cycle being referred to as “T+5”). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of pricing or the next two succeeding business days will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers who wish to trade Notes on the date of pricing or the next two succeeding business days should consult their own advisor.

Stabilization

The Initial Purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids.

- Over-allotment involves sales in excess of the offering size, which creates a short position for the Initial Purchasers.
- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- Covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions.
- Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker/dealer when the Notes originally sold by such broker/dealer are purchased in a stabilizing or covering transaction to cover short positions.

These transactions may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions, if commenced, may be discontinued at any time and must in any event be brought to an end after a limited time.

Neither we nor the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor the Initial Purchasers make any representation that the Initial Purchasers will engage in such transactions or that any such transaction, once commenced, will not be discontinued without notice.

Other Relationships

Some of the Initial Purchasers and their respective affiliates from time to time have provided and may provide in the future investment banking, commercial lending, consulting and financial advisory services to us and our affiliates in the ordinary course of business for which they have received and may receive customary fees and expense reimbursement.

In addition, in the ordinary course of their business activities, the Initial Purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The Initial Purchasers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Selling Restrictions

General

We and the Initial Purchasers have not taken any action, nor will we and the Initial Purchasers take any action, in any jurisdiction that would permit a public offering of the Notes, or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us, the Notes in any jurisdiction where action for that purpose is required. Accordingly, an investor may not offer or sell, directly or indirectly, any Note and may not distribute or publish either this Offering Memorandum or any other offering material or advertisements in connection with the Notes, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

United States

The Notes have not been and will not be registered under the Securities Act or any state securities laws and, unless so registered, may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. See “*Transfer Restrictions*” for a description of other restrictions on the transfer of Notes. Accordingly, the Notes are being offered and sold only to qualified institutional buyers in accordance with Rule 144A and outside the United States in offshore transactions in accordance with Regulation S. Resales of the Notes are restricted as described under “*Transfer Restrictions*.”

Until 40 days after the commencement of this offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in this offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the Securities Act.

As used herein, the term “**United States**” has the meaning given to it in Regulation S.

United Kingdom

Each Initial Purchaser has severally represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (“**FSMA**”)) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to us; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Initial Purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Memorandum as completed by the Pricing Supplement in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Initial Purchasers for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes shall require the Company or any Initial Purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of Notes to the public in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive), and includes any relevant implementing measure in the Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

PRIIPs Regulation/Prospectus Directive/Prohibition of sales to EEA retail investors

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the “**Insurance Mediation Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the “**Prospectus Directive**”). Consequently no key information document required by

Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Hong Kong

Each Initial Purchaser has severally represented and agreed that (i) it has not offered or sold and will not offer or sell in the Hong Kong Special Administrative Region of the People’s Republic of China (“**Hong Kong**”), by means of any document, any Notes other than (x) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (y) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and (ii) it has not issued or had in its possession for the purposes of issue and will not issue or have in its possession for the purposes of issue any advertisement, invitation or document relating to the Notes, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) and any rules made thereunder.

Singapore

Each Initial Purchaser has acknowledged that this Offering Memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Initial Purchaser has represented, warranted and agreed that this Offering Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “**SFA**”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

This Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)), the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, new IP securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:
- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
 - (ii) where no consideration is or will be given for the transfer;
 - (iii) where the transfer is by operation of law;
 - (iv) as specified in Section 276(7) of the SFA; or
 - (v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Act No. 25 of 1948, as amended; the **FIEA**). Each Initial Purchaser has severally represented and agreed that it has not offered or sold, and will not offer or sell, directly or indirectly, any of the Notes in Japan or to, or for the account or benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

TRANSFER RESTRICTIONS

Because the following restrictions will apply to the Notes, investors should consult legal counsel prior to making any offer, resale, pledge or transfer of the Notes.

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only:

- to “qualified institutional buyers” in compliance with Rule 144A, and
- outside the United States in offshore transactions, in reliance upon Regulation S under the Securities Act.

Rule 144A Notes

Each purchaser of the Notes within the United States pursuant to Rule 144A, by accepting delivery of this Offering Memorandum, will be deemed to have represented, agreed and acknowledged that:

1. It is (a) a qualified institutional buyer within the meaning of Rule 144A (a “**QIB**”), (b) acquiring such Notes for its own account or for the account of a QIB and (c) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A.
2. It understands that such Notes have not been and will not be registered under the Securities Act and (a) may not be offered, sold, pledged or otherwise transferred except (i) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB, (ii) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any State of the United States; (b) the purchaser will, and each subsequent purchaser is required to, notify any subsequent purchaser of such Notes from it of the resale restrictions referred to in (a) above; and (c) no representation can be made as to the availability of the exemption provided by Rule 144 under the Securities Act for resale of the Notes.
3. If it is a person other than a person outside the United States, it agrees that if it should resell or otherwise transfer the Notes, it will do so only:
 - to the Company or any of our respective affiliates;
 - inside the United States to a QIB in compliance with Rule 144A;
 - outside the United States in compliance with Rules 903 or 904 under the Securities Act;
 - pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available); or
 - pursuant to an effective registration statement under the Securities Act.

4. It understands that such Notes, unless otherwise agreed between the Company and the Trustee in accordance with applicable law, will bear a legend to the following effect:

“THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT (“**RULE 144A**”) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY SUBSEQUENT PURCHASER OF THESE NOTES FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR REALES OF THIS NOTE.”

5. The Company, the Registrar, the Initial Purchasers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and, if any such acknowledgments, representations or agreements deemed to have been made by virtue of its purchase of the Notes are no longer accurate, it agrees to promptly notify us. If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.
6. It understands that the Notes offered in reliance on Rule 144A will be represented by the Rule 144A Global Notes. Before any interest in the Rule 144A Global Notes may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Notes, it will be required to provide the Registrar with a written certification (in the form provided in the Indenture) as to compliance with applicable securities laws.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Notes

Each purchaser of the Notes outside the United States pursuant to Regulation S, by accepting delivery of this Offering Memorandum and the Notes, will be deemed to have represented, agreed and acknowledged that:

1. It is, or at the time such Notes are purchased will be, the beneficial owner of such Notes and (a) it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Company or a person acting on behalf of such an affiliate.
2. It understands that such Notes have not been and will not be registered under the Securities Act.
3. The Company, the Registrar, the Initial Purchasers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and, if any such acknowledgments, representations or agreements deemed to have been made by virtue of its purchase of the Notes are no longer accurate, it agrees to promptly notify us.

Private Banks

Each purchaser of the Notes, by accepting delivery of this Offering Memorandum, will be deemed to have represented, agreed and acknowledged that if it is a private bank that is entitled to a placement fee in connection with its purchase of the Notes on behalf of its private bank clients: (1) it and all its private bank clients purchasing the Notes are resident outside the United States and purchasing the Notes in an offshore transaction in accordance with Regulation S; and (2) it is permitted to receive and retain such fee by any applicable legal and regulatory framework. The Company, the Registrar, the Initial Purchasers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and, if any such acknowledgments, representations or agreements deemed to have been made by virtue of its purchase of the Notes are no longer accurate, it agrees to promptly notify us.

LEGAL MATTERS

Certain legal matters in connection with the Offering will be passed upon for us by Freshfields Bruckhaus Deringer as to certain matters of U.S. federal, New York State and Hong Kong law, by Maples and Calder (Hong Kong) LLP as to certain matters of Cayman Islands and British Virgin Islands law, and by HML Law Group & Consultants as to certain matters of Cambodian law. Certain legal matters in connection with the Offering will be passed upon for the Initial Purchasers by Latham & Watkins as to certain matters of U.S. federal and New York State law and by DFDL as to certain matters of Cambodian law.

INDEPENDENT PUBLIC ACCOUNTANTS

Our consolidated financial statements as of and for the years ended December 31, 2016 and 2017 were audited by BDO Limited, independent public accountants, in accordance with IFRS, as stated in their reports included elsewhere in this Offering Memorandum.

GAMING INDUSTRY CONSULTANT

The information contained in the section “Industry Overview” in this Offering Memorandum, including all statistics and data therein, was prepared by Global Market Advisors, independent gaming industry consultants in the gaming industry, in a report dated April 2018. Global Market Advisors has given and not withdrawn its written consent to the issue of the Offering Memorandum with the inclusion herein of their name and all references thereto and to the inclusion of the “Industry Overview” section of this Offering Memorandum, in the form and context in which it appears, and to act in such capacity in relation thereto. The “Industry Overview” section does not include all of the information that may be important for an investment decision.

GENERAL INFORMATION

Consents

Our issue of the Notes has been authorized by a resolution of the Board of Directors dated April 30, 2018.

Litigation

Save as disclosed in this Offering Memorandum, neither we nor any of our subsidiaries is involved in any litigation or arbitration proceedings which are material in the context of the Notes, nor are we aware that any such proceedings are pending or threatened.

No Material Adverse Change

Other than as disclosed in this Offering Memorandum, there has been no adverse change, or any development reasonably likely to involve an adverse change, in our condition (financial or otherwise) or general affairs since December 31, 2017 that is material in the context of the issue of the Notes.

Documents Available

For so long as any of the Notes are outstanding, copies of the Indenture may be inspected during normal business hours on any weekday (except public holidays) at the office of each Paying Agent.

For so long as any of the Notes are outstanding, copies of our audited financial statements for the last two financial years, if any, may be obtained during normal business hours on any weekday (except public holidays) at the office of each Paying Agent.

Clearing System and Settlement

The Notes have been accepted for clearance through the facilities of DTC, Euroclear and Clearstream. Certain trading information with respect to the Notes is set forth below:

	<u>CUSIP</u>	<u>ISIN</u>	<u>Common Code</u>
Rule 144A Notes	629721AA9	US629721AA93	182228095
Regulation S Notes . . .	G6382MAA7	USG6382MAA74	182228125

Only Notes evidenced by a Global Note have been accepted for clearance through DTC, Euroclear and Clearstream.

Listing of the Notes

Approval in-principle has been received from the SGX-ST for the listing of and quotation for the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Offering Memorandum. Approval in-principle for the listing and quotation of the Notes on the SGX-ST is not to be taken as an indication of the merits of the Company, our subsidiaries, our associated companies or the Notes.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, we will appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption in the event that a Global Note is exchanged for definitive Notes. In addition, in the event that a Global Note is exchanged for definitive Notes, an announcement of such exchange will be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

Ratings

The Notes are expected to be rated “B1” by Moody’s and “B” by Standard & Poor’s. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Page
Consolidated Financial Statements as of and for the Year Ended December 31, 2017	
Independent Auditor’s Report of BDO Limited relating to the consolidated financial statements as of and for the year ended December 31, 2017.	F-2
Consolidated Statement of Income for the year ended December 31, 2017.	F-7
Consolidated Statement of Comprehensive Income for the year ended December 31, 2017	F-8
Consolidated Statement of Financial Position as at December 31, 2017	F-9
Consolidated Statement of Changes in Equity for the year ended December 31, 2017.	F-11
Consolidated Statement of Cash Flows for the year ended December 31, 2017 . . .	F-12
Notes to the Consolidated Financial Statements as of and for the year ended December 31, 2017.	F-14
Consolidated Financial Statements as of and for the Year Ended December 31, 2016	
Independent Auditor’s Report of BDO Limited relating to the consolidated financial statements as of and for the year ended December 31, 2016.	F-75
Consolidated Statement of Income for the year ended December 31, 2016.	F-81
Consolidated Statement of Comprehensive Income for the year ended December 31, 2016	F-82
Consolidated Statement of Financial Position as at December 31, 2016	F-83
Consolidated Statement of Changes in Equity for the year ended December 31, 2016.	F-85
Consolidated Statement of Cash Flows for the year ended December 31, 2016 . . .	F-86
Notes to the Consolidated Financial Statements as of and for the year ended December 31, 2016.	F-88



Independent Auditor's Report

Independent auditor's report to the members of NagaCorp Ltd.

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of NagaCorp Ltd. (the "Company") and its subsidiaries (together the "Group") set out on pages 106 to 173, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

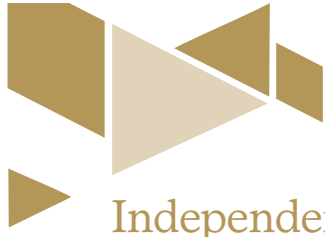
In our opinion, the consolidated financial statements present fairly, in all material respects, of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the International Accounting Standards Board's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Independent Auditor's Report

Revenue recognition

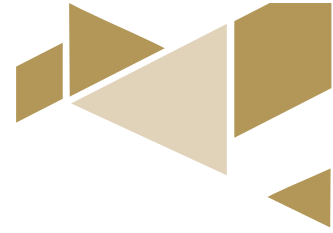
Refer to note 6 to the consolidated financial statements, and the accounting policy 4(q) on page 127.

The Group assigned a licensing right pursuant to note 6 to the consolidated financial statements under its casino licence to certain investors for a fixed sum of US\$60 million.

The determination of whether relevant conditions concerning the revenue recognition of such assignment of licensing right had been met required judgements and estimates.

Our response:

- Obtaining and analysing the agreement entered into between the Group and the investors and inquiring the management to understand the terms and commercial substance of the transaction;
- Checking the receipts against supporting information that we considered relevant;
- Evaluating the Group management's judgment and the associated estimates as developed by the Group's management in determining if the assignment of licence right met all the recognition criteria of a sale under IAS 18 "Revenue" transaction; and
- Evaluating the reasonableness of judgement adopted and major assumptions used in the management estimates.



Other Information in the Annual Report

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Consolidated Financial Statements

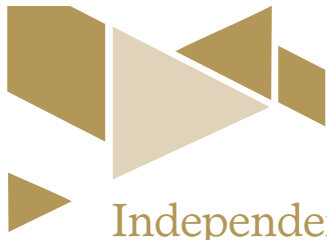
The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

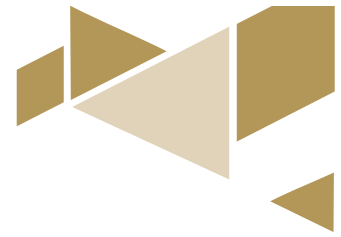


Independent Auditor's Report

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited

Certified Public Accountants

Chiu Wing Cheung Ringo

Practising Certificate Number P04434

25th Floor, Wing On Centre,
111 Connaught Road Central,
Hong Kong

Hong Kong, 6 February 2018



Consolidated Statement of Income

For the year ended 31 December 2017
(Expressed in United States dollars)

	Note	2017 \$'000	2016 \$'000
Revenue	6	956,349	531,558
Cost of sales		(483,434)	(164,714)
Gross profit		472,915	366,844
Other income	7	7,751	5,748
Administrative expenses		(67,195)	(52,606)
Other operating expenses		(150,165)	(111,765)
Profit before taxation	8	263,306	208,221
Income tax	10	(8,120)	(24,062)
Profit attributable to owners of the Company		255,186	184,159
Earnings per share (US cents)			
Basic and diluted	12	7.94	7.89
Basic and diluted	12	5.88	7.04

The notes on pages 113 to 173 form part of these consolidated financial statements.

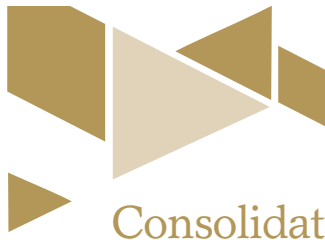


Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017
(Expressed in United States dollars)

	2017 \$'000	2016 \$'000
Profit for the year	255,186	184,159
Other comprehensive income for the year Items that maybe reclassified subsequently to profit or loss – exchange differences from translation of foreign operations	2,140	(486)
Total comprehensive income attribute to the owners of the Company for the year	257,326	183,673

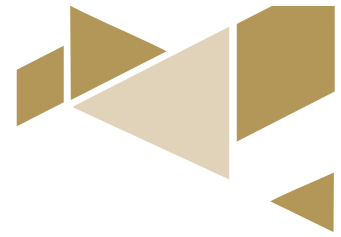
The notes on pages 113 to 173 form part of these consolidated financial statements.



Consolidated Statement of Financial Position

As at 31 December 2017
(Expressed in United States dollars)

	Note	2017 \$'000	2016 \$'000
Non-current assets			
Property, plant and equipment	14	1,121,737	810,149
Interest in leasehold lands held for own use under operating lease	14	26,950	27,266
Intangible assets	15	62,654	66,201
Prepayments for acquisition, construction and fitting-out of property, plant and equipment	19	85,343	93,458
Promissory notes	16	9,584	8,647
		1,306,268	1,005,721
Current assets			
Consumables	18	1,795	1,467
Trade and other receivables	17	101,417	72,559
Cash and cash equivalents	20	52,794	210,912
		156,006	284,938
Current liabilities			
Trade and other payables	21	77,948	36,969
Current tax liability		1,781	2,709
		79,729	39,678
Net current assets		76,277	245,260
NET ASSETS		1,382,545	1,250,981



	Note	2017 \$'000	2016 \$'000
CAPITAL AND RESERVES	22		
Share capital		54,263	30,750
Reserves		1,328,282	1,220,231
TOTAL EQUITY		1,382,545	1,250,981

Approved and authorised for issue by the Board on 6 February 2018

Timothy Patrick McNally
Chairman

Philip Lee Wai Tuck
Executive Director

The notes on pages 113 to 173 form part of these consolidated financial statements.

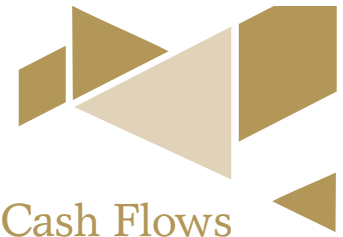


Consolidated Statement of Changes in Equity

For the year ended 31 December 2017
(Expressed in United States dollars)

	Note	Share capital \$'000	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
Balance at 1 January 2016		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)
Total comprehensive income for the year		-	-	-	-	-	-	(486)	184,159	183,673
Issue of shares under placement	22a(ii)(b)	2,375	120,207	-	-	-	-	-	-	122,582
Share placement expenses	22a(ii)(b)	-	(2,664)	-	-	-	-	-	-	(2,664)
Convertible bonds issue	22(c)(ii)	-	-	378,888	-	-	-	-	-	378,888
Dividend and distribution declared and paid		-	-	-	-	-	-	-	(118,074)	(118,074)
		2,375	117,543	378,888	-	-	-	(486)	66,085	564,405
Balance at 31 December 2016		30,750	395,981	378,888	151	(12,812)	55,568	(2,939)	405,394	1,250,981
Balance at 1 January 2017		30,750	395,981	378,888	151	(12,812)	55,568	(2,939)	405,394	1,250,981
Profit for the year		-	-	-	-	-	-	-	255,186	255,186
Other comprehensive income										
- exchange differences from translation of foreign operations		-	-	-	-	-	-	2,140	-	2,140
Total comprehensive income for the year		-	-	-	-	-	-	2,140	255,186	257,326
Issue of shares upon conversion of convertible bonds	22a(ii)(a)	23,513	355,375	(378,888)	-	-	-	-	-	-
Dividend and distribution declared and paid	11 & 22(c)(ii)	-	-	-	-	-	-	-	(125,762)	(125,762)
		23,513	355,375	(378,888)	-	-	-	2,140	129,424	131,564
Balance at 31 December 2017		54,263	751,356	-	151	(12,812)	55,568	(799)	534,818	1,382,545

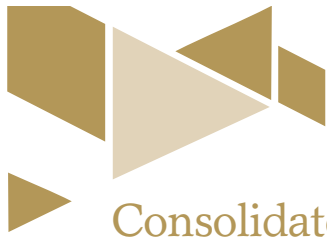
The notes on pages 113 to 173 form part of these consolidated financial statements.



Consolidated Statement of Cash Flows

For the year ended 31 December 2017
(Expressed in United States dollars)

	Note	2017 \$'000	2016 \$'000
Operating activities			
Profit before taxation		263,306	208,221
Adjustments for:			
– Depreciation and amortisation		52,869	44,312
– Amortisation of casino licence premium		3,547	3,547
– Interest income		(738)	(1,092)
– Unrealised exchange loss/(gain)		1,729	(1,786)
– Impairment loss on trade receivables		1,025	2,082
– Gain on disposal of property, plant and equipment		(13)	(58)
– Write-off of property, plant and equipment		1	14
Operating profit before changes in working capital		321,726	255,240
Increase in consumables		(328)	(290)
Increase in trade and other receivables		(29,883)	(28,485)
Increase/(Decrease) in trade and other payables		39,766	(1,851)
Cash generated from operations		331,281	224,614
Tax paid		(9,048)	(22,923)
Net cash generated from operating activities		322,233	201,691
Investing activities			
Interest received		211	627
Payment for the purchase of property, plant and equipment and for the construction cost of property		(354,818)	(137,032)
Proceeds from disposal of property, plant and equipment		18	467
Cash acquired from acquisition of subsidiaries		–	234
Net cash used in investing activities		(354,589)	(135,704)



Consolidated Statement of Cash Flows

For the year ended 31 December 2017
(Expressed in United States dollars)

	Note	2017 \$'000	2016 \$'000
Financing activities			
Proceeds from issue of shares under placement	22(a)(ii)(b)	-	122,582
Share placement expense		-	(2,664)
Dividends paid		(125,762)	(118,074)
Net cash (used in)/generated from financing activities		(125,762)	1,844
Net (decrease)/increase in cash and cash equivalents		(158,118)	67,831
Cash and cash equivalents at beginning of year		210,912	143,081
Cash and cash equivalents at end of year		52,794	210,912
Analysis of cash and cash equivalents			
Cash and bank balances		52,444	175,662
Non-pledged fixed deposits with original maturity of less than three months when acquired		350	35,250
Cash and cash equivalents as stated in the consolidated statement of cash flows		52,794	210,912

Note:

The Group has no liabilities arising from financing activities for both years.



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	Issued and paid up share capital	Effective equity held by the Company	a subsidiary	Principal activities
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
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



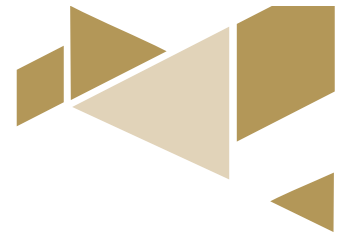
Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

1 General (continued)

Information about subsidiaries (continued)

Name of subsidiary	Place of incorporation	Place of business	Issued and paid up share capital	Effective equity held by the Company	Effective equity held by a subsidiary	Principal activities
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	Cambodia	Cambodia	KHR200,000,000	-	100%	Investment holding
Golden Passage Destinations Co., Ltd. (formerly known as NagaWorld Travel Limited)	Cambodia	Cambodia	KHR200,000,000	-	100%	Tourism services



1 General (continued)

Information about subsidiaries (continued)

Name of subsidiary	Place of incorporation	Place of business	Issued and paid up share capital	Effective equity held by the Company	a Principal subsidiary	Principal activities
NagaWorld (Macau) Limitada	Macau	Macau	MOP25,000	-	100%	Marketing, sales, consultancy and 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%	Aircraft leasing
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
Talent Tree Manpower Solutions Co, Ltd.	Cambodia	Cambodia	KHR4,000,000	-	100%	Employment Placement Agencies

The class of shares held is ordinary.



Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

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.

Amendments to IAS 7	Disclosure initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to IFRSs 2014 – 2016 Cycle	Amendments to IFRS 12 Disclosure of Interests in Other Entities

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

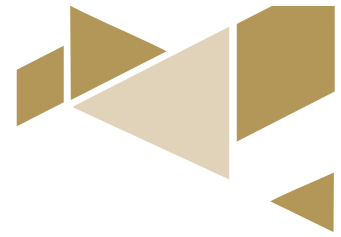
The Group has not applied any amendments, new or revised standards or interpretations that are issued but not yet effective for the current accounting period. The assessments of the potential impact of these amendments and new or revised standards or interpretations on the results and the financial position of the Group are set out in note 30.

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.



3 Basis of preparation (continued)

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(p)); 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.



Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

4 Principal accounting policies (continued)

(b) Property, plant and equipment (continued)

(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

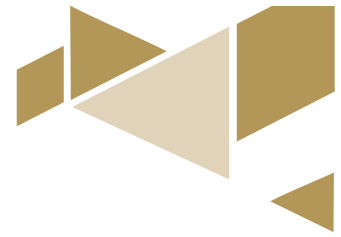
The premium paid for the licence, and related exclusivity periods, to operate the casino in Phnom Penh is stated at cost less accumulated amortisation and impairment losses (see note 4(h)).

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.



4 Principal accounting policies (continued)

(e) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets of the Group are classified as loans and receivables which are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. 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.



Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

4 Principal accounting policies (continued)

(e) Financial assets (continued)

(i) Impairment loss on financial assets (continued)

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.

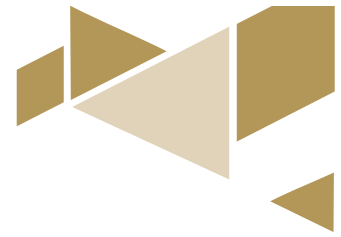
(iii) Derecognition

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.



4 Principal accounting policies (continued)

(f) Trade and other payables (continued)

(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

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.



Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

4 Principal accounting policies (continued)

(h) Impairment of other assets (continued)

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.

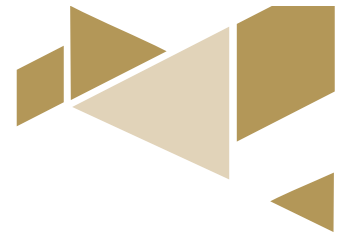
Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for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



4 Principal accounting policies (continued)

(i) Income tax (continued)

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.



Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

4 Principal accounting policies (continued)

(l) Employee benefits (continued)

Short term employee benefits and contributions to defined contribution retirement scheme (continued)

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.

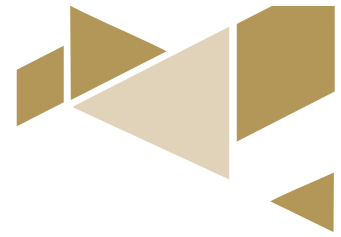
(m) Foreign currencies

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) 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.



4 Principal accounting policies (continued)

(o) 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.



Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

4 Principal accounting policies (continued)

(o) Related parties (continued)

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.

(p) Leased assets

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.

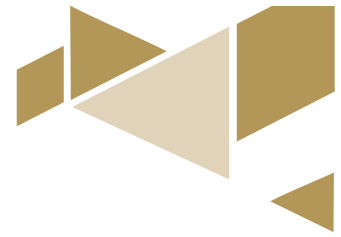
(i) Assets acquired under finance leases

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.



4 Principal accounting policies (continued)

(p) Leased assets (continued)

(ii) Operating lease (continued)

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.

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



Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

4 Principal accounting policies (continued)

(r) 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 in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

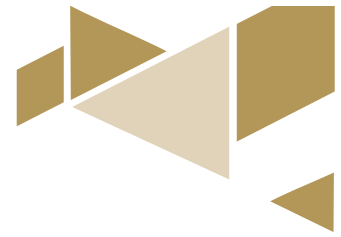
(s) Convertible bonds

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.



4 Principal accounting policies (continued)

(t) 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.



Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

6 Revenue

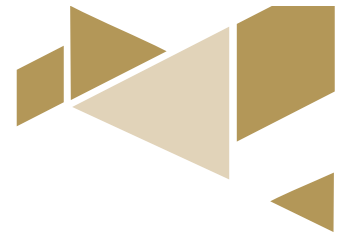
Revenue represents net house takings arising from casino operations and income from other operations as follows:

	2017 \$'000	2016 \$'000
Casino operations – gaming tables	775,038	355,324
Casino operations – electronic gaming *	150,926	145,513
Hotel room income, sale of food and beverage and others	30,385	30,721
	956,349	531,558

* During the Year, revenue from electronic gaming machines (“EGM”) included a fee of \$60 million (2016: \$60 million) in respect of assignment of a licensing right to certain investors to operate a number of EGMs for a period of 10 years.

7 Other income

	2017 \$'000	2016 \$'000
Interest income	738	1,092
Rental income	7,012	4,642
Others	1	14
	7,751	5,748



8 Profit before taxation

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

	2017 \$'000	2016 \$'000
(a) Staff costs (including directors' remuneration):		
Salaries, wages and other benefits	93,092	63,312
Contributions to defined contribution retirement scheme #	49	49
Total staff costs*	93,141	63,361
(b) Other items:		
Auditor's remuneration		
– Current year	781	637
– (Over)/Under-provision for prior year	(7)	5
Amortisation of casino licence premium*	3,547	3,547
Depreciation and amortisation*	52,869	44,312
Impairment loss on trade receivables	1,025	2,082
Write-off of property, plant and equipment	1	14
Gain on disposal of property, plant and equipment	(13)	(58)
Operating lease charges for land lease rental	1,386	343
Operating lease charges for office and car park rental	1,824	1,798
Operating lease charges for hire of equipment	5,297	3,757

* 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.



Notes to the Consolidated Financial Statements

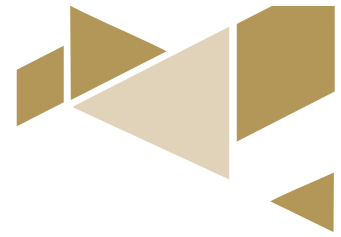
(Expressed in United States dollars)

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	2017 Total \$'000
Executive Directors					
Tan Sri Dr Chen Lip Keong	17,062	150	-	720	17,932
Philip Lee Wai Tuck	-	120	-	256	376
Chen Yepern	-	30	-	253	283
Chen Yiy Fon	-	30	-	144	174
Non-executive Director					
Timothy Patrick McNally	-	100	150	325	575
Independent Non-executive Directors					
Michael Lai Kai Jin	-	20	36	-	56
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji	-	20	36	-	56
Lim Mun Kee	-	30	48	-	78
Total	17,062	500	270	1,698	19,530



9 Directors' remuneration and senior management remuneration (continued)

(a) Directors' remuneration (continued)

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

	Annual performance bonus \$'000	Discretionary bonus \$'000	Fees \$'000	Basic salaries, allowances and benefits- in-kind \$'000	2016 Total \$'000
Executive Directors					
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
Non-executive Director					
Timothy Patrick McNally	-	100	150	344	594
Independent Non-executive Directors					
Michael Lai Kai Jin	-	20	36	-	56
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji	-	20	36	-	56
Lim Mun Kee	-	30	48	-	78
Total	-	500	270	1,717	2,487



Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

9 Directors' remuneration and senior management remuneration (continued)

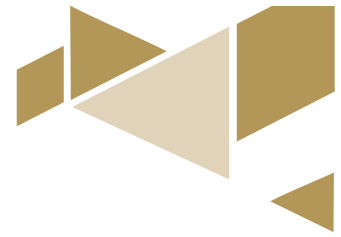
(a) Directors' remuneration (continued)

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 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"), \$9,011,037 (the "2016 Bonus Entitlement") and \$11,765,000 (the "2017 Bonus Entitlement") for the financial years ended 31 December 2015, 2016 and 2017 respectively.

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 ended 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 ended 31 December 2017.



9 Directors' remuneration and senior management remuneration (continued)

(a) Directors' remuneration (continued)

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 ended 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 ended 31 December 2017 and that the parties should negotiate in good faith a reasonable timeframe which is in the best interests of the Company.

As a result of the achievement of the said KPIs for the year ended 31 December 2017, the 2015 Bonus Entitlement and the 2016 Bonus Entitlement amounting to \$17,062,000 in total were recognised in profit or loss during the Year.

Pursuant to the resolution passed by the Board on 6 February 2018, the Board considered the matter relating to the 2017 Bonus Entitlement and resolved to appeal to the generosity and good judgement of Dr Chen to defer the 2017 Bonus Entitlement. The Company and Dr Chen agreed that it is in the interests of the Company to defer the 2017 Bonus Entitlement to subsequent years until the achievement of certain KPIs set for the year ending 31 December 2018. The Company and Dr Chen agreed that subject to the achievement of the KPIs, the deferral of the 2017 Bonus Entitlement should be extended to the financial year ending 31 December 2018 or beyond at the sole election of Dr Chen 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 US\$18,600,000 from the financial years 2010 to 2014.

(b) Five highest paid individuals

Of the five individuals with highest emoluments, two (2016: three) are directors whose emoluments are disclosed in note 9(a). The aggregate of the emoluments in respect of the three individuals for the year ended 31 December 2017 (2016: two) are as follows:

	2017 \$'000	2016 \$'000
Basic salaries, housing and other allowances and benefits-in-kind	1,598	1,051



Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

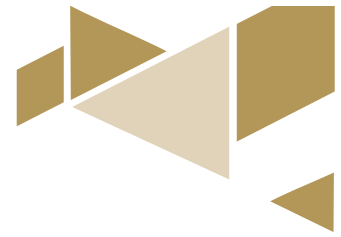
9 Directors' remuneration and senior management remuneration (continued)

(b) Five highest paid individuals (continued)

The emoluments of the three individuals (2016: two) with the highest emoluments are within the following bands:

	2017 Number of Individuals	2016 Number of Individuals
\$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)	–	–
\$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	1
\$512,801 – \$576,900 (approximately HK\$4,000,001 – HK\$4,500,000)	1	1
\$576,901 – \$641,000 (approximately HK\$4,500,001 – HK\$5,000,000)	1	–
	3	2

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. None of the Directors waived any emoluments during the Year.



10 Income tax

Income tax in profit or loss represents:

	2017 \$'000	2016 \$'000
Current tax expense		
– Current year	8,120	7,504
– Additional Obligation Payment	–	16,558
	8,120	24,062

Reconciliation between tax and accounting profit at applicable tax rate:

	2017 \$'000	2016 \$'000
Profit before taxation	263,306	208,221
Profits tax using Cambodian corporation tax rate of 20% (2016: 20%)	52,661	41,644
Tax exempt profits from Cambodian operations (note (a))	(52,661)	(41,644)
Obligation Payments (note (a))	8,120	7,504
Additional Obligation Payment	–	16,558
	8,120	24,062

Notes:

(a) Income tax in profit or loss

Income tax represents monthly gaming Obligation Payment of \$462,363 (2016: \$410,987), monthly non-gaming Obligation Payment of \$214,338 (2016: \$214,338) 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.



Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

10 Income tax (continued)

Notes: (continued)

(a) Income tax in profit or loss (continued)

(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.

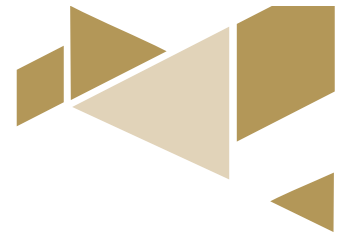
Pursuant to the SDA, Ariston was granted certain tax incentives in respect of the casino operations which include a profits tax exemption for a period of eight years from commencement of business, and profits thereafter would be subject to a concessionary rate of profits tax of 9% as compared to the 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 2017, the Obligation Payments is \$462,363 per month (2016: \$410,987 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.



10 Income tax (continued)

Notes: (continued)

(a) Income tax in profit or loss (continued)

(i) Casino tax and licence fees (continued)

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 gaming 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.



Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

10 Income tax (continued)

Notes: (continued)

(a) Income tax in profit or loss (continued)

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

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.

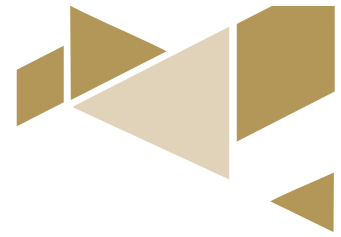
A legal opinion was obtained confirming that NWL will be exempt from the aforementioned taxes subject to the Obligation Payments being made.

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 2017, the estimated provision of non-gaming obligation payment is \$214,338 per month (2016: \$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.

In the previous year, having discussed with the MOEF, the Group paid an additional Obligation Payment of \$16,558,000 to the MOEF. As at the date of this report, there is no additional obligation for the Year.



10 Income tax (continued)

Notes: (continued)

(a) Income tax in profit or loss (continued)

(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.



Notes to the Consolidated Financial Statements

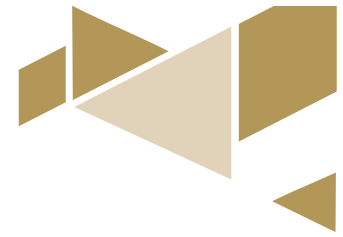
(Expressed in United States dollars)

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

	2017 \$'000	2016 \$'000
Interim dividend declared during the year:		
2016: US cents 2.77 per ordinary share	–	62,938
2017: US cents 2.08 per ordinary share	90,379	–
Final dividend proposed after the end of reporting period:		
2016: US cents 0.82 per ordinary share	–	20,051
2017: US cents 1.45 per ordinary share	62,732	–
	153,111	82,989

The interim dividend of \$90,379,000 (six months ended 30 June 2016: \$62,938,000) for the six-month period ended 30 June 2017 was declared and paid in August 2017.

As further detailed in note 22(c)(ii), distribution on the Convertible Bonds will be equal to the dividends that would have been paid on the new shares to be allotted and issued upon exercise of the conversion right attached to the Convertible Bonds (the "Conversion Shares").



12 Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to owners of the Company of \$255,186,000 (2016: \$184,159,000) and the weighted average number of shares of 3,212,396,541 (2016: 2,334,273,452) 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 \$255,186,000 (2016: \$184,159,000) and the weighted average number of shares for the purpose of diluted earnings per share of 4,341,008,041 (2016: 2,616,873,080).

	Number of Shares	
	2017	2016
Weighted average number of shares in issue during the year used in the basic earnings per share calculation	3,212,396,541	2,334,273,452
Effect of dilution – weighted average number of shares:		
– Convertible Bonds	1,128,611,500	282,599,628
Weighted average number of shares for the purpose of diluted earnings per share	4,341,008,041	2,616,873,080



Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

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.
- Hotel and entertainment operations: this segment comprises the operations of leisure, hotel and entertainment activities.

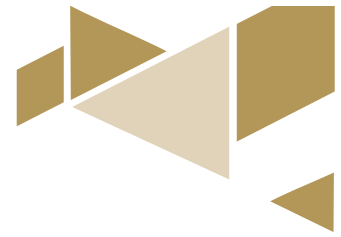
(a) Segment results, assets and liabilities

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.

	Casino operations \$'000	Hotel and entertainment operations \$'000	Total \$'000
Segment revenue:			
Year ended 31 December 2016 (restated)			
Revenue from external customers	500,837	30,721	531,558
Inter-segment revenue	(2,694)	11,270	8,576
Reportable segment revenue	498,143	41,991	540,134
Year ended 31 December 2017			
Revenue from external customers	925,964	30,385	956,349
Inter-segment revenue	(2,526)	14,425	11,899
Reportable segment revenue	923,438	44,810	968,248
Segment profit:			
Year ended 31 December			
2016 (restated)	255,993	15,868	271,861
2017	344,617	9,174	353,791



13 Segment information (continued)

(a) Segment results, assets and liabilities (continued)

	Casino operations \$'000	Hotel and entertainment operations \$'000	Total \$'000
Segment assets:			
As at 31 December 2016 (restated)	955,734	504,101	1,459,835
2017	1,070,902	509,200	1,580,102
Segment liabilities:			
As at 31 December 2016 (restated)	(28,645)	(180,717)	(209,362)
2017	(46,111)	(134,345)	(180,456)
Net assets:			
As at 31 December 2016 (restated)	927,089	323,384	1,250,473
2017	1,024,791	374,855	1,399,646
Other segment information			
Capital expenditure:			
Year ended 31 December 2016 (restated)	198,506	318,053	516,559
2017	211,312	152,251	363,563
Impairment loss on trade receivables			
Year ended 31 December 2016	2,082	–	2,082
2017	1,025	–	1,025



Notes to the Consolidated Financial Statements

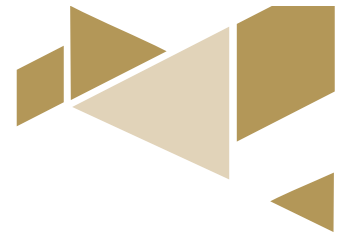
(Expressed in United States dollars)

13 Segment information (continued)

(a) Segment results, assets and liabilities (continued)

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:

	2017 \$'000	2016 \$'000 (restated)
Revenue		
Reportable segment revenue	968,248	540,134
Elimination of inter-segment revenue	(11,899)	(8,576)
Consolidated revenue	956,349	531,558
Profit		
Reportable segment profit	353,791	271,861
Other revenue	-	6
Depreciation and amortisation	(56,416)	(47,859)
Unallocated head office and corporate expenses	(34,069)	(15,787)
Consolidated profit before taxation	263,306	208,221
Assets		
Reportable segment assets	1,580,102	1,459,835
Elimination of inter-segment assets	(120,373)	(171,020)
	1,459,729	1,288,815
Unallocated corporate assets	2,545	1,844
Consolidated total assets	1,462,274	1,290,659
Liabilities		
Reportable segment liabilities	(180,456)	(209,362)
Elimination of inter-segment payables	120,373	171,020
	(60,083)	(38,342)
Unallocated corporate liabilities	(19,646)	(1,336)
Consolidated total liabilities	(79,729)	(39,678)



13 Segment information (continued)

(b) Geographical information

The Group's operations and activities are mainly located in Cambodia. As at 31 December 2017, the Group had non-current assets other than financial instruments and deferred tax assets located in Cambodia and Russia of \$1,218,319,000 (2016: \$933,049,000) and \$78,365,000 (2016: \$64,025,000), 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 (note (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 (note (ii))
Cost:								
At 1 January 2016	66,606	108,875	52,232	256,818	6,146	55,990	546,667	1,551
Acquisition 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	67,875	209,842	366,564	285,771	5,606	55,990	991,648	27,551
At 1 January 2017	67,875	209,842	366,564	285,771	5,606	55,990	991,648	27,551
Additions	3,624	-	360,295	227	-	-	364,146	-
Disposal	(11)	-	-	-	(77)	-	(88)	-
Written off	(33)	-	-	-	-	-	(33)	-
Transfer	78,336	478,840	(668,177)	109,797	1,204	-	-	-
Exchange adjustments	-	-	-	-	1	-	1	-
At 31 December 2017	149,791	688,682	58,682	395,795	6,734	55,990	1,355,674	27,551

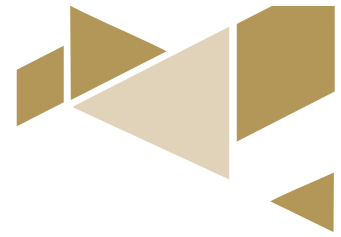


Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

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

	Plant and equipment \$'000	Buildings \$'000	Capital work-in- progress \$'000 (note (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 (note (ii))
Accumulated depreciation/ amortisation:								
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	31,553	15,035	-	121,870	4,420	8,621	181,499	285
At 1 January 2017	31,553	15,035	-	121,870	4,420	8,621	181,499	285
Charge for the year	10,413	5,907	-	32,915	497	2,821	52,553	316
Disposal	(7)	-	-	-	(76)	-	(83)	-
Written off	(32)	-	-	-	-	-	(32)	-
At 31 December 2017	41,927	20,942	-	154,785	4,841	11,442	233,937	601
Net book value:								
At 31 December 2017	107,864	667,740	58,682	241,010	1,893	44,548	1,121,737	26,950
At 31 December 2016	36,322	194,807	366,564	163,901	1,186	47,369	810,149	27,266



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

Notes:

- (i) Capital work-in-progress is mainly incurred on the Group's hotel and casino complex located in Cambodia and Russia.
- (ii) Interest in leasehold lands held for own use under operating lease is located as follows:

	2017 \$'000	2016 \$'000
Cambodia	26,950	27,266

The Group has four leasehold lands which has a remaining leasehold period expiring on 31 July 2095, 10 January 2037, 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 \$322,000 (2016: \$254,000), subject to increment for every 5 or 10 years, as shown in note 24 to the consolidated financial statements.



Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

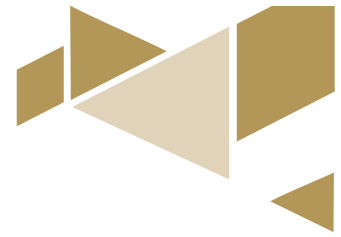
15 Intangible assets

	2017 \$'000	2016 \$'000
Casino licence premium and extended exclusivity premium:		
Cost:		
At 1 January and 31 December	108,000	108,000
Accumulated amortisation:		
At 1 January	41,799	38,252
Charge for year	3,547	3,547
At 31 December	45,346	41,799
Net book value	62,654	66,201

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 SSSA 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



15 Intangible assets (continued)

- 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 \$9,584,000) (2016: \$8,647,000) 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

	2017 \$'000	2016 \$'000
Trade receivables	63,705	32,319
Less: Allowance for impairment loss	(5,369)	(4,344)
	58,336	27,975
Deposits, prepayments and other receivables	43,081	44,584
	101,417	72,559

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:

	2017 \$'000	2016 \$'000
Current to within 1 month	47,111	22,213
1 to 3 months	2,329	2,182
3 to 6 months	6,095	1,494
6 to 12 months	163	1,144
More than 1 year	2,638	942
	58,336	27,975



Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

17 Trade and other receivables (continued)

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

	2017 \$'000	2016 \$'000
Not yet past due	33,558	–
Less than 1 month overdue	13,553	20,658
1 to 3 months overdue	2,329	375
3 to 6 months overdue	6,095	1,432
6 to 12 months overdue	163	1,135
More than 1 year overdue	2,638	451
	58,336	24,051

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:

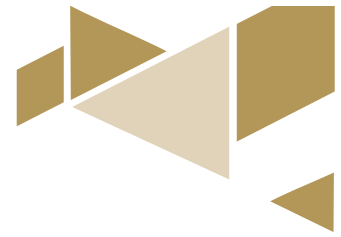
	2017 \$'000	2016 \$'000
At 1 January	4,344	2,262
Impairment loss recognised	1,025	2,082
At 31 December	5,369	4,344

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 advances made for various construction activities in NagaWorld and elsewhere.



20 Cash and cash equivalents

	2017 \$'000	2016 \$'000
Cash and bank balances	52,444	175,662
Fixed deposits	350	35,250
	52,794	210,912

The carrying amounts of these assets approximate their fair values.

21 Trade and other payables

	2017 \$'000	2016 \$'000
Trade payables (note)	2,590	2,624
Unredeemed casino chips	24,391	12,305
Deferred revenue	1,273	1,170
Deposits	680	339
Construction creditors	7,039	5,826
Accruals and other creditors	41,975	14,705
	77,948	36,969

Note:

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

	2017 \$'000	2016 \$'000
Due within 1 month or on demand	2,590	2,463
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	-	18
Total	2,590	2,624



Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

22 Capital and reserves

(a) Share capital

(i) Authorised:

	2017 \$'000	2016 \$'000
8,000,000,000 ordinary shares of \$0.0125 each	100,000	100,000

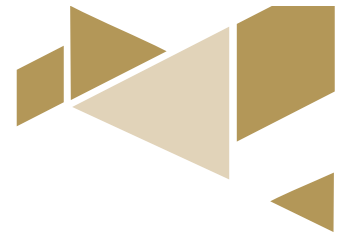
(ii) Issued and fully paid:

	2017		2016	
	Number of shares	\$'000	Number of shares	\$'000
Issued and fully paid:				
Ordinary shares of \$0.0125 each				
At 1 January	2,459,988,875	30,750	2,269,988,875	28,375
Issue of shares upon conversion of convertible bonds (Note (a))	1,881,019,166	23,513	-	-
Issue of shares under placement (Note (b))	-	-	190,000,000	2,375
At 31 December	4,341,008,041	54,263	2,459,988,875	30,750

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

Note:

- (a) On 8 August 2017, the Company allotted and issued 1,881,019,166 Conversion Shares upon exercise of the conversion rights attached to the Convertible Bonds. Further details are set out in note 22(c)(ii).
- (b) 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.



22 Capital and reserves (continued)

(a) Share capital (continued)

(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:

	2017 \$'000	2016 \$'000
Debt	-	-
Cash and cash equivalents	(52,794)	(210,912)
Net debt	(52,794)	(210,912)
Equity	1,382,545	1,250,981
Net debt to equity ratio	N/A	N/A

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 110 of the consolidated financial statements.



Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

22 Capital and reserves (continued)

(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.

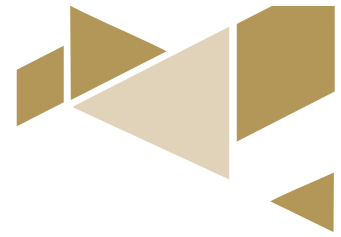
(ii) Convertible bonds

On 17 May 2016 and 30 December 2016, the Company issued the 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. On initial recognition, the total fair value of the Convertible Bonds amounting to \$378,888,000 were included in equity (note 23).

Distributions on the Convertible Bonds would 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 8 August 2017, based on the conversion price of HK\$1.5301 (equivalent to US\$0.1962) of the Convertible Bonds, 1,881,019,166 Conversion Shares were allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds.

The interim and final distributions for the year ended 31 December 2016 amounted to \$12,174,000 and \$15,332,000 respectively.



22 Capital and reserves (continued)

(c) Nature and purpose of reserves (continued)

(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 2017, the aggregate amount of reserves available for distribution to owners of the Company was \$700,298,000 (2016: \$379,454,000) within which \$751,356,000 (2016: \$395,981,000) related to the share premium of the new Shares issued upon conversion of the Convertible Bonds in current year and issued under placement in past years and \$55,000,000 (2016: \$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 of US cent 1.45 per Share amounting to \$62.7 million (2016: final dividend for Shareholder and distribution for the Bondholder of US cents 0.82 per Share/Conversion Share amounting to \$35.4 million). The final dividend has not been recognised as a liability at the end of the reporting period.



Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

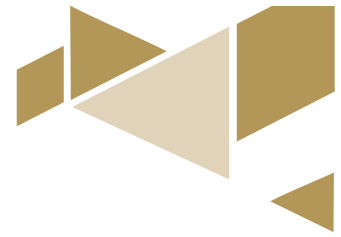
23 Acquisitions of assets and liabilities through acquisition of subsidiaries

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:

	Citywalk Group \$'000	TanSriChen Inc. \$'000	Total \$'000
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)
	94,622	284,266	378,888
The fair value of considerations transfer:	\$'000	\$'000	\$'000
Issuance of the Convertible Bonds at fair value (Note 22(c)(ii))	94,622	284,266	378,888

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:

	2017					2016				
	In respect of:					In respect of:				
	Office, staff quarters and			Gaming machines stations and		Office, staff quarters and			Gaming machines stations and	
	Land lease \$'000	car park rental \$'000	Equipment rental \$'000	tables games \$'000	Total \$'000	Land lease \$'000	car park rental \$'000	Equipment rental \$'000	tables games \$'000	Total \$'000
Within 1 year	2,340	927	1,062	-	4,329	307	760	1,536	969	3,572
1 to 5 years	9,364	632	-	-	9,996	1,237	730	1,062	960	3,989
After 5 years	33,542	464	-	-	34,006	24,816	522	-	-	25,338
	45,246	2,023	1,062	-	48,331	26,360	2,012	2,598	1,929	32,899

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.



Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

24 Leases (continued)

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:

	2017 \$'000	2016 \$'000
Within 1 year	2,315	1,633
1 to 5 years	9,916	9,390
After 5 years	10,072	10,818
	22,303	21,841

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 (2016: Nil).

25 Capital commitments

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

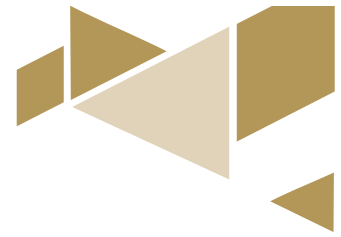
	2017 \$'000	2016 \$'000
Hotel and casino complex – contracted but not incurred	342,539	370,234

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

26 Equity settled share-based transactions

The Company has adopted a share option scheme on 20 April 2016 (the "Scheme"). Under the 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 (2016: Nil) and there are no outstanding share options at the end of the reporting period (2016: 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 (2016: five to thirty days) from the end of tour. The credit policy on non-gaming receivables is thirty days from end of month (2016: 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 43% (2016: 20%) 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.



Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

27 Risk management (continued)

(d) Liquidity risk

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

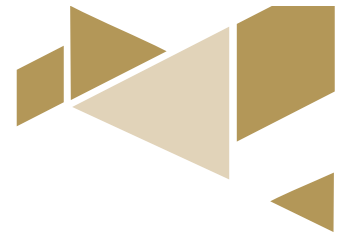
	2017 \$'000	2016 \$'000
Less than one year	77,948	36,969

(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:

	2017		2016	
	Effective interest rate %	One year or less \$'000	Effective interest rate %	One year or less \$'000
Bank deposits				
– On demand	0.01 to 0.8	17,909	0.01 to 0.8	149,340
– Within one year	4	350	1.20 to 1.80	35,250
Promissory Notes	6.6	18,259	6.6	184,590
		9,584		8,647
		27,843		193,237

The Group has no significant interest bearing assets except the Promissory Notes detailed in note 16. The Group policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no undue 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.



27 Risk management (continued)

(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 notes 22 and 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

	2017 \$'000	2016 \$'000
Basic salaries, housing and other allowances and benefits in kind	9,764	7,491
Bonus	18,166	893
	27,930	8,384

As at 31 December 2017, amounts due from related companies of \$274,000 (2016: \$263,000) are included in trade and other receivables as disclosed in note 17 to the consolidated financial statements. The maximum balance during the Year was \$293,000 (2016: \$413,000).

As at 31 December 2017, amount due to a director, Dr Chen of \$19,081,000 (2016: \$2,090,000) is included in trade and other payables as disclosed in note 21 to the consolidated financial statements.

The balances with the related companies and the director are unsecured, interest-free and repayable on demand.



Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

29 Ultimate controlling party

At 31 December 2017, Dr Chen owned equity interests in 2,839,964,463 (2016: 958,945,297) ordinary shares out of the 4,341,008,041 (2016: 2,459,988,975) issued ordinary shares of the Company, of which 1,888,169,166 (2016: 7,150,000) ordinary shares were beneficially owned by Dr Chen and the remaining 951,795,297 (2016: 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 (2016: 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 2017

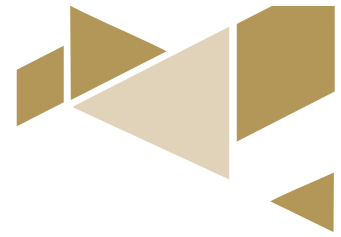
Up to the date of issue of these consolidated financial statements, the IASB has issued the following amendments and new or revised standards which are not yet effective for the annual accounting year ended 31 December 2017, potentially relevant to the Group's financial statements, and have not been early adopted in these consolidated financial statements.

Annual Improvements to IFRSs 2014-2016 Cycle	Amendments to IFRS 1 First-time adoption of International Financial Reporting Standards ¹
Annual Improvements to IFRSs 2014-2016 Cycle	Amendments to IAS 28 Investments in Associates and Joint Ventures ²
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 3 Business Combinations ²
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 11 Joint Arrangements ²
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 12 Income Taxes ²
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 23 Borrowing Costs ²
Amendments to IFRS 2	Classification and Measurement of Share-Based Payment Transactions ¹
IFRS 9	Financial Instruments ¹
Amendments to IFRS 9	Prepayment Features with Negative Compensation ²
IFRS 15	Revenue from Contracts with Customers ¹
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers ¹
IFRS 16	Leases ²
IFRIC 22	Foreign Currency Transactions and Advance Consideration ¹
IFRIC 23	Uncertainty Over Income Tax Treatments ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

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

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

3 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 continues to be permitted.



30 Possible impact of amendments and new or revised standards issued but not yet effective for the annual accounting year ended 31 December 2017 (continued)

Annual Improvements to IFRSs 2014-2016 Cycle – Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

Annual Improvements to IFRSs 2014-2016 Cycle – Amendments to IAS 28 Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IAS 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

Annual Improvements to IFRSs 2015-2017 Cycle – Amendments to IFRS 3 Business Combinations

The amendment clarifies that a company remeasures its previously held interest in a joint operation that is a business when it obtains control of the business. Paragraph 42A is added to clarify this requirement.

Annual Improvements to IFRSs 2015-2017 Cycle – Amendments to IFRS 11 Joint Arrangements

The amendment clarifies that a company that participates in but does not have joint control over a joint operation, does not remeasure its previously held interest in the joint operation which is a business when it obtains joint control of the business. Paragraph B33CA is added to IFRS 11 to clarify this requirement.

Annual Improvements to IFRSs 2015-2017 Cycle – Amendments to IAS 12 Income Tax

The amendment clarifies that a company accounts for all income tax consequences of dividend payments in the same way as the entity recognised the originating transaction or event that generated the distributable profit giving rise to the dividend. Paragraph 57A to IAS 12 is added to clarify this point.



Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

30 Possible impact of amendments and new or revised standards issued but not yet effective for the annual accounting year ended 31 December 2017 (continued)

Annual Improvements to IFRSs 2015-2017 Cycle – Amendments to IAS 23 Borrowing Costs

The amendment clarifies that when a qualifying asset is ready for its intended use or sale and (some of) the related specific borrowing remains outstanding, that borrowing is treated as general borrowings. Paragraph 14 of IAS 23 is amended to convey this principle.

Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions

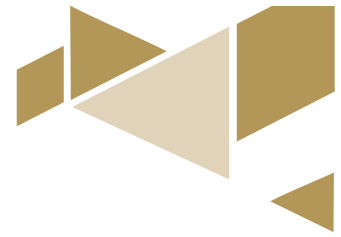
The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions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



30 Possible impact of amendments and new or revised standards issued but not yet effective for the annual accounting year ended 31 December 2017 (continued)

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.

The Directors anticipates that the application of IFRS 15 in the future may have an impact on the amounts of revenue reported in particulars for the gaming business as the timing of revenue recognition and allocation of total consideration to respective performance obligations based on relative fair values may be affected. In addition, the application of IFRS 15 in the future may result in more disclosures in the consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

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.



Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

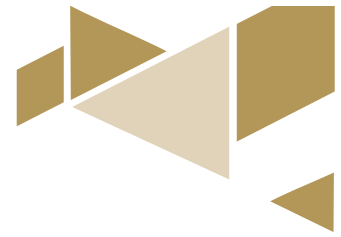
30 Possible impact of amendments and new or revised standards issued but not yet effective for the annual accounting year ended 31 December 2017 (continued)

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.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of approximately \$48,331,000 as disclosed in note 24. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors complete a detailed review.



30 Possible impact of amendments and new or revised standards issued but not yet effective for the annual accounting year ended 31 December 2017 (continued)

IFRIC 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

HK(IFRIC) – Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of IAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the “most likely amount” or the “expected value” approach, whichever better predicts the resolution of the uncertainty.

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.



Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

31 Key sources of estimation

(i) Impairment allowance for bad and doubtful debts

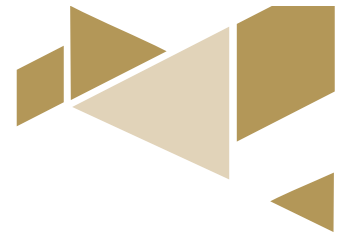
The policy for impairment allowance for bad and doubtful debts on trade and other receivables of the Group is based on the evaluation of recoverability and outstanding period of accounts, and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation 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 revenue from assignment of a licensing right

Part of the Group's income is generated from certain investors in respect of assignment of a licensing right for operating EGMs (note 6). In making this assessment, considerations have been placed on the nature, terms and commercial substance of the transaction for the purpose of the determination that the assignment of right under the agreement should be accounted for as a sale and on a stand-alone basis.

(iii) Obligation payment

As mentioned in note 10 to the consolidated financial statements, a Casino Law which is to govern gaming activities in Cambodia has yet to be promulgated. Management judgement is therefore required in determining the relevant amounts. The Group has carefully evaluated its exposure to transactions occurred during the Year and observes the development of the Casino Law in exercising 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 2017 Bonus Entitlement of \$11,765,000 for the financial year ended 31 December 2017.

Pursuant to the resolution passed by the Board on 6 February 2018, the Board considered the matter relating to the 2017 Bonus Entitlement and resolved to appeal to the generosity and good judgement of Dr Chen to defer the 2017 Bonus Entitlement. The Company and Dr Chen agreed that it is in the interests of the Company to defer the 2017 Bonus Entitlement to subsequent years until the achievement of certain KPIs set for the year ending 31 December 2018. The Company and Dr Chen agreed that subject to the achievement of the KPIs, the deferral of the 2017 Bonus Entitlement should be extended to the financial year ending 31 December 2018 or beyond at the sole election of Dr Chen 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 US\$18,600,000 from the financial years 2010 to 2014.

Except for the above and other than the addition obligation payment, if any, as described in note 10, there were no other contingent liabilities as at 31 December 2017.



Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

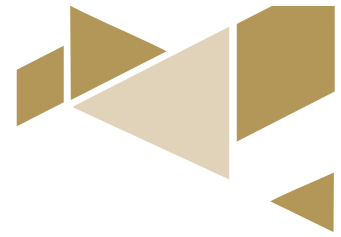
33 Statement of financial position of the Company

	2017 \$'000	2016 \$'000
Non-current assets		
Property, plant and equipment	822	338
Investments in subsidiaries	394,391	394,391
	395,213	394,729
Current assets		
Deposits, prepayments and other receivables	823	724
Amounts due from subsidiaries	374,810	321,479
Cash and cash equivalents	2,855	73,160
	378,488	395,363
Current liabilities		
Accruals and other payables	19,137	947
Amounts due to subsidiaries	3	53
	19,140	1,000
Net current assets	359,348	394,363
NET ASSETS	754,561	789,092
CAPITAL AND RESERVES		
Share capital (Note)	54,263	30,750
Reserves	700,298	758,342
TOTAL EQUITY	754,561	789,092

Approved and authorised for issue by the Board on 6 February 2018

Timothy Patrick McNally
Chairman

Philip Lee Wai Tuck
Executive Director



33 Statement of financial position of the Company (continued)

Note:

Capital and reserves of the Company

	Share capital \$'000	Share premium \$'000	Convertible bonds \$'000	Capital redemption reserve \$'000	Capital contribution reserve \$'000	Accumulated losses \$'000	Total \$'000
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	30,750	395,981	378,888	151	55,000	(71,678)	789,092
At 1 January 2017	30,750	395,981	378,888	151	55,000	(71,678)	789,092
Issues of shares upon conversion of convertible bonds	23,513	355,375	(378,888)	-	-	-	-
Profit for the year	-	-	-	-	-	91,231	91,231
Dividend and distribution declared and paid	-	-	-	-	-	(125,762)	(125,762)
At 31 December 2017	54,263	751,356	-	151	55,000	(106,209)	754,561



Independent Auditor's Report

Independent auditor's report to the members of NagaCorp Ltd.

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of NagaCorp Ltd. (the "Company") and its subsidiaries (together the "Group") set out on pages 104 to 171, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the International Accounting Standards Board's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Appropriateness of revenue recognition

Refer to notes 6 and 31 to the consolidated financial statements, and the accounting policy 4(r) on page 125.

The key audit matter

The Group sold a right to operate electronic gaming machines (“EGM”) business at a designated area inside a property of the Group under its casino licence to an investor for a fixed sum of US\$60 million, as further explained in note 6 to the consolidated financial statements.

The contractual arrangements that underpin the recognition of revenue from such sale of license right are complex, and the determination of whether all relevant conditions concerning the revenue recognition of such sale of license right had been met required significant judgements and estimates, as further explained in note 31 to the consolidated financial statements.

How the matter was addressed in our audit

Our procedures included:

- Obtaining and analysing the EGM agreement and inquiring the management to understand the terms and commercial substance of the transaction;
- Checking the receipts against supporting information that we considered relevant;
- Evaluating the Group management’s judgments and the associated estimates as developed by the Group’s management in determining if the sale of licence right met all the recognition criteria of a sale under IAS 18 “Revenue”; and
- Evaluating the reasonableness of major assumptions used in the management estimates.



Independent Auditor's Report

Obligation payment

Refer to notes 10 and 31 to the consolidated financial statements, and the accounting policy 4(i) on pages 120 and 121.

The key audit matter

The Group is a gaming and hotel and leisure operator in Cambodia. As explained in note 10 to the consolidated financial statements, the Group paid monthly obligation payments to the government of Cambodia in respect of its activities in Cambodia in accordance with practices as agreed with the Ministry of Economy and Finance of Cambodia ("MOEF") in the past and as the Casino Law which is to cover taxation of gaming activities in Cambodia, has yet to be promulgated. As disclosed in note 10 the Group paid additional obligation payments of US\$16.5 million during the year in addition to the monthly obligation payments.

Due to the inherent nature of this matter and as further explained in note 31 to the consolidated financial statements, the measurement of a reliable estimate of such additional obligation payment (if any) required significant judgement and is dependent on future development of this matter.

How the matter was addressed in our audit

Our procedures included:

- Obtaining correspondences with the MOEF relevant to gaming and non-gaming obligation payments and evaluating the legal opinion the Group obtained in the past to assess the Group's exposure to gaming and non-gaming obligation payments;
- Checking the payments of monthly obligation payments to supporting information that we considered relevant;
- Checking the payments of additional obligation payments to supporting information that we considered relevant and reviewing the acknowledgement of receipts for these additional obligation payments issued by the MOEF;
- Inquiring the management of the Group and the local component auditor pertaining this subject matter;
- Evaluating the management's accounting judgment and treatment of the additional obligation payments; and
- Evaluating the adequacy of disclosure of this matter under note 10 of the consolidated financial statements.



Other Information in the Annual Report

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.




Independent Auditor's Report

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- 
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited

Certified Public Accountants

Chiu Wing Cheung Ringo

Practising Certificate Number P04434

25th Floor, Wing On Centre,
111 Connaught Road Central,
Hong Kong

Hong Kong, 8 February 2017

Consolidated Statement of Income

For the year ended 31 December 2016
(Expressed in United States dollars)

	Note	2016 \$'000	2015 \$'000
Revenue	6	531,558	503,655
Cost of sales		(164,714)	(175,844)
Gross profit		366,844	327,811
Other income	7	5,748	5,611
Administrative expenses		(52,606)	(47,169)
Other operating expenses		(111,765)	(97,235)
Profit before taxation	8	208,221	189,018
Income tax	10	(24,062)	(16,395)
Profit attributable to owners of the Company		184,159	172,623
Earnings per share (US cents)			(Re-presented)
Basic	12	7.89	7.58
Diluted	12	7.04	(Re-presented) 7.58

The notes on pages 111 to 171 form part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016
(Expressed in United States dollars)

	2016 \$'000	2015 \$'000
Profit for the year	184,159	172,623
Other comprehensive income for the year Items that maybe reclassified subsequently to profit or loss – exchange differences from translation of foreign operations	(486)	(2,516)
Total comprehensive income attribute to the owners of the Company for the year	183,673	170,107

The notes on pages 111 to 171 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2016
(Expressed in United States dollars)

	Note	2016 \$'000	2015 \$'000
Non-current assets			
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	8,647	6,885
		1,005,721	532,713
Current assets			
Consumables	18	1,467	1,177
Trade and other receivables	17	72,559	45,999
Cash and cash equivalents	20	210,912	143,081
		284,938	190,257
Current liabilities			
Trade and other payables	21	36,969	34,824
Current tax liability		2,709	1,570
		39,678	36,394
Net current assets		245,260	153,863
NET ASSETS		1,250,981	686,576



	Note	2016 \$'000	2015 \$'000
CAPITAL AND RESERVES	22		
Share capital		30,750	28,375
Reserves		1,220,231	658,201
TOTAL EQUITY		1,250,981	686,576

Approved and authorised for issue by the Board on 8 February 2017

Timothy Patrick McNally
Chairman

Philip Lee Wai Tuck
Chief Financial Officer

The notes on pages 111 to 171 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016
(Expressed in United States dollars)

	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	
	Note	Issued and fully paid \$'000									Treasury shares \$'000
Balance at 1 January 2015		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)
Total comprehensive income for the year		-	-	-	-	-	-	(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
Balance at 31 December 2015		28,375	-	278,438	-	151	(12,812)	55,568	(2,453)	339,309	686,576
Balance at 1 January 2016		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)
Total comprehensive income for the year		-	-	-	-	-	-	-	(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
Balance at 31 December 2016		30,750	-	395,981	378,888	151	(12,812)	55,568	(2,939)	405,394	1,250,981

The notes on pages 111 to 171 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016
(Expressed in United States dollars)

	Note	2016 \$'000	2015 \$'000
Operating activities			
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)
Operating profit before changes in working capital		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
Cash generated from operations		224,614	211,046
Tax paid		(22,923)	(15,315)
Net cash generated from operating activities		201,691	195,731
Investing activities			
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)
Net cash used in investing activities		(135,704)	(121,857)

Consolidated Statement of Cash Flows

For the year ended 31 December 2016
(Expressed in United States dollars)

	Note	2016 \$'000	2015 \$'000
Financing activities			
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		(118,074)	(108,537)
Net cash generated from/(used in) financing activities		1,844	(109,031)
Net increase/(decrease) in cash and cash equivalents		67,831	(35,157)
Cash and cash equivalents at beginning of year		143,081	178,238
Cash and cash equivalents at end of year		210,912	143,081
Analysis of cash and cash equivalents			
Cash and bank balances		175,662	74,690
Non-pledged fixed deposits with original maturity of less than three months when acquired		35,250	68,391
Cash and cash equivalents as stated in the consolidated statement of cash flows		210,912	143,081

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 the Company	a Principal subsidiary activities
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
NWL	Hong Kong	Cambodia	HK\$78,000,000	-	100% Gaming, hotel and entertainment operations
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
Naga Primorsky Entertainment Limited	Cyprus	Russia	Euro 1,000	-	100% Investment holding

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

1 General (continued)

Information about subsidiaries (continued)

Name of subsidiary	Place of incorporation	Place of business	Particulars of issued and paid up share capital	Effective equity held by the Company	Effective equity held by a subsidiary	Principal activities
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 ^a	Cambodia	Cambodia	KHR200,000,000	-	100%	Investment holding
NagaWorld Travel Limited	Cambodia	Cambodia	KHR200,000,000	-	100%	Tourism services

1 General (continued)

Information about subsidiaries (continued)

Name of subsidiary	Place of incorporation	Place of business	Particulars of issued and paid up share capital	Effective equity held by the Company	Effective equity held by a subsidiary	Principal activities
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\$2	-	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
TanSri 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.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

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.



3 Basis of preparation (continued)

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.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

4 Principal accounting policies (continued)

(b) Property, plant and equipment (continued)

(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.



4 Principal accounting policies (continued)

(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.



Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

4 Principal accounting policies (continued)

(e) Financial assets (continued)

(i) *Impairment loss on financial assets (continued)*

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.



4 Principal accounting policies (continued)

(f) Trade and other payables (continued)

(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.



Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

4 Principal accounting policies (continued)

(h) Impairment of other assets (continued)

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.



4 Principal accounting policies (continued)

(i) **Income tax (continued)**

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.



Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

4 Principal accounting policies (continued)

(l) Employee benefits (continued)

Short term employee benefits and contributions to defined contribution retirement scheme (continued)

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.



4 Principal accounting policies (continued)

(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.



Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

4 Principal accounting policies (continued)

(p) Related parties (continued)

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.



4 Principal accounting policies (continued)

(q) Leases (continued)

(ii) Operating lease (continued)

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.



Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

4 Principal accounting policies (continued)

(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.



4 Principal accounting policies (continued)

(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.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

6 Revenue

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

	2016 \$'000	2015 \$'000
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	30,721	23,055
	531,558	503,655

* 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

	2016 \$'000	2015 \$'000
Interest income	1,092	1,644
Rental income	4,642	3,319
Reversal of impairment loss previously recognised	–	646
Others	14	2
	5,748	5,611

8 Profit before taxation

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

	2016 \$'000	2015 \$'000
(a) Staff costs (including directors' remuneration):		
Salaries, wages and other benefits	63,312	56,747
Contributions to defined contribution retirement scheme [#]	49	48
Total staff costs*	63,361	56,795
(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	545	1,263

* 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.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

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
Executive directors					
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
Non-executive director					
Timothy Patrick McNally	-	100	150	344	594
Independent non-executive directors					
Michael Lai Kai Jin	-	20	36	-	56
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji	-	20	36	-	56
Lim Mun Kee	-	30	48	-	78
Total	-	500	270	1,717	2,487

9 Directors' remuneration and senior management remuneration (continued)

(a) Directors' remuneration (continued)

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

	Annual performance bonus \$'000	Discretionary bonus \$'000	Fees \$'000	Basic salaries, allowances and benefits- in-kind \$'000	2015 Total \$'000
Executive directors					
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
Non-executive director					
Timothy Patrick McNally	-	100	150	367	617
Independent non-executive directors					
Michael Lai Kai Jin	-	20	36	-	56
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji	-	20	36	-	56
Lim Mun Kee	-	30	48	-	78
Total	-	476	270	1,708	2,454

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

9 Directors' remuneration and senior management remuneration (continued)

(a) Directors' remuneration (continued)

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.



9 Directors' remuneration and senior management remuneration (continued)

(a) Directors' remuneration (continued)

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:

	2016	2015
	\$'000	\$'000
Basic salaries, housing and other allowances and benefits-in-kind	1,051	878

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

9 Directors' remuneration and senior management remuneration (continued)

(b) Five highest paid individuals (continued)

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

	2016 Number of Individuals	2015 Number of Individuals
\$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)	1	1
	2	2

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:

	2016 \$'000	2015 \$'000
Current tax expense		
– Current year	7,504	6,957
– Additional Obligation Payment	16,558	9,438
	24,062	16,395

Reconciliation between tax and accounting profit at applicable tax rate:

	2016 \$'000	2015 \$'000
Profit before taxation	208,221	189,018
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	16,558	9,438
	24,062	16,395

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.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

10 Income tax (continued)

Notes: (continued)

(a) Income tax in profit or loss (continued)

(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.



10 Income tax (continued)

Notes: (continued)

(a) Income tax in profit or loss (continued)

(i) Casino tax and licence fees (continued)

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.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

10 Income tax (continued)

Notes: (continued)

(a) Income tax in profit or loss (continued)

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

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.

10 Income tax (continued)

Notes: (continued)

(a) Income tax in profit or loss (continued)

(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.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

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

	2016 \$'000	2015 \$'000
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	20,051	–
	82,989	103,574

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 (Re-presented)
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	282,599,628	–
Weighted average number of shares for the purpose of diluted earnings per share	2,616,873,080	2,277,403,832

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.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

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.

	Casino operations \$'000	Hotel and entertainment operations \$'000	Total \$'000
Segment revenue:			
Year ended 31 December 2015 (restated)			
Revenue from external customers	480,600	23,055	503,655
Inter-segment revenue	(989)	34,144	33,155
Reportable segment revenue	479,611	57,199	536,810
Year ended 31 December 2016			
Revenue from external customers	500,837	30,721	531,558
Inter-segment revenue	(3,137)	31,744	28,607
Reportable segment revenue	497,700	62,465	560,165
Segment profit:			
Year ended 31 December			
2015 (restated)	211,899	31,926	243,825
2016	236,608	35,253	271,861

13 Segment information (continued)

(a) Segment results, assets and liabilities (continued)

	Casino operations \$'000	Hotel and entertainment operations \$'000	Total \$'000
Segment assets:			
As at 31 December			
2015 (restated)	666,743	143,838	810,581
2016	766,129	643,202	1,409,331
Segment liabilities:			
As at 31 December			
2015 (restated)	(29,702)	(96,544)	(126,246)
2016	(28,645)	(130,213)	(158,858)
Net assets:			
As at 31 December			
2015 (restated)	637,041	47,294	684,335
2016	737,484	512,989	1,250,473
Other segment information			
Capital expenditure:			
Year ended 31 December			
2015 (restated)	96,831	44,107	140,938
2016	71,885	444,674	516,559
Impairment loss on trade receivables			
Year ended 31 December			
2015	1,079	-	1,079
2016	2,082	-	2,082
Reversal of impairment loss on trade receivables			
Year ended 31 December			
2015	(646)	-	(646)
2016	-	-	-

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

13 Segment information (continued)

(a) Segment results, assets and liabilities (continued)

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:

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

13 Segment information (continued)

(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 (note (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 (note (ii))
Cost:								
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	66,606	108,875	52,232	256,818	6,146	55,990	546,667	1,551
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	67,875	209,842	366,564	285,771	5,606	55,990	991,648	27,551

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

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

	Plant and equipment \$'000	Buildings \$'000	Capital work-in- progress \$'000 (note (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 (note (ii))
Accumulated depreciation/ amortisation:								
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	24,036	12,512	-	93,093	4,147	5,799	139,587	243
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	31,553	15,035	-	121,870	4,420	8,621	181,499	285
Net book value:								
At 31 December 2016	36,322	194,807	366,564	163,901	1,186	47,369	810,149	27,266
At 31 December 2015	42,570	96,363	52,232	163,725	1,999	50,191	407,080	1,308

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

Notes:

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

	2016 \$'000	2015 \$'000
Hotel and casino complex	366,564	52,232

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:

	2016 \$'000	2015 \$'000
Cambodia	27,266	1,308

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.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

15 Intangible assets

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

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 SSSA 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

15 Intangible assets (continued)

- 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

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

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:

	2016 \$'000	2015 \$'000
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	942	1,533
	27,975	11,602

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

17 Trade and other receivables (continued)

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

	2016 \$'000	2015 \$'000
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	451	1,223
	24,051	10,783

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:

	2016 \$'000	2015 \$'000
At 1 January	2,262	1,829
Impairment loss recognised	2,082	1,079
Reversal of impairment loss previously recognised	–	(646)
At 31 December	4,344	2,262

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

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

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.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

21 Trade and other payables

	2016 \$'000	2015 \$'000
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	14,705	10,411
	36,969	34,824

Note:

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

	2016 \$'000	2015 \$'000
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	18	18
Total	2,624	2,624

22 Capital and reserves

(a) Share capital

(i) Authorised:

	2016 \$'000	2015 \$'000
8,000,000,000 ordinary shares of \$0.0125 each	100,000	100,000

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

	2016		2015	
	Number of shares	\$'000	Number of shares	\$'000
Issued and fully paid:				
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	2,459,988,875	30,750	2,269,988,875	28,375
Treasury shares:				
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	-	-	-	-

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.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

22 Capital and reserves (continued)

(a) Share capital (continued)

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

Note:

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

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

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.

22 Capital and reserves (continued)

(a) Share capital (continued)

(iii) Capital management (continued)

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

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

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.



Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

22 Capital and reserves (continued)

(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).



22 Capital and reserves (continued)

(c) Nature and purpose of reserves (continued)

(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.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

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:

	Citywalk Group \$'000	TanSriChen Inc. \$'000	Total \$'000
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)
	94,622	284,266	378,888
The fair value of considerations transfer:	\$'000	\$'000	\$'000
Issuance of the Convertible Bonds at fair value (Note 22(c)(ii))	94,622	284,266	378,888

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			Gaming machines stations and		Office, staff quarters and			Gaming machines stations and	
	Land lease \$'000	car park rental \$'000	Equipment rental \$'000	tables games \$'000	Total \$'000	Land lease \$'000	car park rental \$'000	Equipment rental \$'000	Tables games \$'000	Total \$'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	24,816	522	-	-	25,338	20,401	579	-	-	20,980
	26,360	2,012	2,598	1,929	32,899	21,570	3,137	4,134	2,311	31,152

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 Naga CityWalk 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.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

24 Leases (continued)

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:

	2016 \$'000	2015 \$'000
Within 1 year	1,633	–
1 to 5 years	9,390	–
After 5 years	10,818	–
	21,841	–

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:

	2016 \$'000	2015 \$'000
Hotel and casino complex – contracted but not incurred	370,234	224,829

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.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

27 Risk management (continued)

(d) Liquidity risk

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

	2016 \$'000	2015 \$'000
Less than one year	36,969	34,824

(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:

	2016		2015	
	Effective interest rate %	One year or less \$'000	Effective interest rate %	One year or less \$'000
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	35,250	1.60 to 10.67	58,322
		184,590		115,385
Promissory Notes	6.6	8,647	6.6	6,885
		193,237		122,270

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 undue 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.

27 Risk management (continued)

(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

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

(b) Others (note)

	2016 \$'000	2015 \$'000
Travel expenses	-	36
Expenses paid on behalf of related companies	-	118

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).

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

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

- 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.



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

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.



Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

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

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.



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

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 than 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.



Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

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.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

34 Statement of financial position of the Company

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

Approved and authorised for issue by the Board on 8 February 2017

Timothy Patrick McNally
Chairman

Philip Lee Wai Tuck
Chief Financial Officer

34 Statement of financial position of the Company (continued)

Note:

Capital and reserves of the Company

	Share capital \$'000	Treasury shares \$'000	Share premium \$'000	Convertible bonds \$'000	Capital redemption reserve \$'000	Capital contribution reserve \$'000	Accumulated losses \$'000	Total \$'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	28,375	-	278,438	-	151	55,000	(55,371)	306,593
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	30,750	-	395,981	378,888	151	55,000	(71,678)	789,092

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