

---

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

---

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

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities.

---



**NAGACORP LTD.**

**金界控股有限公司\***

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

**Stock code: 3918**

**VERY SUBSTANTIAL ACQUISITION,  
CONNECTED TRANSACTION,  
CONSIDERATION ISSUE,  
ISSUE OF CONVERTIBLE SECURITIES AND  
ISSUE OF SHARES UNDER A SPECIFIC MANDATE**

**Financial Adviser to the Company**



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



---

A letter from the Board is set out on pages 10 to 46 of this circular. A letter from the Independent Board Committee containing its recommendation is set out on pages 47 to 48 of this circular. A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, is set out on pages 49 to 89 of this circular.

A notice convening EGM to be held at Hennessy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Admiralty, Hong Kong, on Monday, 30 January 2012 at 2:30 p.m. or any adjournment thereof is set out on pages 173 to 174 of this circular. If you are not able to attend the EGM in person, please complete the form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event, not less than 48 hours before the time fixed for holding of the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish.

\* *for identification purposes only*

30 December 2011

---

## CONTENT

---

	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	10
Introduction .....	10
The Share Purchase Agreement .....	12
The Convertible Bonds .....	16
The Consideration Shares .....	18
Information on the issuance of Convertible Bonds and/or Consideration Shares .....	19
Information on the Target Companies .....	20
Information on the development of Projects .....	30
Reasons for and benefits of the Acquisition .....	37
Effect on the shareholding structure of the Company .....	39
Possible financial impact of the Acquisition .....	41
Risk factors .....	41
Prospects of the Enlarged Group .....	42
Listing Rules implications .....	45
Independent Board Committee and Independent Financial Adviser .....	45
EGM .....	45
Recommendations .....	46
Additional information .....	46
<b>Letter from the Independent Board Committee</b> .....	47
<b>Letter from the Independent Financial Adviser</b> .....	49
<b>Appendix I — Financial Information of the Group</b> .....	90
<b>Appendix II — Accountants' Report of TSC Inc.</b> .....	121
<b>Appendix III — Management Discussion and Analysis on TSC Inc.</b> .....	136
<b>Appendix IV — Unaudited Pro Forma Financial Information of the Enlarged Group</b> .....	138
<b>Appendix V — Valuation Report on the Property Interests of the Enlarged Group</b> ..	149
<b>Appendix VI — General Information</b> .....	166
<b>Notice of EGM</b> .....	173

---

## DEFINITIONS

---

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

“Acquisition”	the acquisition by the Company of 100% equity interest in TSC Inc. upon the Combined Completion, or the acquisition of 100% equity interest in each of the Target Companies where the Seller elects for the Split Completion pursuant to the Share Purchase Agreement;
“Anglo Chinese”	Anglo Chinese Corporate Finance Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, and the Independent Financial Adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Acquisition;
“associates”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Bondholder(s)”	the Seller or any assignee or transferee of the Convertible Bonds (or any of them) from time to time;
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong and Cambodia are generally open for banking business;
“BVI”	British Virgin Islands;
“Cambodia”	the Kingdom of Cambodia;
“Capital Restructuring”	any change from time to time in the nominal value of the issued share capital of the Purchaser whether as a result of a sub-division, consolidation, re-classification, re-construction or otherwise;
“CCAG”	China Central Asia Group Co. Ltd. CCAG is a Cambodian registered company controlled by a mainland Chinese construction group China Central Asia Group Ltd Co.. CCAG was the main contractor in the construction of the existing NagaWorld and its subsequent renovations and improvement. CCAG has a long-term relationship with NagaWorld for over 15 years. Projects completed by CCAG in Cambodia included the Headquarters of the Royal Cambodian Armed Forces and the New World Trade Building;
“CDC”	Council for the Development of Cambodia;

---

## DEFINITIONS

---

“City Walk Inc.”	TanSriChen (Citywalk) Inc., a private company established under the laws of the BVI as the wholly-owned subsidiary of TSC Inc., for the sole purpose of holding the NagaCity Walk Project and the Tourist Garden Undertaking where the Seller elects Split Completion;
“City Walk Shares”	shares representing the entire issued share capital of City Walk Inc. at the NagaCity Walk & Tourist Garden Completion Date;
“Colliers”	Colliers International (Hong Kong) Limited, an independent property valuer;
“Combined Completion”	completion of the sale and purchase of TSC Inc. Shares, where at the time of such completion, TSC Inc. holds the Property Interests of TSCLK Complex, NagaCity Walk and the Tourist Garden Undertaking;
“Combined Completion Date”	the fifth anniversary of the date of the Share Purchase Agreement or any other date (including an earlier date) to be agreed between the Seller and the Purchaser from time to time, being a date on or after the date on which the conditions to the Combined Completion have become satisfied or appropriately waived;
“Company” or “Purchaser”	NagaCorp Ltd., a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange;
“Completion”	the performance with regard to each of the Combined Completion or the Split Completion, as the case may be, by the parties of their respective obligations;
“Completion Date”	means the Combined Completion Date, NagaCity Walk & Tourist Garden Completion Date and the TSCLK Complex Completion Date or any one of them;
“Consideration”	the consideration payable in respect of the Acquisition pursuant to the Share Purchase Agreement;

---

## DEFINITIONS

---

“Concourse and Pedestrian Walkway”	sited on the road surface above the Underground Linkway of NagaCity Walk and running through the entire length of the Underground Linkway is the Concourse and the Pedestrian Linkway. The concourse on this road level is the portion of the space which shall be covered with structured glass compartments and a roof and shall be connected to the Underground Linkway by escalators or entrances/exits. Refreshment facilities will be offered in the structured glass compartments. The pedestrian walkway is the portion of space also sited on the road surface above the Underground Linkway and is sited outside the structured glass compartments running along the entire length of the Underground Walkway. The Concourse and Pedestrian Walkway is currently a public state property belonging to the RGC. The Concourse and Pedestrian Walkway may be reclassified into private property upon fulfilling certain conditions;
“Consideration Share(s)”	up to 1,566,282,107 ordinary shares of US\$0.0125 each in the issued share capital of the Purchaser (or their equivalent in the event of a Capital Restructuring) comprising the TSCLK Complex Consideration Shares and the NagaCity Walk & Tourist Garden Consideration Shares subject to the minimum public float requirements under the Listing Rules, with the balance of the Consideration being settled through the issue of the Convertible Bonds(s);
“Conversion Share(s)”	the shares in the issued share capital of the Purchaser to be issued by the Purchaser upon exercise by the Bondholder of the conversion rights attaching to the Convertible Bond(s);
“Convertible Bond(s)”	unsecured convertible bond(s) in the aggregate principal amount of up to US\$369,000,000 to be issued by the Purchaser to the Seller in one or separate tranches on the relevant Completion;
“Design and Build Agreement”	the turnkey construction agreement entered into between TSC Inc. and CCAG dated 7 November 2011 based on a design and build turnkey arrangement, details of which are set out in the section headed “Major development agreements”;
“Director(s)”	the director(s) of the Company;
“EGM”	an extraordinary general meeting of the Company to be held at Hennessy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Admiralty, Hong Kong on Monday, 30 January 2012 at 2:30 p.m. for the purposes of approving the Acquisition;

---

## DEFINITIONS

---

“Enlarged Group”	the Group following Completion;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HML”	HML Law Firm & Consultants, practising lawyers in Cambodia and legal advisers on Cambodian laws to the Company on legal due diligence on TSCLK Complex Site lease, NagaCity Walk lease, Tourist Garden Undertaking, and legal due diligence in respect of NagaWorld on long-term land lease and existing building and casino licence;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“IESIA”	Integrated environmental and special impact assessment;
“Independent Board Committee”	independent board committee of the Company comprising all independent non-executive Directors, established to give recommendation to the Independent Shareholders regarding the Acquisition;
“Independent Financial Adviser”	Anglo Chinese, independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Acquisition;
“Independent Shareholders”	the Shareholders except for Dr. Chen and his associates;
“km”	kilometers;
“Last Trading Day”	13 June 2011, being the last trading day prior to the signing of the Share Purchase Agreement, which took place after trading hours;
“Latest Practicable Date”	28 December 2011, being the latest practicable date for ascertaining certain information to be included in this circular;
“Listing Committee”	the listing sub-committee of the Board of the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	13 June 2016 or such other date as the Seller and the Company may agree in writing;
“MEF”	Ministry of Economy and Finance of Cambodia;
“MICE”	meeting, incentives (incentive tourism), conventions and exhibition;

---

## DEFINITIONS

---

“MLMUPC”	Ministry of Land Management, Urban Planning & Construction of Cambodia;
“MOC”	Ministry of Commerce of Cambodia;
“MOE”	Ministry of Environment of Cambodia;
“MOT”	Ministry of Tourism of Cambodia;
“MPP”	Municipality of Phnom Penh;
“NagaCity Walk”	a proposed two-level structure consisting of the Underground Linkway and the Concourse and Pedestrian Walkway. The Concourse and Pedestrian Walkway is currently a public state property belonging to the RGC with a possibility for reclassification into private property upon the fulfilment of certain conditions. Total gross floor area of NagaCity Walk is 15,778 sq m and it is sited just adjacent to the Purchaser’s existing property ‘NagaWorld’ in Phnom Penh, Cambodia;
“NagaCity Walk Project”	the proposed development and construction of the NagaCity Walk by TSC Inc., subject to certain conditions. At the election of the Seller, the long-term lease right to NagaCity Walk Project may be transferred to City Walk Inc. from TSC Inc. before the NagaCity Walk & Tourist Garden Completion;
“NagaCity Walk & Tourist Garden Completion”	completion of the sale and purchase of the City Walk Shares where at the time of such completion, City Walk Inc. holds the Property Interest to NagaCity Walk and committed on the Tourist Garden Undertaking;
“NagaCity Walk & Tourist Garden Completion Date”	the fifth anniversary of the date of Share Purchase Agreement or any other date (including an earlier date) to be agreed between the Seller and the Purchaser from time to time, being a date on or after the date on which the conditions to the NagaCity Walk & Tourist Garden Completion have become satisfied or appropriately waived;
“NagaCity Walk & Tourist Garden Consideration Shares”	up to 398,998,694 ordinary shares of US\$0.0125 each in the issued share capital of the Purchaser (or their equivalent in the event of a Capital Restructuring);
“NagaCity Walk & Tourist Garden Convertible Bonds”	Convertible Bonds in the principal amount of up to US\$94,000,000;
“NagaWorld”	the integrated casino, hotel and entertainment complex and the Purchaser’s existing property located in Phnom Penh, Cambodia, which is operated by the Company and further described in the valuation report in Appendix V to this circular;

---

## DEFINITIONS

---

“NEC”	National Election Committee of Cambodia;
“NEC Building”	the National Election Committee building which forms part of the obligations TSC Inc. is required to construct in exchange for the grant of the TSCLK Complex Site;
“OCM”	the Office of the Council Of Ministers of Cambodia;
“Projects”	the “TSCLK Garden City” comprising the TSCLK Complex Project and the NagaCity Walk Project;
“Project Architect”	Dr Tan LM Architect is based in Malaysia. Dr Tan Loke Mun is the principal of Dr Tan LM Architect in Malaysia. He holds a Bachelor of Arts (Arch), a Bachelor of Architecture (1st Class Honours) and a Doctorate degree from the University of Melbourne, Australia. He is a registered professional architect in Malaysia and Vietnam and has been in practice as a professional architect for more than 25 years. He is a past President of the Malaysian Institute of Architects (PAM), Member of the Board of Architects Malaysia and an Adjunct Professor of Architecture at University Putra Malaysia. Dr Tan received the Silver Medal, PAM Award for Architectural Excellence, Alteration and Addition Category in 2011 and was Winner in the 2S Architectural glass Award, PJ Exchange in the same year. The Projects and the Tourist Garden Undertaking will be the Project Architect’s first development in Cambodia;
“Project Management Consultancy Agreement”	the agreement dated 7 November 2011 entered into between the Seller and the Project Architect, who shall lead a team of professionals and shall oversee and monitor the successful completion of the relevant Projects and works, details of which are set out in the section headed “Progress of approval process — Major development agreements”;
“Project Managers”	the Project Architect or where applicable, the relevant qualified professionals and engineers as may be appointed by Project Architect responsible for monitoring the progress, quality and specification of the Projects;
“Property”	each of TSCLK Complex and NagaCity Walk and together the “Properties”;



---

## DEFINITIONS

---

“Property Interests”	with regard to the TSCLK Complex Site, the 99 years long-term lease granted by Sor Chor Nor No. 1481 dated 28 November 2011 to TSC Inc. which lease agreement has been entered into with the NEC on 15 December 2011 and with regard to NagaCity Walk, the long-term lease granted by Sor Chor Nor No. 650 to TSC Inc. (or at the election of the Seller, held by City Walk Inc.) which lease agreement shall be entered into with the MPP;
“RGC”	Royal Government of Cambodia;
“Sale Shares”	TSC Inc. Shares or TSC Inc. Shares and the City Walk Shares in the case of Combined Completion or Split Completion, respectively;
“Seller” or “Dr. Chen”	Tan Sri Dr. Chen Lip Keong;
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
“Share(s)”	ordinary share(s) of US\$0.0125 each in the issued share capital of the Company;
“Share Purchase Agreement”	the share purchase agreement dated 13 June 2011, as supplemented by a supplemental agreement dated 28 December 2011, entered into between the Company and the Seller whereby the Company has conditionally agreed to purchase the Sale Shares in the Target Companies and the Seller has conditionally agreed to sell the entire issued share capital in each Target Company;
“Shareholder(s)”	the shareholder(s) of the Company;
“Sor Chor Nor”	a high-level governmental directive issued by the Council of Ministers of the RGC where the relevant ministries or departments shall follow or implement; such Sor Chor Nors being granted to TSC Inc. including Sor Chor Nor No. 419 dated 6 April 2011, Sor Chor Nor No. 500 dated 29 April 2011, Sor Chor Nor No. 650 dated 2 June 2011, Sor Chor Nor No. 1142 dated 7 September 2011, Sor Chor Nor No. 1481 dated 28 November 2011 and including their subsequent issues (if any) approving land ownership or development of the Projects in accordance with applicable laws of Cambodia;
“Split Completion”	as opposed to Combined Completion, means the TSCLK Complex Completion and the NagaCity Walk & Tourist Garden Completion;
“sq m”	square metre;

---

## DEFINITIONS

---

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Companies”	TSC Inc. in the case of Combined Completion, or TSC Inc. and City Walk Inc., in the case of Split Completion, and “Target Company” means TSC Inc. or City Walk Inc., as the case may be;
“Tourist Garden”	a proposed landscaped park occupying a land area of 9,934 sq m located at the existing open ground owned by the MPP and adjacent to the Purchaser’s existing property “NagaWorld” in Phnom Penh City, Cambodia. TSC Inc. has merely undertaken an obligation to landscape and upon its completion, maintain a garden on the property of the Tourist Garden for public use, subject to formal agreement being entered into between TSC Inc. or at the election of the Seller, City Walk Inc. and the MPP;
“Tourist Garden Undertaking”	the proposed landscaping obligation of the Tourist Garden subject to formal agreement being entered into between TSC Inc., or at the election of the Seller, City Walk Inc. with the MPP;
“TSC Inc.”	TanSriChen Inc., the developer of the Projects as well as the legal and beneficial owner of the entire issued share capital of City Walk Inc. Dr. Chen is the sole shareholder of TSC Inc.;
“TSC Inc. Shares”	means shares representing the entire issued share capital of TSC Inc. where (i) in the case of Split Completion, only the Property Interest relating to TSCLK Complex will be held by TSC Inc. as at the TSCLK Complex Completion Date; and (ii) in the case of Combined Completion, both Property Interests relating to TSCLK Complex as well as NagaCity Walk will be held by TSC Inc. at the TSCLK Complex Completion Date;
“TSCLK Complex”	a proposed integrated complex comprising podium complex with retail and gaming facilities, conference and hotel facilities and a car park, with total gross floor area of 97,620 sq m adjacent to the existing NagaWorld;
“TSCLK Complex Completion”	completion of the sale and purchase of the TSC Inc. Shares, where at the time of such completion, TSC Inc. holds the Property Interest only to the TSCLK Complex;
“TSCLK Complex Completion Date”	the fifth anniversary of the date of Share Purchase Agreement or any other date (including an earlier date) to be agreed between the Seller and the Purchaser from time to time, being a date on or after the date on which the conditions to the TSCLK Complex Completion have become satisfied or appropriately waived;

---

## DEFINITIONS

---

“TSCLK Complex Consideration Shares”	up to 1,167,283,413 ordinary shares of US\$0.0125 each in the issued share capital of the Purchaser (or their equivalent in the event of a Capital Restructuring);
“TSCLK Complex Convertible Bonds”	Convertible Bonds in the principal amount of up to US\$275,000,000;
“TSCLK Complex Project”	the proposed development and construction of TSCLK Complex under a 99 years long-term lease of the TSCLK Complex Site granted to TSC Inc. under the TSCLK Lease Agreement;
“TSCLK Complex Site”	the land where the TSCLK Complex is to be situated, having a site area of 7,766 sq m and based on Sor Chor Nor Nos. 419, 500 and 1481, RGC has granted a 99 years long-term lease of the TSCLK Complex Site to TSC Inc., and TSC Inc has entered into a lease agreement with the NEC on 15 December 2011;
“TSCLK Lease Agreement”	the agreement on leasing the portion of 7,766 sq m of the land of NEC on Lot 1, National Assembly Road, Sankgat Tonle Basac, Khan Chamkar Morn, Phnom Penh for investment in construction of TSCLK Complex entered into between NEC and TSC Inc. on 15 December 2011 for a term of 99 years from the date of this agreement. Under the terms of the agreement, upon the expiry of the initial lease term of 99 years, the lease shall be automatically renewed at the option of TSC Inc. for another term in accordance with the laws of Cambodia;
“Underground Linkway”	the underground linkway which is approximately 300 metres in length and 17.5 meters in width linking the TSCLK Complex and the Tourist Garden, running along the portion of the entire length of NagaCity Walk, which shall be under a long-term lease to TSC Inc. The Underground Linkway is where the retail space is sited and shall be connected to the Concourse and Pedestrian Walkway by eight exits;
“US\$”	United States dollars, the lawful currency of the United States of America; and
“%”	per cent.

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

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

---

LETTER FROM THE BOARD

---



金界控股有限公司\*

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

Stock code: 3918

*Executive Directors:*

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

*Non-executive Director:*

Timothy Patrick McNally (*Chairman*)

*Independent Non-executive Directors:*

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

*Registered office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Principal office in Cambodia:*

NagaWorld Building  
Samdech Hun Sen Park  
Phnom Penh  
Kingdom of Cambodia

*Principal office in Hong Kong:*

Suite 2806, Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

30 December 2011

*To the Shareholders*

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION AND  
CONNECTED TRANSACTION**

**INTRODUCTION**

The Board announced that after trading hours of the Stock Exchange on 13 June 2011, the Company entered into the Share Purchase Agreement with the Seller whereby the Company has conditionally agreed to purchase the Sale Shares in the Target Companies and the Seller has conditionally agreed to sell the entire issued share capital in the Target Companies.

\* for identification purposes only

---

## LETTER FROM THE BOARD

---

The Consideration for the Sale Shares is US\$369,000,000 divided as between (a) the principal amount of US\$275,000,000 for the TSCLK Complex Project; and (b) the principal amount of US\$94,000,000 in respect of the NagaCity Walk Project as well as the Tourist Garden Undertaking. With respect to the Tourist Garden, it is a property owned by the MPP. TSC Inc. has merely undertaken an obligation to landscape and undertake the future maintenance of a garden on the property of the Tourist Garden for public use so long as TSC Inc. manages the TSCLK Complex. This obligation is subject to an agreement to be entered into between TSC Inc. or at the election of the Seller, City Walk Inc. and the MPP. The portion of Consideration for the Tourist Garden Undertaking represents the cost of its proposed landscaping. The cost of landscaping of the Tourist Garden is in the amount of US\$10,000,000 such case being included in the Consideration of US\$94,000,000.

The NagaCity Walk Project and the Tourist Garden Undertaking may or may not be completed before the completion of the TSCLK Complex Project. In order to provide the flexibility for the Company to generate rental revenue from the NagaCity Walk Project earlier, the Seller can elect either the Split Completion (meaning the completion of NagaCity Walk Project and the Tourist Garden Undertaking in advance of the TSCLK Complex Project) or the Combined Completion (meaning all three projects to be completed at the same time). As such, the Consideration for the Sale Shares in the principal amount of US\$94,000,000 may be regarded as City Walk Shares in the case of Split Completion, or TSC Inc. Shares in the case of Combined Completion, respectively. The following table illustrated such allocation of Consideration Shares under the Split Completion and the Combined Completion scenarios:

	<b>Split Completion</b>	<b>Combined Completion</b>
(a) TSC Inc. Shares	US\$275,000,000	US\$369,000,000
(b) City Walk Shares	<u>US\$94,000,000</u>	<u>Not applicable</u>
Total	<u>US\$369,000,000</u>	<u>US\$369,000,000</u>

The Acquisition constitutes a very substantial acquisition and a connected transaction of the Company under the Listing Rules. An Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition. The Seller and his associates will be required to abstain from voting on the resolution(s) approving the Acquisition at the EGM.

The purpose of this circular is to provide you with, among other things, (i) further details of the Acquisition; (ii) the letter from the Independent Board Committee to the Independent Shareholders and the recommendation of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition; (iii) the financial information of the Company and the accountants' report of TSC Inc.; (iv) unaudited pro forma financial information of the Enlarged Group; (v) an independent property valuation report of the Projects and the Tourist Garden Undertaking; and (vi) a notice of the EGM at which resolution will be proposed to consider and if thought fit, approve, inter alia, the abovementioned matters.

---

## LETTER FROM THE BOARD

---

### THE SHARE PURCHASE AGREEMENT

#### Date

13 June 2011, as supplemented by a supplemental agreement dated 28 December 2011

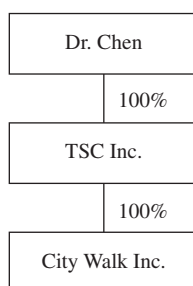
#### Parties

Purchaser : The Company

Seller : Dr. Chen who is the legal and beneficial owner of the Target Companies an executive Director and the Chief Executive Officer of the Company and a substantial shareholder of the Company. Dr. Chen is hence a connected person of the Company under the Listing Rules.

#### The Properties under Development

The Sale Shares, representing the entire issued share capital of the Target Companies, comprising (a) TSC Inc. Shares in relation to the development of the TSCLK Complex Project, and (b) TSC Inc. Shares or City Walk Shares in relation to the development of the NagaCity Walk Project and the Tourist Garden Undertaking. The following diagram illustrates the shareholding structure of the Target Companies as at the date of the Share Purchase Agreement:



#### Consideration

The Consideration for the Sale Shares is US\$369,000,000 divided as between (a) TSC Inc. Shares in the principal amount of US\$275,000,000 in relation to the development of the TSCLK Complex Project and (b) TSC Inc. Shares or the City Walk Shares in the principal amount of US\$94,000,000 in relation to the development of the NagaCity Walk Project and the Tourist Garden Undertaking, in the case of the Combined Completion and Split Completion, respectively. The portion of the Consideration being an estimated US\$10,000,000 for the Tourist Garden Undertaking represents the cost of its proposed landscaping.

---

## LETTER FROM THE BOARD

---

At the election of the Seller, the Consideration for the TSC Inc. Shares or, together with the City Walk Shares will be settled through the issue of:

- (a) the TSCLK Complex Consideration Shares and the NagaCity Walk & Tourist Garden Consideration Shares, respectively, by the Purchaser at an issue price of HK\$1.8376 per Consideration Share; or
- (b) the TSCLK Complex Convertible Bonds and the NagaCity Walk & Tourist Garden Convertible Bonds in lieu of the issue of the TSCLK Complex Consideration Shares and the NagaCity Walk & Tourist Garden Consideration Shares at the option of the Seller; or
- (c) such a combination of the TSCLK Complex Consideration Shares and the TSCLK Complex Convertible Bonds and a combination of the NagaCity Walk & Tourist Garden Consideration Shares and the NagaCity Walk & Tourist Garden Convertible Bonds as the Seller may at its sole discretion decide, subject to the minimum public float requirements under the Listing Rules and in accordance with the terms and conditions of the Share Purchase Agreement.

The issue price of the Consideration Shares and the conversion price of the Convertible Bonds are identical.

The Consideration was determined based on arm's length negotiations between the parties thereto taking into account, among other things, (i) the estimated costs of development of the Projects to be incurred as reviewed by Colliers, (ii) the valuation of the Projects upon its respective Completion prepared by Colliers; and (iii) the estimated landscaping costs comprising the Tourist Garden Undertaking as disclosed in Appendix V to the circular.

In terms of the "estimated costs of development" and "estimated landscaping costs", they were prepared by the Project Architect for the subject Projects with estimates based on a comparison method adjusted for inflation and current market rates. Reference has been made by Colliers to the unit construction and landscaping cost per sq m in the region. In terms of the valuation method, Colliers adopted a sales comparison approach based on current comparative market values. The valuation is based on the assumption of the sale of the project upon completion with the benefit of immediate vacant possession. In such case, Colliers took reference from comparable sales transactions available in the relevant markets in or near Phnom Penh City.

The original purchase or investment cost of the 100% interest in the Target Companies to be incurred by the Seller before Completion would be US\$369,000,000 on final Completion which represents, among others, the aggregate issued and paid up capital of the Target Companies. Such original purchase or investment cost is based on, the estimated costs of development with respect to TSCLK Complex and NagaCity Walk and estimated landscaping cost of the Tourist Garden, calculated by the Project Architect. The proposed development works and planning scheme with cost estimation provided have been reviewed by Colliers. In the event of costs overrun, the Consideration will still be capped at US\$369,000,000 and there will not be any pricing adjustments for actual increment of costs incurred by the Seller. Should the actual costs be lower than that incurred by the Seller, no pricing adjustments will be made as well. Pursuant to the Share Purchase Agreement, one of the

---

## LETTER FROM THE BOARD

---

conditions precedent is the delivery to the Purchaser of the audited accounts of the Target Companies, audited by the Purchaser's accountants, made up to a date that is within 60 days of Completion, showing, inter alia, a net asset value per share of such company equal to or in excess of the consideration amount of each relevant Sale Shares.

Further details of the Convertible Bonds and the Consideration Shares are set out in the sections headed "Convertible Bonds" and "Consideration Shares" below.

### **Conditions precedent**

Completion of the Share Purchase Agreement in respect of the Target Companies is conditional upon:

- (a) all Completion obligations and deliverables such as the issuance of the TSC Inc. Shares or the TSC Inc. Shares and City Walk Shares, relating to the relevant Combined Completion or Split Completion have been satisfied and delivered or any unfulfilled obligation or deliverable be appropriately waived;
- (b) the construction completion in relation to the relevant Projects has been achieved and certified by way of the issue of a certificate of practical completion issued by the Project Architect in accordance with the project plans applicable to each of the TSCLK Complex Project and the NagaCity Walk Project;
- (c) subject to formalisation of the agreement between TSC Inc. and MPP, the Tourist Garden Undertaking has been completed as certified by the Project Architect;
- (d) the Independent Shareholders of the Purchaser passing an ordinary resolution to increase (if requested) the authorised share capital of the Purchaser by an amount necessary to allot and issue all of the Consideration Shares and/or the Conversion Shares and an ordinary resolution to approve the Share Purchase Agreement and the transactions contemplated herein, at the EGM;
- (e) the relevant Property Interests having been duly obtained by the Target Companies in compliance with Cambodian laws on or before the relevant Completion;
- (f) all material representations and warranties made by the Seller where required to be repeated in accordance with the Share Purchase Agreement at the relevant Completion shall be true and accurate in all material respects at the time of the relevant Completion;
- (g) all material and necessary consents, authorisations, approval or other relevant agreement which may be required by the relevant Target Company from the relevant governmental, other competent regulatory authority or other relevant party for the consummation of the transactions contemplated by the Share Purchase Agreement having been obtained and any relevant regulatory or legal requirements and obligations to which the relevant Target Company is subject to having been satisfied including legal rights to the Property Interests;



---

## LETTER FROM THE BOARD

---

- (h) all requirements imposed by the Stock Exchange under the Listing Rules or otherwise in connection with or relating to the sale and purchase of the Sale Shares under the Share Purchase Agreement or ancillary matters relating thereto having been fully complied with (including the granting approval for the listing of, and permission to deal in, the relevant Consideration Shares and Conversion Shares by the Listing Committee of the Stock Exchange); and
- (i) delivery to the Purchaser of audited consolidated accounts of the Target Companies in the case of Combined Completion, and audited accounts of each of the Target Companies, in the case of Split Completion, audited by the Purchaser's accountants, made up to a date that is within 60 days of Completion, showing inter alia an aggregate net asset value of the Target Companies equal to or in excess of the consideration amount of the relevant Sale Shares.

The Company and the Seller shall use reasonable endeavours to procure the fulfilment of all the conditions as soon as practicable. The Company may not waive any condition, save and except for conditions (a), (c) and (f) which may be waivable by the Company by written notice to the Seller. The Seller is not entitled to waive any condition. The announcement of the Company on 13 June 2011 which stated that the Company can waive a condition has since been superceded by the supplemental agreement to the Share Purchase Agreement.

If any of the conditions is not satisfied (or, where appropriate, waived) on or before the Long Stop Date, the Share Purchase Agreement shall lapse, whereupon all rights and obligations of the parties shall cease to have effect except in respect of any accrued rights and obligations of the parties.

As at the Latest Practicable Date, certain consents and approvals under conditions (e) and (g) have been obtained. Please refer to the paragraph under "Progress of Approval Process" in the "Letter from the Board" section for further details. The other conditions shall be duly fulfilled by the parties to the Share Purchase Agreement on or before the relevant Completion Date, including the execution of the long-term lease agreement pertaining to NagaCity Walk. With the exception of the gaming licence where the Company has a monopoly within 200 km radius of Phnom Penh (except Sihanoukville, Bokor mountains and the Vietnam border) such rights being the existing rights of the Company, the approvals and other licences for the actual business operations of the Projects, such as licences for food and beverage and night clubs, would be the responsibility of the Enlarged Group after Completion. These are not covered by condition (g) to the Share Purchase Agreement.

### **Completion**

Completion consists of, at the election of the Seller, either (i) the Combined Completion; or (ii) the Split Completion. Where the Combined Completion is elected by the Seller, the Company will acquire TSC Inc. Shares where at Completion, TSC Inc. would have held the Property Interests as well as the commitment to the Tourist Garden Undertaking. In case Split Completion is elected by the Seller, the Company will acquire TSC Inc. Shares and City Walk Shares where at the relevant Completion, TSC Inc. would have held the Property Interests to TSCLK Complex and City Walk Inc. would have held the Property Interests to NagaCity Walk as well as the commitment to the Tourist

---

## LETTER FROM THE BOARD

---

Garden Undertaking. Each Completion shall take place on or before the fifth anniversary of the date of the Share Purchase Agreement of 13 June 2011 or, in each case, any other date to be agreed between the parties from time to time, being a date on or after the date on which the conditions to the relevant Completion have become satisfied or appropriately waived.

In the case of Split Completion, the TSCLK Complex Completion and NagaCity Walk & Tourist Garden Completion are not required to take place at the same time.

### CONVERTIBLE BONDS

The principle terms of the Convertible Bonds are as follows:

Issuer:	The Company
Bondholders:	The Seller
Principal Amount:	<p>The Convertible Bonds are to be issued in either one or two tranches at the election of the Seller, either (i) in one Combined Completion; or (ii) in Split Completion, as follows:</p> <ol style="list-style-type: none"><li>(1) TSCLK Complex Convertible Bonds: in the principal amount of up to US\$275,000,000; and</li><li>(2) NagaCity Walk &amp; Tourist Garden Convertible Bonds: in the principal amount of up to US\$94,000,000.</li></ol>
Units:	The Convertible Bonds to be issued in certificated form in units of US\$1,000,000.
Status:	The Convertible Bonds constitute direct, unconditional, unsecured obligations of the Purchaser and will rank pari passu with all future unsecured and unsubordinated obligations of the Purchaser.
Interest:	Variable rate and payable on the Convertible Bonds on an “as converted” basis i.e. interest on the Convertible Bonds will be equal to the dividend that would otherwise have been paid on the Conversion Shares into which the Convertible Bonds are convertible had the relevant conversion right been exercised prior to the record date applicable to the dividend declaration. Interest on the Convertible Bonds shall be paid at the same time as the Purchaser pays the relevant dividend to its shareholders.

---

## LETTER FROM THE BOARD

---

- Conversion Rights:** Convertible at any time, and from time to time, at the option of the Bondholder are subject to compliance with the SFO, the Listing Rules (including the Model Code for Securities Transactions by Directors of Listed Companies) and any other statutory and regulatory instruments. The Bondholder agrees and undertakes with the Purchaser, as one of the terms and conditions of the Convertible Bonds, that it will not be entitled to exercise its conversion rights attached to the Convertible Bonds for as long as the result of exercise of such conversion rights would result in a failure by the Purchaser to comply with the minimum public holding of the shares in the Purchaser under the prevailing Listing Rules. Save as disclosed above, there are no other conversion restriction.
- Conversion Price:** HK\$1.8376 per Conversion Share, subject to adjustment in the event of a Capital Restructuring. Such adjustment is a usual feature in convertible bond instrument of similar type. The adjustment will not render the Conversion Price falling below the nominal value of ordinary share in the Company at the material time.
- The Conversion Price of HK\$1.8376 per Conversion Share was determined with reference to, among others, the three-month volume weighted average closing price up to and including the Last Trading Day.
- Information about how the Conversion Price is compared with certain benchmark prices is available at the paragraph headed “Information on the issuance of Convertible Bonds and/or Consideration Shares”.
- Conversion Shares:** 1,566,282,107 Conversion Shares would be in issue on full conversion of the Convertible Bond based on a maximum principal amount of US\$369,000,000, being the price (translated from the US\$ principal amount of the Convertible Bond(s) at the fixed rate of exchange of HK\$7.80 = US\$1.00) at which the outstanding principal amount of the Convertible Bond(s) may be converted into ordinary shares in the share capital of the Purchaser.
- The Conversion Shares represent:
- approximately 75.23% of the existing issued share capital of the Company; and
- approximately 42.93% of the then issued share capital of the Company as enlarged by the conversion of the entire Convertible Bonds.

---

## LETTER FROM THE BOARD

---

Redemption:	The Bondholder is not entitled to request the Company to redeem the Convertible Bonds for cash.
Perpetuity:	The Convertible Bonds are to be issued on a perpetual basis with no maturity date.
Transferability:	The Convertible Bonds may be assigned or transferred in the individual units thereof in accordance with the provisions of the Convertible Bonds, subject to satisfaction or compliance with the conditions, approvals, requirements and any other provisions of or under (1) the Stock Exchange or their rules and regulations; (2) the approval for listing in respect of the Conversion Shares; and (3) all applicable laws and regulations.
Ranking of Conversion Shares:	The Conversion Shares issued on conversion of the Convertible Bonds will rank pari passu in all respects with all other shares in the share capital of the Purchaser then in issue and will entitle the Bondholders thereof to receive all future distributions which are declared, made or paid after the date of allotment of such Conversion Shares.
Voting:	Bondholder(s) will not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of being Bondholder(s).

### CONSIDERATION SHARES

Consideration Shares, if any, will be issued at HK\$1.8376, identical with the conversion price of the Convertible Bonds. 1,566,282,107 Consideration Shares will be issued on Completion if the entire Consideration of US\$369,000,000 is to be satisfied by Consideration Shares.

### SUPPLEMENTAL AGREEMENT TO THE SHARE PURCHASE AGREEMENT

The approval process of, and development schedule to the Property Interests are a continuing process. As progress has been made since the Share Purchase Agreement, the supplemental agreement to the Share Purchase Agreement (“**supplemental agreement**”) seeks to flesh out the terms of the Share Purchase Agreement and ensure more clarity be given on certain rights and obligations of the parties, the principal amendments are as follows:

(i) *Clarification of “Property Interests” under the Share Purchase Agreement*

The Share Purchase Agreement stated that the nature of the Property Interests to the TSCLK Complex, NagaCity Walk and the Tourist Garden are those stated under Sor Chor Nors nos. 419 and 650. The supplemental agreement seeks to elaborate on such property interests, that (i) under Sor Chor Nors nos. 419, 500 and 1481, a 99 years long-term lease has been granted by the RGC TSC Inc. in

---

## LETTER FROM THE BOARD

---

respect of the TSCLK Complex Site; and (ii) under Sor Chor Nor no. 650, a long-term lease has been granted to TSC Inc. in respect of the Underground Linkway. As regards the Tourist Garden, to clarify that the property interest remains with the MPP and TSC Inc. has merely undertaken to landscape and maintain the Tourist Garden for public use. As such, the wording of the condition with regard to the Tourist Garden Undertaking has been revised under the paragraph headed “Conditions precedent” as shown above.

(ii) *Mode of “Completion”*

The Share Purchase Agreement caters for “Split Completion” in that whichever of TSCLK Complex on the one hand (to be held by TSC Inc.) or NagaCity Walk/Tourist Garden Undertaking (to be held by City Walk Inc.) on the other hand be earlier completed, that project may be earlier completed and transferred to the Company independent of the other. The supplemental agreement additionally allows the Seller the option to complete both projects to be held under one entity only, being TSC Inc. in the “Combined Completion”.

(iii) *Conditions precedent not being waivable*

The conditions under the Share Purchase Agreement are stated thereunder as being waivable by the Company by written notice to the Seller. Under the supplemental agreement, most of the conditions precedent will no longer be waivable by the Company.

(iv) *Monitoring rights afforded to the Company*

The supplemental agreement further legalised the information rights of the Company on the progress and milestones of the Project.

### **INFORMATION ON THE ISSUANCE OF CONVERTIBLE BONDS AND/OR CONSIDERATION SHARES**

Completion of the Acquisition and completion of the issuance of Convertible Bonds and/or Consideration Shares, at the option of the Seller, will take place simultaneously with either (i) in one Combined Completion; or (ii) in Split Completion being, first, the construction and landscaping completions of, both the NagaCity Walk Project and the Tourist Garden Undertaking; and second, the construction completion of the TSCLK Complex Project. In circumstances where the allotment and issue of any of Consideration Shares would, when added to the number of shares in the issued share capital of the Purchaser then held by the Seller and his associates, mean that the Purchaser would fail to have the minimum public float, as prescribed from time to time by the Listing Rules, then the relevant number of Consideration Shares shall be scaled back to the number of shares in the hands of the Seller as would preserve the public float, with the balance of the Consideration being settled through the issue of a Convertible Bond or Convertible Bonds.

Application will be made by the Company to the Stock Exchange for the listing of and permission to deal in the Consideration Shares and the Conversion Shares which fall to be issued upon exercising of the conversion rights attaching to the Convertible Bonds. The Conversion Shares and the Consideration Shares shall be allotted and issued under a specific mandate of the Company. The

---

## LETTER FROM THE BOARD

---

Conversion Shares and the Consideration Shares, when issued and allotted, will rank pari passu in all respects with all the Shares then in issue. There will be no restriction on the subsequent sale of the Conversion Shares and the Consideration Shares. No application will be made by the Company to the Listing Committee for the listing of the Convertible Bonds.

The issue price of the Consideration Shares and the conversion price of the Convertible Bonds are identical, being HK\$1.8376 per Consideration Share and Conversion Share, respectively. Each of the issue price and the conversion price was determined after arm's length negotiations between the Company and the Seller, taking into account of the financial position of the Group and then prevailing trading price of the Shares. Each of the issue price and the conversion price represents:

- (a) the three-month volume weighted average closing price up to and including the Last Trading Day;
- (b) a discount of approximately 12.50% to the closing price of HK\$2.10 as quoted on the Stock Exchange on 13 June 2011, being the Last Trading Day;
- (c) a discount of approximately 10.80% to HK\$2.06 being the five-day volume weighted average closing price up to and including 13 June 2011, being the Last Trading Day;
- (d) a premium of approximately 44.92% over the unaudited consolidated net assets per share attributable to equity holders of the Company of approximately US cents 16.26 cents per Share (equivalent to approximately HK\$1.268) as at 30 June 2011; and
- (e) a discount of approximately 5.76% to the closing price of HK\$1.95 as quoted on the Stock Exchange on the Latest Practicable Date.

### INFORMATION ON THE TARGET COMPANIES

TSC Inc. is a limited company incorporated under the laws of the BVI established on 3 November 2010 to pursue and develop the Projects. As at the Latest Practicable Date, TSC Inc. has an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, and one share was issued and allotted and is fully paid or credited as fully paid.

TSC Inc. has obtained an approval from the OCM to lease or manage parcels of land from the RGC on which it proposes to develop the Projects. TSC Inc. has been established to pursue the Projects but subject to the level of administrative ease of transfer or assignment of the Projects with the relevant approving authority, the Seller retains the option of segregating the Projects into two components to be developed by individual Target Companies. Notwithstanding, the Projects may be pursued on a concurrent development time table. TSC Inc. has established a wholly-owned limited liability subsidiary incorporated under the laws of the BVI, City Walk Inc, on 7 June 2011, into which the NagaCity Walk Project and the Tourist Garden Undertaking be held so far as to facilitate an earlier transfer and assignment of the same to the Purchaser.

---

## LETTER FROM THE BOARD

---

The Target Companies are the holding companies principally engaged in the business of development and construction of the “TSCLK Garden City” comprising the TSCLK Complex, the NagaCity Walk and the Tourist Garden Undertaking in Phnom Penh City, Cambodia.

The table below sets out details of the Projects and the Tourist Garden Undertaking undertaken by TSC Inc. Please refer to the section headed “Relevant Projects Details” for further details:

<b>Name</b>	<b>Description of its proposed project/principal business</b>	<b>Interest held by the Target Companies</b>	<b>Date of incorporation</b>
TSC Inc. (to hold TSCLK Complex)	The proposed development and construction of the TSCLK Complex, a complex building consisting of hotel, entertainment, MICE facilities, retail, carpark, which has a site area of about 7,766 sq m. The total gross floor area of the Property is approximately 97,620 sq m and is expected to be completed in or about 2016.	100% held by Dr. Chen	3 November 2010
TSC Inc. (initially to hold NagaCity Walk, may be transferred to be held by City Walk Inc. at the option of the Seller)	The proposed development and construction of the NagaCity Walk, comprising the Underground Linkway which shall be leased to NagaCity Walk Inc. for a long-term lease and where the retail space is sited. This Underground Linkway is connected to the Concourse and Pedestrian Walkway by eight exits. NagaCity Walk is adjacent to the existing NagaWorld with a site area of about 7,889 sq m. NagaCity Walk is expected to be completed in or about 2016.	100% held by Dr. Chen	3 November 2010

---

## LETTER FROM THE BOARD

---

Name	Description of its proposed project/principal business	Interest held by the Target Companies	Date of incorporation
TSC Inc. (or City Walk Inc. at the option of the Seller)	The proposed Tourist Garden is located at the existing open ground which is owned by Phnom Penh City Hall and is sited along the Bassac River and opposite Hun Sen Park. According to the development scheme provided by the Seller, the Tourist Garden is proposed to be a landscaped park on public land with indigenous trees and plants. It has a site area of about 9,934 sq m.	The proposed Tourist Garden is a property owned by the MPP. TSC Inc. has merely undertaken an obligation to landscape and undertake future maintenance of a garden on the property of the Tourist Garden for public use, pending the formal agreement being entered into between TSC Inc. (or City Walk Inc. at the option of the Seller) and the MPP.	3 November 2010

TSC Inc. has received approval from the RGC for the development of the TSCLK Complex and NagaCity Walk. The development of the Projects is expected to commence in the first half of 2012 and is expected to be completed within 3 to 5 years of the date of the Share Purchase Agreement, being 13 June 2011. The total costs incurred in the accounts and books of TSC Inc. and City Walk Inc. up to 30 September 2011 are in aggregate approximately US\$17,300,000, comprising land premiums, master-planning fees and other professional fees.

The maintenance costs of the Concourse and Pedestrian Walkway on the ground level of the NagaCity Walk are expected not to be material. The Underground Linkway shall be private property leased by TSC Inc. or at the election of the Seller, City Walk Inc. and shall be maintained by the Enlarged Group. The future maintenance costs of the Tourist Garden shall also be a responsibility of the Enlarged Group. The details of maintenance costs of Tourist Garden have not been finalised.

In considering the maintenance costs of the Projects, both the Company and Colliers have not separately allocated specific maintenance costs to the Concourse and Pedestrian Walkway and the Tourist Garden. The maintenance costs of the Projects are running costs of the Projects in the normal business practice of property management such as employment of security guards which costs will not be further sub-divided into separate areas within the Projects. As such, Colliers considered the annual obligation costs to maintain the Tourist Garden and the Concourse and Pedestrian Walkway on the ground level of the NagaCity Walk after their relevant Completion are not material and thus had not taken these costs into consideration in the valuation of the Projects.

The Target Companies will become subsidiaries of the Company upon the respective Completions.



---

## LETTER FROM THE BOARD

---

### Financial Information of the Target Companies

The Target Companies will comprise TSC Inc. and City Walk Inc., a wholly-owned subsidiary established by TSC Inc. to facilitate Completion in two stages under the Split Completion.

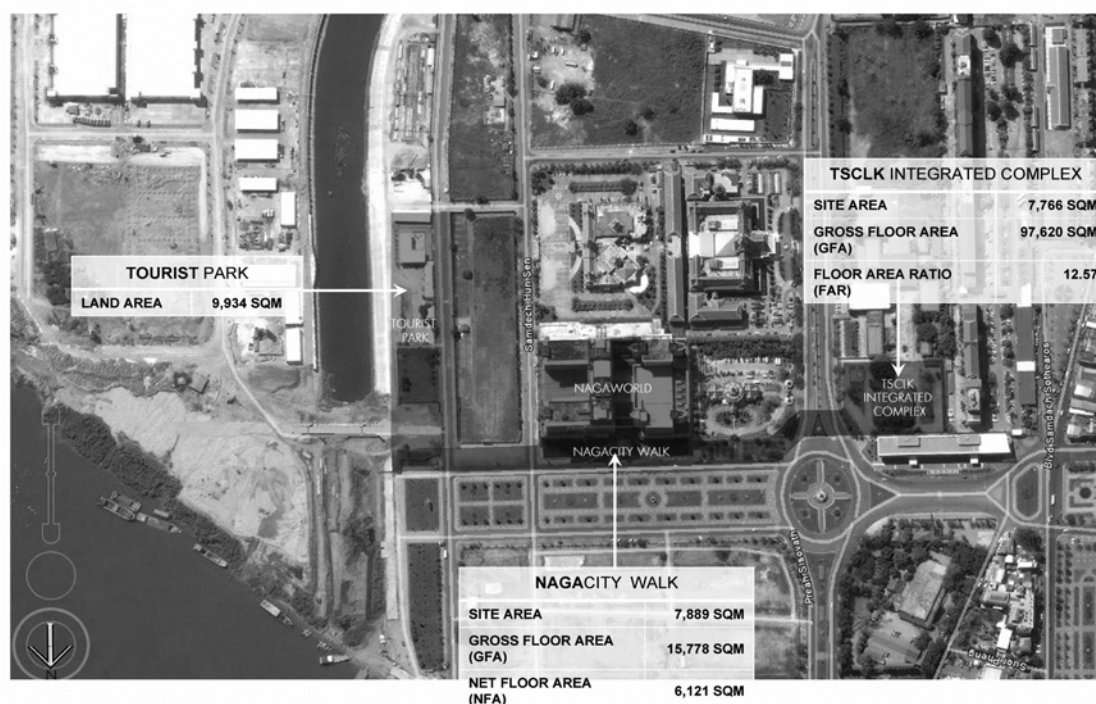
TSC Inc. was incorporated on 3 November 2010. From its inception to 30 November 2011, TSC Inc. did not conduct any business transaction, and its startup costs were borne by the Seller, being the sole shareholder of TSC Inc. City Walk Inc. was incorporated on 7 June 2011 and has not conducted any business transaction, and its startup costs were also borne by the Seller.

The accountants' report of TSC Inc. is set out in Appendix II to this circular.

### RELEVANT PROJECTS DETAILS

A location plan of the Properties and the Company's existing NagaWorld is shown below:

#### Approximate Location of the Property



---

## LETTER FROM THE BOARD

---

### TSCLK Complex

TSCLK Complex is located close to the junction of Boulevard Samdach Preah Sihanouk and Preah Sisovath, bounded by the Cambodia Korea Cultural Centre to its north, Belgium Honorary Consulate to its west and Sontepheap Book Store to its south. The Property abuts on a side road off Boulevard Samdach Preah Sihanouk and faces the Buddhist Institute.

According to the development scheme provided by the Seller, the proposed TSCLK Complex will be an entertainment complex comprising hotel, retail, MICE cum theatre and entertainment facilities, residential units and carpark. The site is generally leveled and roughly “L” shaped.

The approval granted by OCM of RGC for TSCLK Complex is a total gross floor area of approximately 97,620 sq m, a total net floor area of approximately 77,887 sq m and a height of approximately 92.6 metres. Based on this approval granted by OCM, the Project Architect has followed up and submitted a set of detailed drawings to the Phnom Penh City Hall and MLMUPC for implementation and the processing of technical compliance with the various relevant technical departments.

In terms of allocation of floor area, the usage of TSCLK Complex will be designated as follows:

<b>Usage</b>	<b>Gross Floor Area (sq m)</b>	<b>Net Floor Area (sq m)</b>
Hotel (expected to have 1,033 rooms)	43,003	32,705
Retail*/Gaming**	21,647	16,705
VIP private gaming suites** (expected to have 50 suites)	9,276	7,026
MICE/Theatre	2,325	2,134
Carpark (expected to have 532 car park spaces)	<u>21,369</u>	<u>19,317</u>
	<u>97,620</u>	<u>77,887</u>

\* The allocation of retail space is subject to confirmation of tenants at the material time.

\*\* The gaming space will be operated under the coverage of the gaming licence held by a wholly-owned subsidiary of the Company.

With the exception of the gaming business where the Company has a monopoly within 200 km radius of Phnom Penh (except Silhanouvike, Bokor mountains and the Vietnam border), the actual usage of TSCLK Complex after its completion would require further approvals and licences prior to the operation of the various businesses envisaged above. The Directors anticipate that the potential or target tenants for the retail areas within the TSCLK Complex will be mid to high-end retail tenants.

---

## LETTER FROM THE BOARD

---

The estimated development cost of TSCLK Complex is around US\$275,000,000, which includes costs for land premium, piling, structural, mechanical and electrical, architectural finishes, finance and other development costs. Such costs include the obligation of TSC Inc. to construct and develop the NEC Building. The Enlarged Group has no obligation to maintain the NEC Building as it will be managed by the NEC.

TSCLK Complex is expected to be completed by 2016. According to the legal opinion issued by HML, based on the relevant Sor Chor Nor No. 1481, the RGC has granted an approval in principle to TSC Inc., and TSC Inc. has obtained a 99 years long-term lease of the TSCLK Complex Site under the TSCLK Complex Lease Agreement. The deposit of US\$1,590,500 which has already been paid by TSC Inc. and the NEC building construction cost of US\$12,000,000 would be regarded as sufficient compensation for such long-term lease.

### **NagaCity Walk**

The proposed NagaCity Walk is located along the south sidewalk running along the fence of the Buddhist Institute and NagaWorld and will connect at its western end the TSCLK Complex to the Tourist Garden at its eastern end. Total gross floor area of the NagaCity Walk is 15,778 sq m and is sited just adjacent to the Group's existing property 'NagaWorld' in Phnom Penh City, Cambodia. This site is generally leveled and roughly rectangularly-shaped.

According to the development drawings provided by the Seller, the proposed NagaCity Walk consists of an underground level known as the Underground Linkway which is linked to the surface ground road level by eight exits. The Underground Linkway shall be leased to TSC Inc. for a long-term lease and is where the retail space is situated. The management of the Underground Linkway shall be by a joint committee set up by the Enlarged Group and the MPP especially from the safety aspect. The members of such joint committee have not been determined, but are expected to comprise majority members drawn from the Enlarged Group.

TSC Inc. is permitted by RGC to build glass compartments covering the tunnel entrances/exits with roof connecting from one entrance/exit to another. The surface road level of the entire length of the NagaCity Walk is the Concourse and Pedestrian Walkway. It is a public state property belonging to the RGC. The Concourse and Pedestrian Walkway may be reclassified into private property upon the fulfilment of certain conditions. There is no present intention by TSC Inc. to apply for the reclassification of the Concourse and Pedestrian Walkway into a private property to allow for free public access and thus congregate business activities for NagaCity Walk. The Company and the Seller have agreed in the supplemental agreement to the Share Purchase Agreement that if the Company has such an intention the Seller will use his best endeavours to procure TSC Inc. to apply for such reclassification and subject to the approval of the RGC, further facilitate the ensuing property interest be held by TSC Inc. or the Enlarged Group.

---

## LETTER FROM THE BOARD

---

The proposed NagaCity Walk Project has a total gross floor area of approximately 15,778 sq m for retail use with a total net floor area of 6,121 sq m (excluding public and common areas). The floor area breakdown is as follows:

<b>Level</b>	<b>Gross Floor Area (sq m)</b>	<b>Net Floor Area (sq m)</b>
Road Level Floor or Concourse and Pedestrian Walkway	7,889	1,568
Lower Ground Floor or Underground Linkway (with retail space)*	<u>7,889</u>	<u>4,553</u>
Total	<u>15,778</u>	<u>6,121</u>

\* The allocation of retail partitioning and thus number of retail shops is subject to confirmation of tenants at the material time.

NagaCity Walk Project is expected to be completed by 2016. According to the legal opinion issued by HML, based on the relevant Sor Chor Nor No. 650, the RGC has granted an approval in principle to TSC Inc. for a long-term lease over the Underground Linkway of the NagaCity Walk subject to the execution of a lease agreement with MPP and the payment of compensation to be assessed by the Privatisation Commission of MEF. Upon advice by MLMUPC and MPP and as per the letter dated 12 August 2011 submitted to Prime Minister from the Minister of MLMUPC and Phnom Penh City Governor, the Company has opted for the grant of a long-term lease.

The potential or target tenants for the retail space are expected to be mid to high end retail and food and beverage tenants.

The estimated construction cost of NagaCity Walk is US\$94,000,000 which includes the Underground Linkway, Concourse and Pedestrian Walkway, land premium cost, architectural finishes and finance costs.

### **Tourist Garden**

The proposed Tourist Garden will be located at the existing open ground which is owned by Phnom Penh City Hall and is sited along the Bassac River and opposite Hun Sen Park. According to the development scheme provided by the Seller, the proposed Tourist Garden will be a landscaped park with indigenous trees and plants. It has a site area of about 9,934 sq m. The site is generally levelled and roughly rectangular shaped. The Tourist Garden Undertaking is expected to be completed by 2016.

The proposed Tourist Garden is a property owned by the MPP. TSC Inc. has merely undertaken an obligation to landscape and undertake the future maintenance of a garden on the property of the Tourist Garden for public use, pending formal agreement being entered into between TSC Inc. and the MPP. Details of the future maintenance costs of the Tourist Garden have not been finalised. The maintenance costs of the Tourist Garden which shall be the responsibilities of the Enlarged Group, are expected not to be material.

---

## LETTER FROM THE BOARD

---

### MAJOR DEVELOPMENT AGREEMENTS

To facilitate the developments of the Projects, TSC Inc. has entered into a Design and Build Agreement with the CCAG on 7 November 2011 for a total consideration of US\$369,000,000. This includes the costs incurred in the accounts and books of TSC Inc. of US\$17,300,000 for land cost, master planning fee and fee paid to the Project Architect. CCAG has undertaken to complete the TSCLK Complex Project, the NagaCity Walk Project and the landscaping of Tourist Garden within a period of three years with extension of another one year subject to the sole discretion of TSC Inc. In order to ensure TSC Inc. meet the completion deadline under the Share Purchase Agreement, TSC Inc. requires an earlier completion date from CCAG, which is stipulated to be within an initial period of three years extendable by TSC Inc. by another year. This conservative approach allows additional cushion of time period to obtain relevant governmental approvals to fulfill the terms of the Share Purchase Agreement. TSC Inc. has also entered into a Project Management Consultancy Agreement with the Project Architect on 7 November 2011, a Malaysian architect firm, which will lead a team of professionals and will oversee and monitor the successful completion of the Projects on time and in accordance with quality, progress and specifications as laid down by the Seller. Details on the two separate agreements in respect of the development of the Projects are as follows:

#### 1. Design and Build Agreement

Under the Design and Build Agreement, the obligations of the CCAG will be stipulated as follows:

- a) A design and build turnkey contract with a fixed lump sum cost of US\$369,000,000;
- b) A fixed construction period of three years (and any extended time) failing which the contractor shall pay liquidated damages of US\$100,000 a day to TSC Inc.;
- c) To design development and construction drawings of contract works;
- d) Manage the construction of the Projects and the Tourist Garden Undertaking, including liaison with relevant Cambodian authorities;
- e) Provision of all materials as specified by the Project Managers;
- f) Provision of management manpower and construction labour and at the CCAG's own costs, the tools, implements, plants and all things necessary for the proper carrying out and completion of the works;
- g) Responsible for all finance and purchases of materials, inclusive of any adverse fluctuations of exchange losses incurred as a result of procurement of materials;

---

## LETTER FROM THE BOARD

---

- h) Interest costs of all finances required to complete the Projects and the Tourist Garden Undertaking; and
- i) Completion of the Projects and the Tourist Garden Undertaking on time and as per quality, progress and specifications laid down by the Project Managers.

### 2. Project Management Consultancy Agreement

The Project Architect shall lead a team of professionals to oversee and monitor the successful and on time completion of the Projects and the Tourist Garden Undertaking and in accordance with quality, progress and specifications as laid down in the Design and Build Agreement. The responsibility of the management of the Projects and the Tourist Garden Undertaking by TSC Inc. is principally passed on to the Project Managers who shall manage the Projects and the Tourist Garden Undertaking together with a team of engineers and other construction managers appointed by the Project Architect through the Project Management Consultancy Agreement. The Project Managers will monitor the quality and specifications of the Projects by way of periodic project status reports, and construction progress certificates issued by Project Architect and advised to TSC Inc. on a timely basis. TSC Inc. shall promptly and in writing keep the Company informed of the progress and milestones of the construction of the Projects and the Tourist Garden Undertaking, the construction of the NEC Building and the obligation as regards the Concourse and Pedestrian Walkway as soon as possible in form and substance akin to that informed and reported to it by the Projects, so that the Directors, especially the independent Directors who may, if necessary, further employ other professionals to counter check on such professional reports. The fee payable under the Project Management Consultancy Agreement is approximately US\$5,000,000 which will be borne by the Seller.

The scope of services of the Project Management Consultancy Agreement are briefly indicated as follows:

- (i) Reporting to the Seller as the Seller's technical representative responsible for the overall management of the Projects and the Tourist Garden Undertaking within the limits of authorisation issued by the Seller;
- (ii) Advising the Seller on all matters related to the Projects and the Tourist Garden Undertaking, and obtaining the Seller's approvals on specific items such as time and cost variance, design changes, tender awards etc;
- (iii) Periodically reporting to the Seller on the Projects and the Tourist Garden Undertaking status on all matters related to design, construction, time, cost, quality, safety and approvals;
- (iv) Prepare, design and tender drawings for both civil and structural works;
- (v) Ensuring that the Seller's requirements are identified and transmitted to the design team and obtaining the best design solutions;

---

## LETTER FROM THE BOARD

---

- (vi) Monitoring the production of design and the contraction process against specified programmes;
- (vii) Preparing estimates of construction costs;
- (viii) Preparing and submitting the documents to the approving authorities;
- (ix) Responsible for supervising construction works;
- (x) Inspecting and testing of materials and equipment;
- (xi) Monitoring the production and quality with input from the resident quality assurance and quality control staff;
- (xii) Advising the Seller on the assessment and analysis of any extension of time claims;
- (xiii) Enabling certification of various stages of works; and
- (xiv) Monitoring the project construction team by ensuring overall coordination, policy of roles and responsibilities, and progress on the project.

TSC Inc. shall be responsible for obtaining all the necessary approvals from the relevant authorities and has submitted the schematic design of the architectural plans of the Projects to Phnom Penh City Hall and MLMUPC in order to comply with technical details and guidelines as laid down by the authorities of RGC. The Seller anticipates that the expected time for the completion of the Projects will fall within the terms of the Design and Build Agreement with CCAG, being within the stipulated period of three years extendable by one year at the option of TSC Inc.

Both the Design and Build Agreement and Project Management Consultancy Agreement will include and has included the obligations as regards the construction of the NEC Building, the obligation as regards the Concourse and Pedestrian Walkway and the Tourist Garden Undertaking. The said agreements do not include the obligations to maintain. The maintenance of the Tourist Garden and the Concourse and Pedestrian Walkway shall be responsibility of the Enlarged Group after the relevant Completion.

CCAG is a Cambodian registered company controlled by a mainland Chinese construction group China Central Asia Group Ltd Co.. CCAG was the main contractor in the construction of the existing NagaWorld and its subsequent renovations and improvement. CCAG has a long-term relationship with NagaWorld for over 15 years. Projects completed by CCAG in Cambodia included the Headquarters of the Royal Cambodian Armed Forces and the New World Trade Building.



---

## LETTER FROM THE BOARD

---

The Project Architect of Dr Tan LM Architect is based in Malaysia. Dr Tan Loke Mun is the principal of Dr Tan LM Architect in Malaysia. He holds a Bachelor of Arts (Arch), a Bachelor of Architecture (1st Class Honours) and a Doctorate degree from the University of Melbourne, Australia. He is a registered professional architect in Malaysia and Vietnam and has been in practice as a professional architect for more than 25 years. He is a past President of the Malaysian Institute of Architects (PAM), Member of the Board of Architects Malaysia and an Adjunct Professor of Architecture at University Putra Malaysia. Dr Tan received the Silver Medal PAM Award for Architectural Excellence, Alteration and Addition Category in 2011 and was Winner in 2S Architectural glass Award, PJ Exchange in the same year. The Projects and the Tourist Garden Undertaking will be the Project Architect's first development in Cambodia.

As at the Latest Practicable Date, each of CCAG and Dr Tan LM Architect did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, and it was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to an member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2010, being the date to which the latest published audited accounts of the Company were made up. As at the Latest Practicable Date, each of CCAG and Dr Tan LM Architect and their respective ultimate beneficial owners are independent third parties of the Company and its connected persons.

### INFORMATION ON THE DEVELOPMENT OF PROJECTS

Set out below is the latest information on the development of the Projects in relation to the legal and regulatory requirements and progress of approval process:

### MAJOR LEGAL AND REGULATORY REQUIREMENTS

According to the legal opinion issued by HML, the key licences/approvals required for the following projects are listed below, together with the current application/approval status:

#### *TSCLK Complex:*

- Long-term Lease
  - Sub-decree on reclassification of the said plot of land from State public property to State private property (approved on 7 March 2011);
  - Sor Chor Nor No. 1481 approving the grant of the 99 years long-term lease to TSC Inc. over the TSCLK Complex Site dated 28 November 2011, and in addition the execution of the TSCLK Lease Agreement.



---

## LETTER FROM THE BOARD

---

- Investment in the Projects under the Law on Amendment of the Law on Investment of the Kingdom of Cambodia dated 24 March 2003
  - Conditional Registration from CDC which issues a conditional registration certificate of the investment project to construct a world class hotel and commercial centre as a qualified investment project (“Qualified Investment Project”) (obtained on 8 June 2011);
  - Final Registration Certificate as Qualified Investment Project from CDC (approved on 13 July 2011);
  - Company Registration Certificate from MOC (approved on 26 August 2011); and
  - Procedural filing of Articles of Association with MOC (completed on 26 August 2011); and
  - VAT Registration Certificate (approved on 19 October 2011) and the Patent Commercial Registration Certificate no. Inv. 2053E/2011 (approved on 3 October 2011) have been obtained from MEF.

As advised by the Project Architect, the key licenses/approvals in respect of the following are listed below, together with the current application/approval status:

- Construction and Development of Projects
  - Letter from the MPP dated 12 September 2011 has approved the building plans submitted by the Project Architect;
  - Letter no. DNS/AND dated 21 October 2011 from MLMUPC approving the set of building plans submitted by the Project Architect;
  - Letter of Commencement of Construction Order has been obtained on 28 October 2011 from MLMUPC; and
  - Certificate of Completion for the Project from MLMUPC shall be issued on completion of the Project.

The permits listed above are mandatory for commencement of construction. The last permit is only available upon completion of the Project. Failure to obtain such permits means the commencement of construction is not approved and in the case of material violation, judicial proceedings may be brought with the work equipment being confiscated.

---

## LETTER FROM THE BOARD

---

### *NagaCity Walk:*

According to the legal opinion issued by HML, the key licenses/approvals in respect of the following are listed below, together with the current application/approval status:

- Long-term Lease
  - Sub-decree on Reclassification the Underground Linkway from State public property to State private property which is still pending;
  - Sor Chor Nor No. 650 approving the Underground Linkway on 2 June 2011; and
  - Land price set by Privatization Committee and lease agreement between MPP and City Walk Inc. is pending. Failure to pay the land price or enter into the lease agreement will not confer any long-term lease right to City Walk Inc.

As advised by the Project Architect, the key licenses/approvals in respect of the following are listed below, together with the current application/approval status:

- Construction and Development of Projects
  - Construction and Development Permit from MLMUPC is pending;
  - Letter of Commencement of Construction Order from MLMUPC is pending; and
  - Certificate of Completion for the Projects from MLMUPC shall be issued on Completion.

These first two permits are mandatory for commencement of construction. Failure to obtain such permits means the construction is not approved and in the case of material violation, judicial proceedings may be brought with the work equipment being confiscated.

The Company understands from the Seller that the timing for the above licences, approvals and permits to be obtained may be a matter of months from the date of this circular. Based on current progress as reported by TSC Inc., the Company does not expect any impediment in obtaining the key licences and approvals. Having said that, it is stated as part of the conditions precedent for the consummation of the Acquisition that relevant authorisations or other approvals which may be required by TSC Inc. from any relevant governmental, other competent regulatory authority or other relevant party for the Acquisition must be obtained by the Seller.

The consideration of the 99 years long-term lease of the TSCLK Complex Site shall be for a total consideration of US\$13,590,500. As per approval granted by Sor Chor Nors No. 500 and 1481, US\$1,590,500 in cash has been paid to the MEF by TSC Inc. MEF shall only require the payment of the balance of US\$12,000,000 in kind in the form of an undertaking from TSC Inc. to construct the NEC Building. TSC Inc. or the Enlarged Group has no obligation to maintain the NEC Building as it

---

## LETTER FROM THE BOARD

---

will be handed over to the NEC upon its completion and its management shall be in the hands of the management of NEC. The Underground Linkway shall be a private property and shall be solely maintained by the Enlarged Group. The Concourse and Pedestrian Walkway which is for public and pedestrian use is also maintained by the Enlarged Group.

As per Sor Chor Nor No. 650, the determination of the amount of lease of the Underground Linkway to be paid by TSC Inc. is under process and the lease cost is yet to be determined by the Privatisation Committee of the MEF. The total consideration will not be subject to any refund or reimbursement.

### ***Tourist Garden:***

The applicable licences or approval over the landscaping right of the Tourist Garden and its future maintenance is to be confirmed, pending formalisation of landscaping agreement between TSC Inc. or at the election of the Seller, City Walk Inc. and MPP.

### **PROGRESS OF APPROVAL PROCESS**

#### ***TSCLK Complex:***

The TSCLK Complex Project is expected to be completed by 2016. According to the legal opinion issued by HML, the RGC has granted TSC Inc. the 99 years long-term lease of the land which is the site for TSCLK Complex. The TSCLK Complex Lease Agreement has also been executed.

With respect to TSCLK Complex, the following approvals have been obtained:

1. Sub-decree No. 38 ANkr.BK dated 7 March 2011 on reclassification of the said plot of land from State Public Property to State Private Property;
2. Sor Chor Nors No. 500 dated 29 April 2011 and No. 1481 dated 28 November 2011 from OCM agree to the following:
  - a. prior to the construction of the NEC building and TSCLK Complex, TSC Inc. shall submit to CDC for registering as qualified investment company (approved on 13 July 2011);
  - b. TSC Inc. shall comply with all law and formalities as set by CDC and OCM;
  - c. TSC Inc. to comply with the MEF's instruction to pay the full amount of US\$1,590,500 in advance to the Privatization Account as a form of deposit and commitment to the MEF. TSC Inc. has already paid the said amount on 5 April 2011; and
  - d. TSC Inc. to comply with MEF's instruction on construction of the NEC Building at an amount of US\$12,000,000.

---

## LETTER FROM THE BOARD

---

3. Sor Chor Nor No. 650 dated 2 June 2011 from OCM has approved as following:
  - a. the construction of the NEC building and TSCLK Complex is permitted with architectural plans as may be approved by RGC;
  - b. the construction of the Underground Linkway is permitted on condition that it shall bear eight exits and any construction above the ground is not permitted. However the issue of construction above ground has been subsequently permitted and replaced via Sor Chor Nor No. 1142 dated 7 September 2011. In respect of the portion of the Underground Linkway below the public road at the junction leading to the Parliament House, construction activity shall be timed and shall take a period of about six months so as to minimize disturbance to the public. The management of the Underground Linkway shall be by a joint committee set up by NagaWorld after Completion as shareholder of TSC Inc. and the MPP;
  - c. with regard to the rights over the Underground Linkway, which is State public property; upon its reclassification, will be converted to a right to be granted to TSC Inc. on long-term lease;
  - d. regarding the amount of payment of the lease of the Underground Linkway to be made to the RGC, it shall be reviewed and calculated by Privatisation Commission of Ministry of Economy and Finance for final submission to the Prime Minister of the RGC for approval.
  
4. Sor Chor Nor No. 1142 dated 7 September 2011 from OCM has approved the following:
  - a. permit the construction of a glass-walling compartments covering the tunnel entrance/exit and a roof covering of height 6 metres connecting from one exit to another for the entire eight exits to protect the public from rain.
  - b. the glass structure and the roof covering to improve the beauty of the Hun Sen Garden sited in front of NagaWorld.
  
5. (i) Sor Chor Nor No. 1481 dated 28 November 2011 from OCM has approved the following:
  - a. agree on the choice of a long-term from NEC to TSC Inc. for a period of 99 years.
  - b. the payment of US\$1,590,500 and the NEC building construction cost of US\$12,000,000 would be compensation for such long-term lease.
  
- (ii) The TSCLK Complex Lease agreement have been executed.

---

## LETTER FROM THE BOARD

---

6. Conditional Registration Certificate No. 1203/11 dated 8 June 2011 on Qualified Investment Project from CDC, which issues a Conditional Registration Certificate of the Investment Project to construct a world class hotel and commercial center as a Qualified Investment Project. The process for the Company to comply include:
  - a. Taxation Department of MEF to fulfill all tax obligations;
  - b. to sign the Contract on Environment Protection or IESIA Reports with the Ministry of Environment;
  - c. apply for license related to the business objectives with the Ministry of Tourism;
  - d. obtain the approval on master plan with the MLMUPC;
  - e. to obtain the approvals with the MPP on the construction plan for the building located in their respective jurisdiction;
  - f. obtain agreement on master plan, architecture aspect of the building from all-level competent authorities;
  - g. prepare separate account for each sub-project; and
  - h. fully respect Labor Law of Cambodia.
  
7. Final Registration Certificate No. 1536/11 CDC dated 13 July 2011 on Qualified Investment Project from CDC, which issues a Final Registration Certificate of the Investment Project to construct a world class hotel and commercial center as a Qualified Investment Project. CDC requires TSC Inc. to:
  - a. continue to duly comply with the relevant laws and regulations and fully comply with the documents and conditions as stipulated in the Conditional Registration Certificate;
  - b. obtain agreement on the building and master plan from all-level competent authorities;
  - c. prepare and submit Contract for Environment Protection or IESIA to Ministry of Environment;
  - d. provide an adequate parking space;
  - e. submit importation request;

---

## LETTER FROM THE BOARD

---

- f. prepare and submit reports:
  - i. on fiscal matters as required under Art. 104 of Fiscal Law;
  - ii. on exemption of customs duty on imported production materials and construction materials;
  - iii. on annual financial activities;
  - iv. a Certificate of Tax Obligation Satisfaction from the Tax Department; and
  - v. Report on exact importation of equipment and materials every three months.
  
- 8. The approval dated 21 October 2011 from MLMUPC granted to the Seller to construct the NEC Building and TSCLK Complex and stating that, amongst others, to:
  - a. for NEC Building, arrange separate car park from the TSCLK Complex;
  - b. arrange proper drainage system, fire prevention system and emergence exits;
  - c. comply with the content as stipulated in the construction permit and the regulations in the architectural drawings; and
  - d. obtain structural drawings for construction site opening permit from the MLMUPC.

### ***NagaCity Walk:***

With respect to NagaCity Walk, Sor Chor Nor No. 650 dated 2 June 2011 from OCM granting approval on the project has been obtained. Please refer to the paragraph “TSCLK Complex” under the section headed “Progress of Approval Process” above.

In the case of NagaCity Walk, since TSC Inc. has requested a long-term lease on the Underground Linkway, payment of compensation and entering into the lease agreement are necessary in obtaining the long-term lease rights.

### ***Tourist Garden:***

No approval has been obtained given that the formal agreement as regards Tourist Garden is yet to be entered into between TSC Inc. or at the election of the Seller, City Walk Inc. and MPP.

---

## LETTER FROM THE BOARD

---

### DEVELOPMENT OF THE PROPERTIES

The Seller has engaged the Project Architect to prepare the necessary architectural and development plans for submission to the Phnom Penh City Hall and MLMUPC in order to comply with technical details and guidelines as set by authorities of RGC. The Seller anticipates that the estimated time for the development of the Projects and the Tourist Garden Undertaking will be approximately 3 to 5 years.

### REASONS FOR AND BENEFITS OF THE ACQUISITION

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

The Company has contemplated to expand NagaWorld to add further gaming and non-gaming space such as hotel, retail, entertainment and other related facilities for its guests through this Acquisition and to complement the existing NagaWorld.

The Directors are of the view that the Projects will enhance and complement the Company's existing NagaWorld in Phnom Penh City. As and when the Projects are completed, such being certified by the Project Managers before the issuance of the Consideration Shares and/or Convertible Bonds, the audited net asset value of the Target Companies would be required to be equal to or in excess of the Consideration, as a condition under the Share Purchase Agreement.

Settlement of the Consideration by Consideration Shares and/or Convertible Bonds relieves the Company of the pressure to secure sufficient financing to commit to the development of the Projects and the Tourist Garden Undertaking, taking into account the financial position and market capitalisation of the Company. The Consideration of US\$369,000,000 was determined with reference to, among others, the estimated relevant costs of development of the Projects and the landscaping costs of the Tourist Garden Undertaking computed on the basis of current costs. The audited net asset value of the Company was approximately US\$309,000,000 as at 31 December 2010 and the Company had a market capitalisation of approximately HK\$4,372,000,000 (equivalent to approximately US\$561,000,000) as at the date of the Share Purchase Agreement, i.e. 13 June 2011.

Even with the obligations of the construction of the NEC Building, the Concourse and Pedestrian Walkway and the Tourist Garden Undertaking, these obligations are part and parcel of the rights to the Properties which in fact will beautify the vicinity and attract visitors and tourists.

---

## LETTER FROM THE BOARD

---

Further, the Directors are of the view that the Acquisition is in line with the business strategy of the Company to expand its existing businesses. The Directors are optimistic about the development potential of the Target Companies and opine that the Acquisition will enhance the Company's competitiveness, further strengthen the Company's reputation within the industry and improve its overall financial performance.

The Company has not undertaken to develop the Projects on its own for the following reasons:

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

In addition, the Company opts to enter a Share Purchase Agreement before the commencement of construction of the Projects, as the Company has sound business reasons to do so. The Company is of the opinion that since it has early intentions to expand its existing NagaWorld, the grant of the land to TSC Inc. and the development of the entertainment complex in such close proximity would be beneficial to NagaWorld. Furthermore, there are no significant financial commitments to the Company and the signing of the agreement secures a timely expansion of the Company in need of more world class facilities and to stand as an international entertainment entity in face of stiffer regional competition.



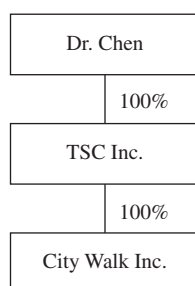
## LETTER FROM THE BOARD

Having considered the abovementioned reasons and benefits of the Acquisition together with the current financial position of the Company, the Directors (including the independent non-executive Directors having regard to the advice from Anglo Chinese), are of the view that the terms of the Share Purchase Agreement are normal commercial terms and are fair and reasonable and that the Acquisition is in the interests of the Company and the Shareholders as a whole.

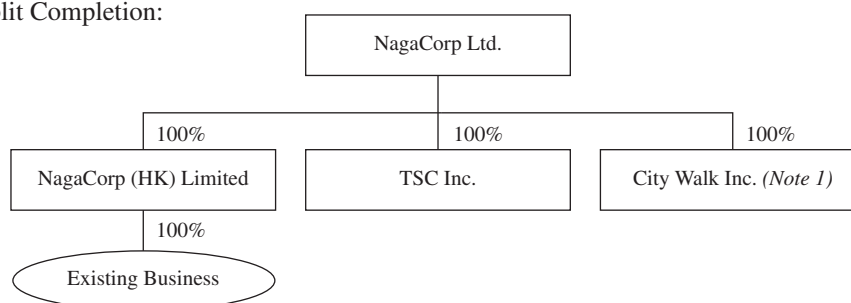
### EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following diagram illustrates the shareholding structure of the Target Companies as at the Latest Practicable Date and immediately upon Completion:

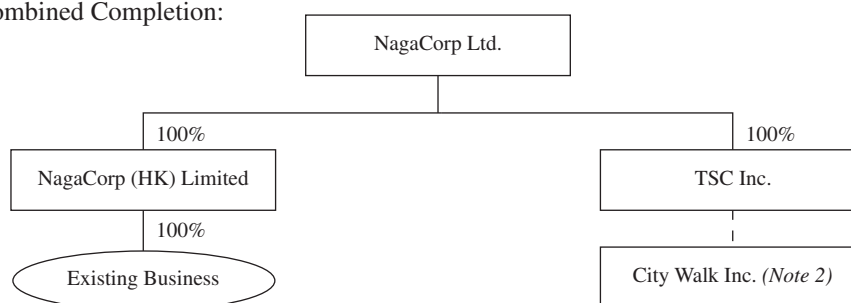
Before Completion:



After Completion, in the case of Split Completion:



After Completion, in the case of Combined Completion:



Notes:

- (1) Scenario in the case of Split Completion, meaning City Walk Inc. will be directly held by the Company if the NagaCity Walk and Tourist Garden Completion takes place.
- (2) Scenario in the case of Combined Completion, meaning City Walk Inc. will remain the inactive subsidiary of TSC Inc..

## LETTER FROM THE BOARD

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after final Completion, assuming there is no other change in the issued share capital and shareholding structure of the Company from the Latest Practicable Date:

Name of Shareholders	As at the Latest Practicable Date		Upon Conversion of the Convertible Bonds or issue of Consideration Shares up to the minimum public float requirement (with the balance of the Consideration held as unconverted Convertible Bonds)		Upon full conversion of the Convertible Bonds (assuming the entire Consideration is satisfied by Convertible Bonds) (for illustrative purpose)	
	<i>Approximate % of issued share capital of the</i> <i>No. of Shares</i>	<i>Company</i>	<i>Approximate % of issued share capital of the</i> <i>No. of Shares</i>	<i>Company</i>	<i>Approximate % of issued share capital of the</i> <i>No. of Shares</i>	<i>Company</i>
Dr. Chen (Note 1)	1,255,795,298	60.31	2,478,850,731 (Note 4)	75.00	2,822,077,405 (Note 3)	77.35
Public	<u>826,283,577</u>	<u>39.69</u>	<u>826,283,577</u>	<u>25.00</u>	<u>826,283,577</u>	<u>22.65</u>
<b>Total:</b>	<u><u>2,082,078,875</u></u>	<u><u>100.00</u></u>	<u><u>3,305,134,308</u></u>	<u><u>100.00</u></u>	<u><u>3,648,360,982</u></u>	<u><u>100.00</u></u>

*Notes:*

- (1) Dr. Chen holds approximately 60.31% of the issued share capital of the Company through (i) direct interest of 18.52%; (ii) indirect interest of 34.00% held through Fourth Star Finance Corporation; and (iii) indirect interest of 7.79% held through Cambodia Development Corporation.
- (2) Please note that such situation is solely for illustration purpose only and would not occur as the Convertible Bonds have a restrictive clause in that at no material time will the Convertible Bonds be allowed to be converted so that the percentage of issued share capital of the Company held by the public would fall below the required 25% threshold. In terms of shareholding structure, this is also equivalent to the scenario whereby the Consideration is fully settled by the issuance of Consideration Shares.
- (3) The corresponding aggregate number of Consideration Shares and Conversion Shares would be 1,566,282,107.
- (4) The number of Shares includes Dr. Chen's existing Shares and the number of Shares as converted from Convertible Bonds or Consideration Shares issued.

The Target Companies will become subsidiaries of the Company upon the respective Completions. The issuance of the Consideration Shares on Completion or Conversion Shares after Completion upon exercise by the Bondholder of the conversion rights attaching to the Convertible Bonds, will not result in a change of control of the Company.

---

## LETTER FROM THE BOARD

---

### POSSIBLE FINANCIAL IMPACT OF THE ACQUISITION

Whether the Seller elects the Combined Completion or the Split Completion, TSC Inc. will become the wholly-owned subsidiary with City Walk Inc. an indirect wholly-owned subsidiary, or both Target Companies becoming direct wholly-owned subsidiaries of the Company. The financial results of TSC Inc. and City Walk Inc. will be consolidated into the Group.

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular and assuming Completion took place on 30 June 2011, being the latest date for the published results of the Group, (i) the unaudited pro forma total assets would be increased by approximately 110% from approximately US\$370,774,000 to approximately US\$779,175,000; (ii) the unaudited pro forma total liabilities would be increased by approximately 4% from approximately US\$32,274,000 to approximately US\$33,676,000; (iii) the unaudited pro forma net asset value attributable to the equity holders of the Company would be increased by approximately 120% from approximately US\$338,500,000 to approximately US\$745,499,000.

The Directors consider that the Acquisition will contribute to the earnings base of the Enlarged Group. However, the overall effects of the Acquisition on the future earnings of the Enlarged Group will depend on, amongst other matters, the deliveries and performance of TSC Inc. and City Walk Inc.

### RISK FACTORS

In light of the change of the Company's risk profile, the followings risk factors associated with Acquisition may be encountered by the Company:

(i) *Unfulfilled legal and regulatory requirements*

As advised by HML, the construction and development of the Properties is subject to Cambodian laws and regulations. In addition to certain approvals, licenses and permits are to be further obtained from the various government departments of the RGC, there may be conditions to be met and payments being made by the Seller or the Target Companies. If the Seller or the Target Companies are not able to obtain the full and complete set of approvals, licenses and permits or are not able to fulfill any of the required conditions or payment, Completion may or may not proceed as construction of the Properties will be adversely affected.

(ii) *Delay in Completion of the Projects*

The Completion of the Projects could be delayed due to development and construction risks, such that it would delay the opening or otherwise affect the commencement of business of TSCLK Complex or NagaCity Walk. As such, revenue and cashflow from such new businesses may become uncertain. In addition, delays in generating revenues could affect the financial and business performance of the Group.

---

## LETTER FROM THE BOARD

---

*(iii) Additional operating costs*

With the expansion of business due to the Acquisition and maintenance of TSCLK Complex, NagaCity Walk and Tourist Garden, the Company will incur more operating costs which may affect the profitability of the Company.

*(iv) Competition from casino operators in the region*

Our competitors in Asia include many of the largest gaming, hospitality, leisure and resort companies in the world. Some of these current and future competitors are significantly larger than us and have significantly larger capital and other resources to support their developments and operations. We expect to encounter intense and increasing competition as other developers and operators develop and open new projects in coming years. If we are unable to cope with such competition upon Completion of the Projects, the continued proliferation of gaming venues in Asia could significantly and adversely affect our financial condition, results of operations or cashflow.

*(v) Change in property valuation*

It is highlighted that the property valuation as contained in Appendix V is the market value of the relevant properties as at 30 September 2011 (assuming Completion as at 30 September 2011), which may change in the future. Please refer to the Appendix V for the detailed bases and assumption of the property valuation.

### **PROSPECTS OF THE ENLARGED GROUP**

The Group is principally engaged in the operation of an integrated casino, hotel and entertainment complex, NagaWorld, in Cambodia.

Since the Company's initial public offering in 2006 on the Stock Exchange, the Company has completed NagaWorld, an integrated casino, hotel and entertainment complex located in the heart of Phnom Penh, Cambodia. Various expansion projects, financed entirely from operational cashflows, within NagaWorld have been undertaken since then to cater to its constantly expanding business. The scope for further expansion within the confines of NagaWorld is now very limited, especially with regard to adding more gaming space, retail space and hotel rooms, which are essential to support further business growth expected to be fuelled by the expanding gaming market in Indochina and greater China. The Projects, which shall add additional entertainment and space suitable for gaming purpose, retail, convention and parking space, shall provide competitive edge for the Company in the Asian entertainment gaming market, especially in the light of new and developing integrated gaming projects presently being undertaken in Vietnam, Philippines, Macau and Singapore.

Cambodia's economic recovery in 2010 and 2011 continues to gain momentum after a 2% shrinkage in real GDP growth in 2009. The International Monetary Fund in its IMF Country Report No. 11/45 issued in February 2011 has projected a GDP growth of 6.5% in 2011. Tourism arrivals statistics issued by the Ministry of Tourism, Cambodia, reports a year-on-year tourism arrivals growth of 14% in the first quarter of 2011. Riding on the increasing prosperity of the country and its inbound tourism growth, the Company's revenues has shown strong steady growth since 2009.

---

## LETTER FROM THE BOARD

---

Tabulated below is the Group's revenue growth trend since the financial year ended 2009:

<b>Revenue (US\$'millions):</b>	<b>Audited 2009</b>	<b>Audited 2010</b>	<b>Unaudited six months ended 30 June 2011</b>
Public tables	24.6	41.5	27.9
Slots	34.3	44.9	38.8
Junket tables	53.4	54.1	35.7
Non-gaming	<u>5.5</u>	<u>10.0</u>	<u>9.4</u>
<b>Total</b>	<b><u>117.8</u></b>	<b><u>150.5</u></b>	<b><u>111.8</u></b>

The following table sets out a comparison of the existing gaming and non-gaming facilities at NagaWorld and for illustrative purposes only, the space earmarked for gaming and non-gaming purposes as submitted by the Project Architect for TSCLK Complex and NagaCity Walk:

	<b>TSCLK Complex and NagaCity</b>		<b>Total</b>	<b>% increase</b>
	<b>Existing NagaWorld*</b>	<b>Walk**</b>		
No. of gaming tables	121	200-300	321-421	165-248
No. of gaming machine stations	1,035	500	1,535	48
No. of hotel rooms	500	1,033	1,533	206
VIP private gaming suites	Nil	50	50	N/A
Retail space (sq. m.)	Nil	18,738	18,738	N/A
MICE/Theatre facilities (seating capacity)	750	3,000	3,750	400
Car parks (no. bays)	30	532	562	1,773

\* Based on 30 September 2011

\*\* Based on submission plans by Project Architect to Phnom Penh City Hall

---

## LETTER FROM THE BOARD

---

According to the plans submitted by Project Architect to the MPP, the Projects are located just adjacent to NagaWorld and shall provide, upon Completion, additional potential gaming space of approximately 200 to 300 gaming tables which is intended to be located at the public floor next to the retail space and approximately 500 slot machines. TSCLK Complex has two blocks of buildings connected to a common podium block. One block is designed as a 24-storey building with 1,033 units of hotel rooms, another block is designed as a 22-storey building with 50 units of VIP private gaming suites. These 50 VIP private gaming suites are designed for special gaming patrons with enhanced upmarket comforts. The podium block shall have a retail space of about 18,738 sq m of net floor area and a special purpose built theatre with approximately 3,000 seats intended to be used as a special show theater which further provides additional integrated entertainment space to gain the foothold of the Company as the entertainment centre of the Indo-China region. TSCLK Complex is serviced by 532 parking bays, the biggest high-rise car park facilities in the city of Phnom Penh.

Based on the unaudited results of the Group for the six months up to 30 June 2011, NagaWorld has a daily average of 121 gaming tables in operation, generating an average daily revenue of US\$2,883 per table per day and 1,035 slot machines generating a win per unit per day of US\$236.

NagaWorld also currently does not have significant retail space. The Project shall bring in additional retail space of approximately 18,738 sq m of net floor area. It is intended by Company to rent out most of this space to accommodate mid to high-end retail outlets catering to domestic demand, gaming and non-gaming patrons as well as tourists to Phnom Penh. Based on the data compiled by Colliers, the present rental rates for high-end retail outlets range from US\$60 to US\$90 per sq m.

NagaWorld presently has 500 hotel rooms of international standard. The completion of the third tower of NagaWorld by the second quarter of 2012 shall bring in an additional international-standard 220 rooms. Upon Completion, it is expected that the Project shall add another 1,033 hotel rooms, which is envisaged to boost the Company's revenue.

The present facilities for MICE in NagaWorld are in demand. The additional facility of a theatre with approximately 3,000 seats shall satisfy the needs of the Company to provide more comprehensive MICE and sizable performance events and entertainment shows of international standard.

In summary, the combined facilities of TSCLK Complex, NagaCity Walk and NagaWorld shall accelerate the goals and visions of NagaWorld to elevate Phnom Penh as the entertainment capital of Indo China and position NagaWorld on a solid footing as a regional gaming powerhouse.

---

## LETTER FROM THE BOARD

---

### LISTING RULES IMPLICATIONS

As the applicable percentage ratios under Chapter 14 of the Listing Rules exceeded 100%, the Acquisition constitutes a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules.

In addition, the Seller, Dr. Chen is an executive Director and the Chief Executive Officer of the Company, and a substantial shareholder, of the Company. As at the Latest Practicable Date, Dr. Chen holds approximately 60.31% of the issued share capital of the Company through (i) direct interest of 18.52%; (ii) indirect interest of 34.00% held through Fourth Star Finance Corporation; and (iii) indirect interest of 7.79% held through Cambodia Development Corporation. Accordingly, Dr. Chen is a connected person of the Company under the Listing Rules and the Acquisition also constitutes a connected transaction of the Company under Rule 14A.13 of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Dr. Chen is also considered to have material interest in the Acquisition. As such, Dr. Chen and his associates, including Fourth Star Finance Corporation and Cambodia Development Corporation, will be required to abstain from voting on the resolution(s) approving the Acquisition at the EGM in respect of the ordinary resolutions to approve the Share Purchase Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bonds upon Completion and/or the Consideration Shares to be issued by the Company under specific mandates.

Voting at the EGM will be conducted by poll.

### INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Company has established an Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Share Purchase Agreement are fair and reasonable and whether the Acquisition is in the interests of the Company and the Shareholders as a whole.

Anglo Chinese has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same.

Letter from the Independent Board Committee and letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders are set out in the circular.

### EGM

A notice convening the EGM to be held at Hennessy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Admiralty, Hong Kong on Monday, 30 January 2012 at 2:30 p.m. or any adjournment thereof is set out on pages 173 to 174 of this circular and a form of proxy for use at the EGM is herein enclosed. If you are not able to attend the EGM in person, please complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services

---

## LETTER FROM THE BOARD

---

Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for holding of the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish.

### RECOMMENDATIONS

The Directors (excluding the independent non-executive Directors whose view will be included under the letter from Independent Board Committee in this circular) are of the opinion that the terms of the Share Purchase Agreement are normal commercial terms and are fair and reasonable and that the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Independent Shareholders should vote in favour of the resolution(s) to be proposed at the EGM to approve the Acquisition.

The Independent Board Committee, having taken into account of the advice of the Independent Financial Adviser, considers the Acquisition is in the interests of the Company and its Shareholders as a whole and that the terms of the Agreement and the Acquisition are fair and reasonable so far as the Shareholders are concerned. Accordingly, the Directors (including the independent non-executive Directors) recommend that all Shareholders should vote in favour of the ordinary resolution proposed at the EGM.

### ADDITIONAL INFORMATION

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

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



---

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

---



**NAGACORP LTD.**

**金界控股有限公司\***

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

**Stock code: 3918**

30 December 2011

*To the Independent Shareholders*

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION,  
CONNECTED TRANSACTION,  
CONSIDERATION ISSUE,  
ISSUE OF CONVERTIBLE SECURITIES AND  
ISSUE OF SHARES UNDER A SPECIFIC MANDATE**

We refer to the circular of the Company dated 30 December 2011 of which this letter forms part. Capitalised terms used herein have the same meanings as those defined in this circular unless otherwise stated.

We have been appointed as members of the Independent Board Committee to consider the terms of the Share Purchase Agreement and the respective transactions contemplated thereunder and the Acquisition (details of which are set out in the letter from the Board in this circular). Anglo Chinese Corporate Finance, Limited has been appointed as the Independent Financial Adviser to advise us in this regard. Details of the advice of Independent Financial Adviser together with the principal factors and reasons taken into consideration in arriving at such advice are set out on pages 49 to 89 of this circular.

Having considered the terms of the Share Purchase Agreement and the Acquisition, the interest of the Independent Shareholders, the principal factors and reasons considered by and the advice of the Independent Financial Adviser, we consider the terms of the Share Purchase Agreement and the respective transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, and the Acquisition and the transactions contemplated under the Share Purchase Agreement are in the interests of the Company and its Shareholders as a whole.

\* *for identification purposes only*

---

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---

Accordingly, we recommend the Independent Shareholders to vote in favour of the proposed resolution(s) at the EGM to approve the Share Purchase Agreement and the respective transactions contemplated thereunder.

Yours faithfully,  
Independent Board Committee

**Michael Lai Kai Jin**

**Tan Sri Datuk Seri Panglima Abdul Kadir**

**Lim Mun Kee**

**Bin Haji Sheikh Fadzir**

*Independent non-executive Directors*

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

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

---

**ANGLO CHINESE**  
CORPORATE FINANCE, LIMITED  
www.anglochinesegroup.com

---

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

財務顧問有限公司  
英高

30th December, 2011

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

### **VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION**

#### **INTRODUCTION**

We refer to the announcement of NagaCorp Ltd. (the “Company”) dated 13th June, 2011 (the “Announcement”) and the circular dated 30th December, 2011 of which this letter forms a part (the “Circular”). Unless otherwise agreed, expressions used in this letter shall have the same meanings as defined in the Circular.

We have been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the proposed very substantial acquisition and connected transaction of the Company.

On 13th June, 2011, the Company entered into the Share Purchase Agreement with the Seller whereby the Company has conditionally agreed to acquire the entire issued share capital in the Target Companies to expand its existing business. The Consideration for the Sale Shares is US\$369,000,000 divided between (a) the principal amount of US\$275,000,000 for the TSCLK Complex Project; and (b) the principal amount of US\$94,000,000 in respect of the NagaCity Walk Project as well as the Tourist Garden Undertaking. With respect to the Tourist Garden which is a property owned by the MPP, TSC Inc. has merely undertaken an obligation to landscape and undertake the future maintenance of a garden on the property of the Tourist Garden for public use so long as TSC Inc. manages the TSCLK Complex. This obligation is subject to an agreement to be entered into between TSC Inc. or at the election of the Seller, City Walk Inc. and the MPP. The portion of Consideration for the Tourist Garden Undertaking represents the cost of its proposed landscaping. The cost of landscaping of the Tourist Garden is in the amount of US\$10,000,000 which is included in the Consideration of US\$94,000,000.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

At the election of the Seller, the Consideration for the TSC Inc. Shares, or together with the City Walk Shares will be settled through the issue of:

- (a) the TSCLK Complex Consideration Shares and the NagaCity Walk & Tourist Garden Consideration Shares, respectively, by the Purchaser at an issue price of HK\$1.8376 per Consideration Share (the “Issue Price”); or
- (b) the TSCLK Complex Convertible Bonds and the NagaCity Walk & Tourist Garden Convertible Bonds in lieu of the issue of the TSCLK Complex Consideration Shares and the NagaCity Walk & Tourist Garden Consideration Shares at the option of the Seller; or
- (c) such a combination of the TSCLK Complex Consideration Shares and the TSCLK Complex Convertible Bonds and a combination of the NagaCity Walk & Tourist Garden Consideration Shares and the NagaCity Walk & Tourist Garden Convertible Bonds as the Seller may at its sole discretion decide, subject to the minimum public float requirements under the Listing Rules and in accordance with the terms and conditions of the Share Purchase Agreement.

The Issue Price and the conversion price of the Convertible Bonds (the “Conversion Price”) are identical.

Completion of the Acquisition and the issue of Convertible Bonds and, or Consideration Shares, at the option of the Seller, will take place simultaneously, albeit at the election of the Seller, with either (i) in one Combined Completion; or (ii) in Split Completion and in two phases being, first, upon the construction and landscaping completions of the NagaCity Walk Project and the Tourist Garden Undertaking respectively; and secondly, upon the construction completion of the TSCLK Complex Project.

As the applicable percentage ratios under Chapter 14 of the Listing Rules exceeded 100%, the Acquisition constitutes a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules. In addition, the Seller, Dr. Chen, is an executive Director and the Chief Executive Officer of the Company, and a substantial shareholder of the Company. As at the Latest Practicable Date, Dr. Chen controls approximately 60.31% of the issued share capital of the Company through (i) a direct interest of 18.52%; (ii) an indirect interest of 34.00% held through Fourth Star Finance Corporation; and (iii) an indirect interest of 7.79% held through Cambodia Development Corporation. Accordingly, Dr. Chen is a connected person of the Company under the Listing Rules and the Acquisition also constitutes a connected transaction of the Company under Rule 14A.13 of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. The Seller and his associates will be required to abstain from voting on the resolution(s) approving the Acquisition at the EGM. Voting at the EGM will be conducted by poll.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Application will be made by the Company to the Stock Exchange for the listing of and permission to deal in the Consideration Shares and the Conversion Shares which fall to be issued on exercise of the conversion rights attaching to the Convertible Bonds. The Consideration Shares and the Conversion Shares shall be allotted and issued under a specific mandate of the Company. The Conversion Shares and the Consideration Shares, when issued and allotted, will rank pari passu in all respects with all the Shares then in issue. There will be no restriction on the subsequent sale of the Consideration Shares and the Conversion Shares. No application will be made by the Company to the Listing Committee for the listing of the Convertible Bonds.

The Company has established the Independent Board Committee, the members of which comprise Mr. Michael Lai Kai Jin, Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir and Mr. Lim Mun Kee, to advise the Independent Shareholders as to whether the terms of the Share Purchase Agreement are fair and reasonable and whether the Acquisition is in the interests of the Company and the Shareholders as a whole.

### **BASIS OF OUR ADVICE**

In formulating our opinion and recommendation, we have relied on the information and the facts supplied to us by the Company. We have reviewed, amongst other things, the Share Purchase Agreement, the recently published information on the Company including its interim results for the six months ended 30th June, 2011 and the comparable period in 2010 and the annual reports and accounts for the three years ended 31st December, 2010. We have also discussed with the management and members of the Board, amongst other things, the business strategy for the Group, its performance and prospects and the background to and reasons for entering into the Acquisition. We have also visited the sites of the Projects, reviewed the property valuation report on the Properties prepared by Colliers International (Hong Kong) Limited (“Colliers”), the independent property valuer appointed by the Company, and discussed with Colliers the valuation of the Properties.

We refer to the responsibility statement made by the Directors which confirms that the Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Circular and that, having made all reasonable enquiries, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading. We have relied on the accuracy of the information, facts, representations and opinions expressed by the Company and the Directors contained in and as referred to in the Circular. We have assumed that the information, facts, representations and opinions were true at the time they were made and continue to be true, accurate and complete as at the date of the Circular. Save as disclosed above, we consider that we have reviewed sufficient information to reach the conclusions set out in this letter and have no reason to believe (i) any information provided to us by the Company, its advisers and, or the Directors, (ii) any information relied on by us in forming our opinion or (iii) any information relied on by any third party expert on whose opinion or advice we rely in forming our opinion is

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

untrue, inaccurate or incomplete or that any material information has been omitted or withheld from the information supplied or the opinions expressed in the Circular. We have not, however, conducted any independent investigation into the business and affairs of the Company, the Seller, the Target Companies, their respective associates and, or subsidiaries, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Acquisition. This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely for their consideration of the Acquisition and Share Purchase Agreement and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part nor be used for any other purposes, without our prior consent. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Group.

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

### **PRINCIPAL FACTORS**

In arriving at our opinion, we have taken into consideration the following principal factors and reasons:

#### **History and business of the Group**

The Company was incorporated in the Cayman Islands in 1995. It manages and operates NagaWorld which is the largest hotel, gaming and leisure operator in Cambodia and has been listed on the Stock Exchange since 2006. NagaWorld enjoys a 70-year casino license that will run until 2065, and a 41-year monopoly within a 200 km radius of Phnom Penh City until 2035.

NagaWorld is the only integrated hotel casino complex in Phnom Penh City with a current built-up area of approximately 110,768 square meters. In addition to the gaming services it provides, NagaWorld offers complementary hotel accommodation, food and beverage and entertainment facilities for its customers.

#### **Historical financial performance of the Group**

##### ***For the six months ended 30th June, 2011***

On 8th August, 2011, the Company reported unaudited consolidated financial results of the Group for the six months ended 30th June, 2011. During the period, revenue of the Group grew approximately 65% to approximately US\$111,786,000, which was attributable to approximately 48% increase in revenue from public floor tables, approximately 60% increase in revenue for gaming machine stations, approximately 77% increase in revenue from junket business and approximately

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

114% increase in non-gaming revenue. NagaWorld has been benefitting from the sustained tourism arrivals in Cambodia which increased by approximately 13% to approximately 1,400,000 visitors during the first six months of 2011. In particular, there was a notable increase of approximately 33% in Vietnamese visitors taking advantage of visa-free entry into Cambodia between January and May 2011.

Gross profit and net profit of the Company for the six months of 2011 increased by approximately 59% and approximately 118% to approximately US\$79,948,000 and approximately US\$45,916,000 respectively. The improvement in profitability of the Group during the period was mainly due to a more conservative gaming policy aimed at earning stable revenue without gaming volatility, a clear business strategy of emphasising the high-yield mass gaming market to build a strong business base and higher operational efficiency of the NagaWorld hotel casino complex.

### *For the three financial years ended 31st December, 2008, 2009 and 2010*

The financial information of the Group (i) for the year ended 31st December, 2010 is disclosed in the annual report of the Company for the year ended 31st December, 2010 published on 15th April, 2011; (ii) for the year ended 31st December, 2009 is disclosed in the annual report of the Company for the year ended 31st December, 2009 published on 29th April, 2010; and (iii) for the year ended 31st December, 2008 is disclosed in the annual report of the Company for the year ended 31st December, 2008 published on 15th April, 2009. All of these reports have been published on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)). Please also refer to Appendix I (Financial Information of the Group) set out in the Circular for information about the financial performance of the Company for the three financial years ended 31st December, 2008, 2009 and 2010.

It is noted that revenue from casino operations increased by approximately 23% for the year ended 31st December, 2010 due to strong demand growth for gaming machines at NagaWorld, good progress made to its junket business in conjunction with more restrictive policies on credit lines granted to certain junket operators as well as efforts to encourage wagering on cash terms. The Company's gross profit increased approximately 50% to approximately US\$ 106,685,000 for the year ended 31st December, 2010, from approximately US\$71,239,000 in 2009. Gross profit margin improved from approximately 60% for the year ended 31st December, 2009 to approximately 71% in 2010 due to a more efficient business mix, where approximately 64% of total revenue was derived from the public floor, gaming machines and hotel and entertainment segments, as compared to only approximately 55% in 2009.

### *Net asset value*

The Group had net assets of approximately US\$308,687,000 as at 31st December, 2010 (2009: approximately US\$287,748,000).

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### *Liquidity and gearing*

As gaming activities are transacted on cash terms only, the Group enjoys a strong net cash position with no gearing. As at 31st December, 2010, the Group had total cash and cash equivalents and fixed deposits at bank of approximately US\$43,952,000 (2009: approximately US\$18,987,000) and net current assets of approximately US\$61,370,000 (2009: approximately US\$42,574,000). As at 31st December, 2009 and 2010, the Group had no outstanding borrowings.

### *Dividends*

The Shareholders enjoyed a high dividend payout ratio which ranged from approximately 45% to approximately 86% during the period from 2006 to 2010.

### *Capital expenditure*

To cope with the continued expansion of NagaWorld, for the year ended 31st December, 2010, the Company incurred capital expenditures of approximately US\$263,000 and approximately US\$16,734,000 for the expansion of the casino complex and the hotel and entertainment complex, respectively (2009: approximately US\$1,093,000 and approximately US\$32,661,000, respectively).

### *Capital commitments*

As of 31st December, 2010, the Company had capital commitments of approximately US\$32,847,000 regarding a phased construction plan for the casino and hotel complex of NagaWorld unrelated to the Projects and which are expected to be incurred over one year.

The indebtedness statement and the working capital position of the Group are disclosed in the Appendix I (Financial Information of the Group) set out in the Circular.



---

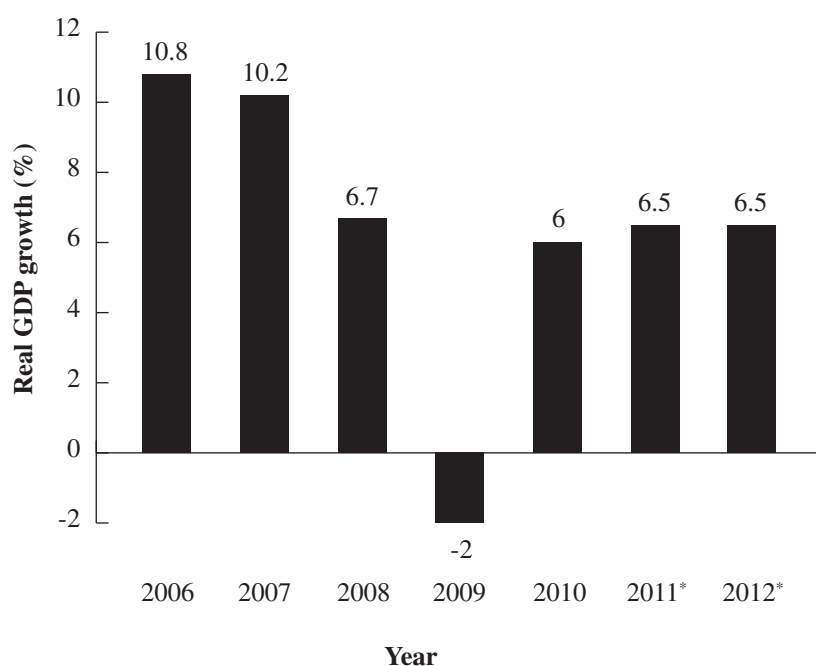
## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### The Cambodian economy and international tourist arrivals in Cambodia

The continued growth of the business and operations of the Company is to a certain extent determined by the economic performance, political stability and tourism arrivals in Cambodia. As shown in the chart below, Cambodia achieved double-digit growth in its real GDP in 2006 and 2007. The real GDP growth slowed to approximately 6.7% and approximately -2% in 2008 and 2009 respectively amid the global economic downturn during this period but improved to approximately 6.0% in 2010.

**Cambodia real GDP growth 2006-2012**



\* Real GDP growth rates for 2011 and 2012 represent projections by International Monetary Fund  
(Source: World Economic Outlook April 2011 issued by International Monetary Fund)

The International Monetary Fund has projected that Cambodia will maintain a steady real GDP growth of 6.5% in each of the two years 2011 and 2012.

The Report on Independent Review of Investment Risks in Cambodia prepared by Political and Economic Risk Consultancy, Ltd. and set out in the 2011 interim report of the Company indicates that the Cambodian economy has bounced back from the recession of 2009 and is now enjoying moderate growth (5-6% in real terms) with low inflation. In addition, tourism in Cambodia rebounded in 2010, underpinning the travel, hotel and gaming sectors. Prospects for 2011 are for more strong growth in the number of foreign visitors, led by Vietnamese, Chinese and South Koreans.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Tourism in Cambodia increased by approximately 16% to approximately 2,500,000 visitors during 2010 compared to 2009 (*Source: Ministry of Tourism of Cambodia*). During the first eight months of 2011, Cambodia's Ministry of Tourism report international arrivals improved approximately 15.0% on a year on year basis.

The following table compares the number of international tourist arrivals in Cambodia in 2010 and for the eight months from January to August, 2011.

Countries	International tourist arrivals to Cambodia	
	January — August 2011	2010
Vietnam	408,517	466,695
Korea	227,545	289,702
China	158,492	177,636
Japan	103,421	151,795
USA	101,492	146,005
France	77,759	113,285
UK	70,480	103,067
Thailand	67,340	96,277
Australia	65,558	93,598
Taiwan	67,917	91,229

*(Source: Cambodian Ministry of Tourism Statistics Report)*

Vietnam is one of NagaWorld's biggest markets due to the close proximity of Ho Chi Minh City, the capital of Vietnam, to Phnom Penh City. As NagaWorld is one of the popular tourist attractions in the Kingdom of Cambodia, the increasing number of tourists visiting Cambodia, in particular tourists from Vietnam amid a growing economy, will allow the Company further to penetrate into the mass gaming market comprising public floors and gaming machines, which generates higher margins compared to the junket market, and maintain an efficient business mix between junket and non-junket business as part of the long term growth strategy of the Group.

### Principal terms of the Share Purchase Agreement

#### *Assets to be acquired*

Pursuant to the Share Purchase Agreement, the Company agreed to purchase and the Seller agreed to sell the Sale Shares, representing the entire issued share capital of the Target Companies, comprising (a) TSC Inc. Shares in relation to the development of the TSCLK Complex Project and (b) TSC Inc. Shares or City Walk Shares in relation to the development of the NagaCity Walk Project and the Tourist Garden Undertaking.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### *Consideration*

The Consideration for the Sale Shares is US\$369,000,000 divided between (a) the principal amount of US\$275,000,000 for the TSCLK Complex Project; and (b) the principal amount of US\$94,000,000 in respect of the NagaCity Walk Project as well as the Tourist Garden Undertaking. The portion of Consideration for the Tourist Garden Undertaking represents the cost of its proposed landscaping, which is in the amount of US\$10,000,000 and included in the Consideration of US\$94,000,000.

The NagaCity Walk Project and the Tourist Garden Undertaking may or may not be completed before the completion of the TSCLK Complex Project. In order to provide the flexibility for the Company to generate rental revenue from the NagaCity Walk Project earlier, the Seller can elect either the Split Completion (meaning the completion of NagaCity Walk Project and the Tourist Garden Undertaking in advance of the TSCLK Complex Project) or the Combined Completion (meaning all three projects to be completed at the same time). As such, the Consideration for the Sale Shares in the principal amount of US\$94,000,000 may be regarded as City Walk Shares in the case of Split Completion, or TSC Inc. Shares in the case of Combined Completion, respectively. The following table illustrated such allocation of Consideration Shares under the Split Completion and the Combined Completion scenarios:

	<b>Split Completion</b>	<b>Combined Completion</b>
(a) TSC Inc. Shares	US\$275,000,000	US\$369,000,000
(b) City Walk Shares	<u>US\$94,000,000</u>	<u>Not applicable</u>
Total	<u>US\$369,000,000</u>	<u>US\$369,000,000</u>

The Consideration was determined based on arm's length negotiations between the Seller and the Purchaser taking into account, amongst other things, (i) the estimated costs of development of the Projects to be incurred as reviewed by Colliers, and (ii) the valuation of each of the relevant Projects upon its respective Completion prepared by Colliers; and (iii) the estimated landscaping costs in relation to the Tourist Garden Undertaking, calculated by the Project Architect, as disclosed in Appendix V to the Circular.

The Consideration has been calculated on the basis of the 'estimated costs of development' and "estimated landscaping costs" by the Project Architect for the subject Projects with estimates based on a comparison method adjusted for inflation and current market rates and the proposed development works and planning scheme with cost estimation which has been reviewed by Colliers which includes a contingency provision of approximately US\$12,400,000. In the event of costs overrun, the Consideration will still be capped at US\$369,000,000 and there will not be any pricing adjustments for actual increment of costs incurred by the Seller. Correspondingly should the actual costs incurred by the Seller be lower than expected, no pricing adjustments will be made. Pursuant to the Share

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Purchase Agreement, one of the conditions precedent is the delivery to the Purchaser of the audited accounts of the relevant Target Company, audited by the Purchaser's accountants, made up to a date that is within 60 days of Completion, showing, *inter alia*, a net asset value per share of each Target Company equal to or in excess of the consideration amount of each relevant Sale Share.

The Consideration represents a discount of approximately 9.3% to the valuation of US\$407,000,000 of the Properties by Colliers in a completion state, based on the market value as if the Projects were completed on 30th September, 2011. Please refer to the section headed "Valuation of the Properties" below in this letter and Appendix V to the Circular for further details about valuation of the Properties.

### *Consideration Shares*

If the entire Consideration of US\$369,000,000 is to be satisfied by Consideration Shares, based on the Issue Price of HK\$1.8376 per Consideration Share and translated at an exchange rate of HK\$7.80 = US\$1.00, 1,566,282,107 Consideration Shares will be issued on Completion. The dilutive effect of the issue of the Consideration Shares on the shareholding of the Independent Shareholders is discussed in the section headed "Potential dilution to shareholding of the Independent Shareholders" below.

### *Convertible Bonds*

Principal Amount of the Convertible Bonds:

The Convertible Bonds are to be issued in either one or two tranches at the election of the Seller, either (i) in one Combined Completion or (ii) in Split Completion, being (a) TSCLK Complex Convertible Bonds: in the principal amount of up to US\$275,000,000 and (b) NagaCity Walk & Tourist Garden Convertible Bonds: in the principal amount of up to US\$94,000,000.

The Convertible Bonds are to be issued in certificated form in units of US\$1,000,000.

### *Conversion Price:*

The Conversion Price is set at HK\$1.8376 per Conversion Share, subject to adjustment in the event of a Capital Restructuring. Such adjustment is a usual feature in convertible bond instrument of similar type. The adjustment will not render the Conversion Price falling below the nominal value of ordinary share in the Company at the material time.

The Conversion Price was determined with reference to, amongst other things, the three-month volume weighted average closing Share price up to and including the Last Trading Day.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### Analysis of the Issue Price and the Conversion Price

#### (i) *Historical price performance of the Share*

##### *Performance of the historical Share price in comparison to the Hang Seng Index*

The following chart shows the price performance of the Share since 18th August, 2010, being the date of the publication of the interim results announcement of the Company for the six months ended 30th June, 2010 up to and including the Latest Practicable Date (the “Review Period”) in comparison to the performance of the Hang Seng Index.



Source: Bloomberg (updated on 28th December, 2011)

As shown above, throughout the Review Period, the Share price had significantly outperformed the Hang Seng Index. This is particularly notable in the period after 10th June, 2011, shortly before the Announcement was made, when the Share price rose to HK\$2.13, which was the highest price of the Share during the Review Period. The Share price continued to outperform the Hang Seng Index following the announcement of strong interim results by the Company for the six months ended 30th June, 2011 and amid the recent turbulences in global financial markets.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

(ii) *Price comparison of the Issue Price and Conversion Price*

For the purpose of the Consideration, the Issue Price is equivalent to the Conversion Price. Each of the Issue Price and the Conversion Price represents:

- (i) the three-month volume weighted average closing Share price up to and including the Last Trading Day;
- (ii) a discount of approximately 12.50% to the closing price of HK\$2.10 per Share as quoted on the Stock Exchange on the Last Trading Day ;
- (iii) a discount of approximately 10.80% to HK\$2.06, being the five-day volume weighted average closing price of the Company on the Last Trading Day and a discount of approximately 9.92% to the five-day average closing price of HK\$2.04 of the Company on the Last Trading Day;
- (iv) a premium of approximately 44.92% over the unaudited consolidated net assets per share attributable to equity holders of the Company of approximately US cents 16.26 cents per Share (equivalent to approximately HK\$1.268) as at 30th June, 2011; and
- (v) a discount of approximately 5.76% to the closing price of HK\$1.95 of the Company as quoted on the Stock Exchange on the Latest Practicable Date.

*Comparable analysis on pure equity issues in the form of placings*

The Consideration will be settled by either Consideration Shares or Conversion Shares upon Completion. It is noteworthy that the Issue Price and the Conversion Price are identical and the interest on the Convertible Bonds will be equal to the dividend to be paid on the Shares upon Completion and conversion of the Convertible Bonds and, or issue of the Consideration Shares. Further, the Bondholder has no right to require redemption of the Convertible Bonds. It is also disclosed in the Appendix IV (Unaudited Pro Forma Financial Information of the Enlarged Group) of the Circular that based on the terms of the Convertible Bonds, the Convertible Bonds are to be issued to the Seller on a perpetual basis with no maturity date and hence no liability component arises at the initial recognition. Accordingly, we consider that the Conversion Shares upon conversion of the Convertible Bonds have similar characteristics to the Consideration Shares and in essence analogous to pure equity financing. For the purpose of assessing the Issue Price and the Conversion Price, we have looked into 10 comparable pure equity issues in the form of placings of new shares under specific mandates announced by companies listed on the Stock Exchange and approved by their shareholders during the period between 28th December, 2010 and the Latest Practicable Date. Our analysis is summarised in the table below:

---

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

---

**Placings of new shares announced and approved under  
specific mandates in the past 12 months**

Date of Announcement	Last Trading Day	Stock Code	Company	Principle Business	Market Cap (HK Million)	Placing price per share (HKD)	Premium/(discount) of the placing price over/(to) the average share price prior to (including) the last trading day			For acquisition purposes (Y/N)	
							5 trading days inc. the last trading day	10 trading days inc. the last trading day	30 trading days inc. the last trading day		
6th February, 2011	13th January, 2011	1041	Fulbond Holdings Limited	Manufacture of and trading in wooden products including blockboard and particle board, door skin and other wooden products; trading of securities; development of properties.	639,001	0.170	(19.05%)	(14.14%)	(13.71%)	N/A	Y
9th March, 2011	9th March, 2011	1226	Garron International Limited	Investing in listed and unlisted companies in Hong Kong and the PRC.	81,591	1.150	(31.95%)	(32.67%)	(30.47%)	(17.78%)	N
6th May, 2011	4th May, 2011	329	Dragonite International Limited	Production and sales of health care products, pharmaceutical products and RUYAN atomizing cigarettes.	222,819	0.145	(17.61%)	(17.71%)	(16.38%)	(17.52%)	Y

---

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

---

**Placings of new shares announced and approved under  
specific mandates in the past 12 months**

Date of Announcement	Last Trading Day	Stock Code	Company	Principle Business	Market Cap price (HK Million)	Placing share price per share (HKD)	Premium/(discount) of the placing price over/(to) the average share price prior to (including) the last trading day			For the last acquisition purposes (Y/N)	
							5 trading days inc. the last trading day	10 trading days inc. the last trading day	30 trading days inc. the last trading day		
13th May, 2011	12th May, 2011	290	China Fortune Group Limited	Securities, futures and insurance brokerage and margin financing in Hong Kong.	464.187	0.330	(4.35%)	1.23%	0.15%	(1.30%)	N
9th June, 2011	9th June, 2011	145	The Hong Kong Building and Loan Agency Limited	Investment holding, treasury investments and the provision of loan financing and other related services.	221.926	0.160	(12.57%)	(16.93%)	(16.45%)	(18.63%)	Y
9th June, 2011	9th June, 2011	2324	Capital VC Limited	Investment in a diversified portfolio of listed and unlisted companies in Hong Kong and the PRC.	252.351	0.300	(14.29%)	(16.43%)	(18.26%)	(24.65%)	N



---

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

---

**Placings of new shares announced and approved under  
specific mandates in the past 12 months**

Date of Announcement	Last Trading Day	Stock Code	Company	Principle Business	Market Cap price (HK Million)	Placing share price per share (HKD)	Premium/(discount) of the placing price over/(to) the average share price prior to (including) the last trading day			For the last acquisition purposes (Y/N)	
							5 trading days inc. the last trading day	10 trading days inc. the last trading day	30 trading days inc. the last trading day		
13th June, 2011	13th June, 2011	1166	Solartech International Holdings Limited	Manufacture and trading of cables and wires, manufacture and trading of copper rods, manufacture and trading of connectors and terminals and mining business. Manufacture and trading of optical fibre cable and related products.	324,906	0.200	(34.43%)	(40.30%)	(40.74%)	(39.20%)	Y
28th July, 2011	28th July, 2011	8075	Rojam Entertainment Holdings Limited	Event organisation and provision of event management services, development and licensing of software and technology for use in connection with the provision of value added telecommunication services in the PRC.	2,141,862	0.200	0.00%	(2.91%)	(6.63%)	(10.65%)	Y

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### Placings of new shares announced and approved under specific mandates in the past 12 months

Date of Announcement	Last Trading Day	Stock Code	Company	Principle Business	Market Cap price (HK Million)	Placing share price per share (HKD)	Premium/(discount) of the placing price over/(to) the average share price prior to (including) the last trading day			For the last acquisition purposes (Y/N)		
							5 trading days inc. the last trading day	10 trading days inc. the last trading day	30 trading days inc. the last trading day			
23rd August, 2011	14th October, 2008	2700	Smart Union Group (Holdings) Limited	Manufacturing and trading of toys and recreational products.	132.482	0.185	(71.97%)	(77.63%)	(80.32%)	N/A	N	
19th October, 2011	19th October, 2011	996	Oriental Ginza Holdings Limited	Provision of retail-related consultancy and management services; and property investment business.	1,670.526	0.380	(6.17%)	(9.31%)	(8.76%)	(1.72%)	Y	
							MAX	0.00%	1.23%	0.15%	(1.30%)	
							MIN	(71.97%)	(77.63%)	(80.32%)	(39.20%)	
							MEDIAN	(15.95%)	(16.68%)	(16.41%)	(17.65%)	
							AVERAGE	(21.24%)	(22.68%)	(23.16%)	(16.43%)	

Last updated: 28th December, 2011

Source: HKEx website and Bloomberg

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

As noted, the discounts of the Issue Price/Conversion Price to the benchmark prices of the Company compare favourably to the average and median of the discounts of placing prices to the benchmark prices of the above placing comparables.

We note that apart from financing acquisitions, the funds raised in the 10 placing comparables were used mostly for, amongst other things, expansion and development of the existing business and general working capital purposes. As the Acquisition is undertaken by the Company to expand and develop its existing gaming and hotel business, we consider that the review of the comparable placing transactions is relevant to our analysis of the Issue Price/Conversion Price as far as the reason for entering into the relevant transactions (and in this case, the Acquisition) is concerned.

In relation to the market capitalisation and principal activities of the comparable companies, we note that the market capitalisation of the comparable companies ranges from approximately HK\$82 million to approximately HK\$2,142 million and none of them is engaged in gaming and entertainment businesses. We consider that the disparity in the market capitalisation and principal activities between the Company and the comparable companies does not affect the comparability of the Issue Price/Conversion Price with the placing prices of the placing comparables as the main purpose of such comparison is to assess the fairness and reasonableness of the Issue Price/Conversion Price as compared to the placing prices of shares issued in pure equity transactions, i.e. placings of new shares referred to and elaborated above.

### *Comparable analysis on similar very substantial acquisitions*

We have also reviewed very substantial acquisitions (“VSA”) in the last twelve months in conducting our comparable analyses. As the terms of the VSA vary in different cases, we have focused on VSA (i) which were financed either entirely by an issue of new shares or by a combination of issue of consideration shares and convertible bonds and (ii) where the VSA were financed by a combination of issue of consideration shares and convertible bonds, the issue price of the consideration shares is equivalent to the conversion price of the convertible bonds. As in the case of selecting approved placings in the past 12 months for our comparable analyses, we have chosen approved VSA in the past 12 months herein for consistency sake.

Although there are only 7 such comparable VSA as set out in the table below and the sample size, when compared to the placing comparables referred to above, is smaller, we note that as in the case of the placing comparables, the median and average discounts of the issue/conversion price of the comparable VSA to the benchmark prices are larger than the discounts of the Issue Price/Conversion Prices to the benchmark prices of the Company. The results of our analysis are summarised as follows:

---

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

---

**Approved very substantial acquisitions\*  
(with circulars issued) in the past 12 months**

Date of Announcement	Last Trading Day	Stock Code	Company	Market Cap (HKD millions)	Principle Business	Issue Price/Conversion Price per share (HKD)	Premium/(discount) of the issue price/conversion price over/(to)			
							the average share price prior to (including) the last trading day	the average share price prior to (including) the last trading day		
5th October, 2009	16th September, 2009	8290	Tianjin Tianlian Public Utilities Company Limited	955.35	Operation and management of gas pipeline infrastructure and the sale and distribution of piped gas.	1.020	(15.00%)	(13.12%)	(11.99%)	(6.48%)
16th July, 2010	16th July, 2010	8329	Shenzhen Neptunus Interlong Bio-technique Company Limited	178.92	Manufacturing and selling of medicine products, provision of R&D services of modern biological technology.	0.920	(10.68%)	(13.21%)	(13.94%)	(15.83%)

---

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

---

Approved very substantial acquisitions* (with circulars issued) in the past 12 months		Premium/(discount) of the issue price/ conversion price over/(to) the average share price prior to (including) the last trading day				
Date of Announcement	Last Trading Day	Market Cap (HKD millions)	Issue Price/ Conversion Price per share (HKD)	5 trading days inc. the last trading day	10 trading days inc. the last trading day	30 trading days inc. the last trading day
Stock Code	Company	Principle Business		(16.92%)	(17.41%)	(14.21%)
31st December, 2010	135 Kunlun Energy Company Limited	79,574.88 Exploration & production of crude oil & natural gas in the PRC, the Republic of Kazakhstan, the Sultanate of Oman, Peru, the Kingdom of Thailand, the Azerbaijan Republic the Republic of Indonesia, sales & transmission of nature gas in PRC.	10.020	(16.92%)	(17.41%)	(14.21%)
4th April, 2011	621 Wing Hing International (Holdings) Limited	1,863.53 Operations of coal mines and gold mine, leasing of mining licenses and sale of minerals.	0.410	(31.67%)	(22.64%)	(18.41%) (14.85%)
12th April, 2011	1823 Huayu Expressway Group Limited	350.72 Construction, operation and management of an expressway.	1.280	(7.25%)	(7.51%)	(8.05%) (7.65%)

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### Approved very substantial acquisitions\* (with circulars issued) in the past 12 months

Date of Announcement	Last Trading Day	Stock Code	Company	Market Cap (HKD millions)	Principle Business	Issue Price/ Conversion Price per share (HKD)	Last trading day	5 trading days inc. the last trading day	10 trading days inc. the last trading day	30 trading days inc. the last trading day	Premium/(discount) of the issue price/ conversion price over/(to) the average share price prior to (including) the last trading day	
											(3.78%)	(3.65%)
14th April, 2011	13th April, 2011	563	Shanghai Industrial Urban Development Group Limited	6,591.787	Property development, property investment and hotel operations.	2.800	(3.78%)	(3.65%)	0.18%	8.44%		
11th October, 2011	5th September, 2011	8356	Tsun Yip Holdings Limited	2,080.92	Provision of waterworks engineering services, road works and drainage services and site formation works for the public sector.	0.196	(59.59%)	(58.74%)	(56.20%)	(49.20%)		
						MAX	(3.78%)	(3.65%)	0.18%	8.44%		
						MIN	(59.59%)	(58.74%)	(56.20%)	(49.20%)		
						MEDIAN	(15.00%)	(13.21%)	(13.94%)	(14.21%)		
						AVERAGE	(20.70%)	(19.47%)	(17.98%)	(14.25%)		

*Last updated: 28th December, 2011*  
*Source: HKEx website and Bloomberg*

\* Only VSA with consideration financed entirely by issue of consideration shares or a combination of issue of consideration shares and convertible bonds (where the issue price is equivalent to the conversion price) were chosen

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

In addition to the above comparable analyses, in arriving at our view on the fairness and reasonableness of the Issue Price and the Conversion Price, we are of the view that the uncertainties in relation to the development of the Projects in a relatively long time horizon are outweighed by the assumption by the Seller of the financing, cost inflation and completion risks associated with the Projects prior to Completion. The Company is not obliged to take delivery of the Projects until full completion of the construction and development of the Properties as certified by Project Architect. In the circumstances, we consider the Issue Price and the Conversion Price to be fair and reasonable.

### *Conversion Shares*

Based on the Conversion Price of HK\$1.8376 per Conversion Share and a maximum principal amount of US\$369,000,000 (translated at an exchange rate of HK\$7.80 = US\$1.00), 1,566,282,107 Conversion Shares would be in issue on full conversion of the Convertible Bonds.

The Conversion Shares represent approximately 75.23% of the existing issued share capital of the Company as at the date of the Announcement and approximately 42.93% of the then issued share capital of the Company as enlarged by the conversion of the entire Convertible Bonds. The dilutive effect of the issue of the Conversion Shares on the shareholding of the Independent Shareholders is discussed in the section headed “Potential dilution to shareholding of the Independent Shareholders” below.

### *Conversion Rights*

After Completion, the Seller is free to convert the Convertible Bonds into Conversion Shares at its sole discretion subject to compliance with regulatory requirements. The Seller agrees and undertakes with the Company that it will not be entitled to exercise its conversion rights attached to the Convertible Bonds for as long as the result of exercise of such conversion rights would result in a failure by the Company to comply with the minimum public float requirements under the Listing Rules.

### *Interest*

Interest payable by the Company on the Convertible Bonds will be equal to the dividend that would otherwise have been paid on the Conversion Shares into which the Convertible Bonds are convertible had the relevant conversion right been exercised prior to the record date applicable to the dividend declaration. Interest on the Convertible Bonds shall be paid at the same time as the Company pays the relevant dividend to the Shareholders.

Given our view that the Conversion Shares upon conversion of the Convertible Bonds have the characteristics of the Consideration Shares as explained above, we consider that it is reasonable to determine interest on the Convertible Bonds on the basis of the future dividends to be paid on the Shares upon Completion.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### *Other key terms of the Convertible Bonds*

The Convertible Bonds constitute direct, unconditional, unsecured obligations of the Purchaser and will rank pari passu with all future unsecured and unsubordinated obligations of the Purchaser.

The Bondholder is not entitled to request the Company to redeem the Convertible Bonds for cash. The Convertible Bonds are to be issued on a perpetual basis with no maturity date.

Assignment or transfer of the Convertible Bonds may be made in accordance with the provisions of the Convertible Bonds, subject to satisfaction or compliance with the conditions, approvals, requirements and any other provisions of or under (i) the Stock Exchange or their rules and regulations; (ii) the approval for listing in respect of the Conversion Shares; and (iii) all applicable laws and regulations.

The Conversion Shares issued on conversion of the Convertible Bonds will rank pari passu in all respects with all other shares in the share capital of the Purchaser then in issue and will entitle the Bondholder to receive all future distributions which are declared, made or paid after the date of allotment of such Conversion Shares. The Bondholder will not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of being Bondholder(s).

### **Conditions precedent**

The Independent Shareholders and potential investors of the Company should note that completion of the Share Purchase Agreement in respect of the Target Companies is conditional upon:

- (a) all Completion obligations and deliverables such as the issue of the TSC Inc. Shares or the TSC Inc. Shares and City Walk Shares, relating to the relevant Combined Completion or Split Completion respectively have been satisfied and delivered or any unfulfilled obligation or deliverable be appropriately waived;
- (b) the construction completion in relation to the relevant Projects has been achieved and certified by way of the issue of a certificate of practical completion by the Project Architect in accordance with the project plans applicable to each of the TSCLK Complex Project and the NagaCity Walk Project;
- (c) subject to formalisation of the agreement between TSC Inc. and MPP, the Tourist Garden Undertaking has been completed as certified by the Project Architect;
- (d) the Independent Shareholders passing an ordinary resolution to increase (if requested) the authorised share capital of the Purchaser by an amount necessary to allot and issue all of the Consideration Shares and, or the Conversion Shares and an ordinary resolution to approve the Share Purchase Agreement and the transactions contemplated therein, at the EGM;



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

- (e) the relevant Property Interests having been duly obtained by the Target Companies in full compliance with Cambodian laws on or before the relevant Completion;
- (f) all material representations and warranties made by the Seller where required to be repeated in accordance with the Share Purchase Agreement at the relevant Completion shall be true and accurate in all material respects at the time of the relevant Completion;
- (g) all material and necessary consents, authorisations, approvals or other relevant agreements which may be required by the relevant Target Company from the relevant governmental, other competent regulatory authority or other relevant party for the consummation of the transactions contemplated by the Share Purchase Agreement having been obtained and any relevant regulatory or legal requirements and obligations to which the relevant Target Company is subject to having been satisfied including the good title to the Property Interests;
- (h) all requirements imposed by Stock Exchange under the Listing Rules or otherwise in connection with or relating to the sale and purchase of the Sale Shares under the Share Purchase Agreement or ancillary matters relating thereto having been fully complied with (including the granting approval for the listing of, and permission to deal in, the relevant Consideration Shares and Conversion Shares by the Listing Committee of the Stock Exchange); and
- (i) delivery to the Purchaser of audited consolidated accounts of the Target Companies in the case of Combined Completion, and audited accounts of each of the Target Companies, in the case of Split Completion, audited by the Purchaser's accountants, made up to a date that is within 60 days of Completion, showing, *inter alia*, a net asset value per share of each Target Company equal to or in excess of the consideration amount of each relevant Sale Share.

The Company and the Seller shall use reasonable endeavours to procure the fulfilment of all the conditions as soon as practicable. The Company may not waive any condition, save and except for conditions (a), (c) and (f) which may be waivable by the Company by written notice to the Seller. The Seller is not entitled to waive any condition.

The conditions precedent, one of which can be waived by the Company, as disclosed in the Announcement have since been superseded by the abovementioned conditions precedent set out in the supplemental agreement dated 28th December, 2011 to the original share purchase agreement dated 13th June, 2011. The supplemental agreement also seeks to flesh out the terms of the Share Purchase Agreement and ensure that more clarity is given to certain rights and obligations of the parties. The principal amendments are set out in the section headed "Letter from the Board — Supplemental Agreement to the Share Purchase Agreement" of the Circular.

If any of the conditions is not satisfied (or, where appropriate, waived) on or before the Long Stop Date, the Share Purchase Agreement shall lapse, whereupon all rights and obligations of the parties shall cease to have effect except in respect of any accrued rights and obligations of the parties.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

As at the Latest Practicable Date, certain consents and approvals under conditions (e) and (g) have been obtained. Please refer to the section headed “Progress of Approval Process” in the “Letter from the Board” of the Circular for further details. The other conditions shall be duly fulfilled by the parties to the Share Purchase Agreement on or before the relevant Completion Date, including the execution of the long-term lease agreement pertaining to NagaCity Walk. With the exception of the gaming licence where the Company has a monopoly within 200 km radius of Phnom Penh (except Sihanoukville, Bokor mountains and the Vietnam border) such rights being the existing rights of the Company, the approvals and licences for the actual business operations of the Projects, such as licences for food and beverage and night clubs, would be the responsibility of the Enlarged Group after Completion. These are not covered by condition (g) to the Share Purchase Agreement.

### **Completion**

Completion comprises, at the election of the Seller, either (i) the Combined Completion; or (ii) the Split Completion. Where the Combined Completion is elected for by the Seller, the Company will acquire TSC Inc. Shares where at Completion, TSC Inc. would have held the Property Interests as well as the commitment to the Tourist Garden Undertaking. In the case that Split Completion is elected for by the Seller, the Company will acquire TSC Inc. Shares and City Walk Shares where at the relevant Completion, TSC Inc. would have held the Property Interests to TSCLK Complex and City Walk Inc. would have held the Property Interests to NagaCity Walk as well as the commitment to the Tourist Garden Undertaking. Each Completion shall take place on or before the fifth anniversary of the date of the Share Purchase Agreement of 13th June, 2011 or, in each case, any other date to be agreed between the parties from time to time, being a date on or after the date on which the conditions to the relevant Completion have become satisfied or appropriately waived.

In the case of Split Completion, the TSCLK Complex Completion and NagaCity Walk & Tourist Garden Completion are not required to take place at the same time.

### **Reasons and benefits of the Acquisition**

The Company is principally engaged in the business of owning and operating the only integrated hotel casino complex, NagaWorld, in Phnom Penh City, Cambodia.

The management of the Company believes that the high occupancy rates of the NagaWorld Hotel and the consistently high level of activity of NagaWorld’s public floor tables and gaming machines pose a strain on the current facilities of NagaWorld and the scope for further expansion of NagaWorld is limited. It is therefore necessary for the Group to expedite its developments efforts in order to compete effectively with other players in the Asian gaming market, especially in the light of new and developing integrated gaming projects presently being undertaken in Vietnam, the Philippines, Macau and Singapore.

The Company has therefore contemplated the expansion of NagaWorld adding further gaming and non-gaming space such as hotel, retail, entertainment and other related facilities for its guests through this Acquisition and to complement the existing NagaWorld. The Directors are of the view that the Projects will enhance and complement the Company’s existing NagaWorld in Phnom Penh City.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

As and when the Projects are completed, such being certified by the Project Managers before the issuance of the Consideration Shares and, or Convertible Bonds, the audited net asset value of the Target Companies would be required to be equal to or in excess of the Consideration, as a condition under the Share Purchase Agreement.

Further, the Directors are of the view that the Acquisition is in line with the business strategy of the Company to expand its existing businesses and strengthen NagaWorld's position as the gaming and entertainment hub of Indochina. The Directors are optimistic about the development potential of the Target Companies and believe that the Acquisition will enhance the Company's competitiveness, further strengthen the Company's reputation within the industry and improve its overall financial performance.

We have discussed with the management of the Company the reasons why the Projects are to be developed by the Seller, not by the Company. We understand that in late 2010, the Company was initially approached by financial institutions and were offered with debt financing options to finance the continued expansion of NagaWorld. However, the indicative principal amount of financing offered by these institutions was in aggregate approximately US\$60,000,000 to US\$100,000,000 only which was insufficient to fund the development and expansion plans of NagaWorld.

The Company has eventually chosen not to undertake to develop the Projects on its own for the following reasons:

- (a) taking into account the availability of the financing opportunities to cover the entire US\$369,000,000 and for the reasons as mentioned herein, the Company had decided to enter into the Share Purchase Agreement with Dr. Chen instead. In this case, the Company will not need to bear the development funding, cost escalation and completion risks which are risks borne by the Seller. The Consideration is equivalent to the estimated costs of development of the Projects amounting to US\$369,000,000, which have been computed on the basis of current costs. Furthermore, only when the Seller completes the Projects are the Consideration Shares and, or Convertible Bonds issued by the Company to the Seller;
- (b) the Consideration of US\$369,000,000 was determined with reference to, amongst other things, the estimated relevant costs of development of the Projects and the landscaping costs of the Tourist Garden Undertaking computed on the basis of current costs. The audited net asset value of the Company was approximately US\$309,000,000 as at 31st December, 2010 and the Company had a market capitalisation of approximately HK\$4,372,000,000 (equivalent to approximately US\$561,000,000) as at the date of the Share Purchase Agreement, i.e. 13th June, 2011. Although the actual costs to be incurred on the Projects may fall below US\$369,000,000, the Seller and the Company have agreed to pay a fixed price of US\$369,000,000 only as the corresponding benefit is that the Company will not bear any risk in the event of any cost overrun;
- (c) there is minimal gestation period for the Projects as the Company will, upon the issue of Consideration Shares and, or Convertible Bonds to the Seller, take ownership of the completed Projects via the Target Companies. Shortly thereafter, the Projects will be put to work to generate revenues for the Group;

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

- (d) the proposed arrangements under the Share Purchase Agreement help to conserve cash resources for further working capital and to preserve the Company's high dividend payout ratio policy. The Company presently has no borrowings. Under the proposed Acquisition, the Seller will fund the entire development costs of the Projects and the Company will be able to continue to be debt free;
- (e) as the Consideration Shares and, or Convertible Bonds will be issued to the Seller upon Completion, the dilution of the other Shareholders, if any, shall occur only on Completion;
- (f) settlement of the Consideration by Consideration Shares and, or Convertible Bonds relieves the Company of the pressure to secure sufficient financing to commit to the development of the Projects and the Tourist Garden Undertaking;
- (g) the Company is of the opinion that since it has early intentions to expand its existing NagaWorld, the grant of the land to TSC Inc. and the development of the entertainment complex in such close proximity would be beneficial to NagaWorld. Furthermore, there are no significant financial commitments to the Company and the signing of the Share Purchase Agreement secures a timely expansion of the Company which is in need of more world class facilities to stand as an international entertainment entity in face of stiffer regional competition;
- (h) as to the obligations of constructing the NEC Building and the Concourse and Pedestrian Walkway and the Tourist Garden Undertaking, these obligations are part and parcel of the rights to the Properties which in fact will enhance the appearance of the vicinity and thereby attract more visitors and tourists; and
- (i) we further understand from the management of the Company that given the weakening U.S. dollar, the costs of development of the Projects could escalate beyond budget as practically all construction materials have to be imported from other countries. As such, it would significantly ease the Group's pressure on costs if the Seller is to assume the upside risks of the construction costs.

According to the Share Purchase Agreement, financing and development for each Project shall be the sole responsibility of the Seller, who shall be at liberty to encumber shares in the Target Companies (or any of them) and, or the Property Interests and other assets from time to time owned by the Target Companies, provided that such encumbrances are fully discharged on or before the respective Completions of the Projects.

In view of the above reasons and benefits of the Acquisition, we consider that the arrangements between the Seller and the Company under the Share Purchase Agreement allow the Company to avoid the risks in connection with the financing, construction and development of the Projects and are in the interests of the Company and the shareholders as a whole.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### Information on the development of the Properties

To meet the development periods of the Properties, the Seller has engaged the Project Architect to prepare the necessary architectural and development plans for submission to the Phnom Penh City Hall and MLMUPC in order to comply with technical details and guidelines as set by the authorities of the RGC. The Seller anticipates that the estimated time for the development of the Projects and the Tourist Garden Undertaking will be approximately 3 to 5 years.

### *TSCLK Complex*

TSCLK Complex is located close to the junction of Boulevard Samdach Preah Sihanouk and Preah Sisovath. Bounded by Cambodia Korea Cultural Center to its north, Belgium Honorary Consulate to its west and Sontepheap Book Store to its south, the Property abuts on a side road off Boulevard Samdach Preah Sihanouk and is opposite to the Buddhist Institute.

According to the documents provided by the Project Architect, the proposed TSCLK Complex will be a complex building consisting of hotel, retail, MICE cum theatre and entertainment facilities, residential units and carpark. The site is generally leveled and roughly “L” shaped.

In terms of allocation of floor area, the usage of TSCLK Complex will be designated as follows:

The TSCLK Complex comprises:

<b>Usage</b>	<b>Gross Floor Area (sq m)</b>	<b>Net Floor Area (sq m)</b>
Hotel (expected to have 1,033 rooms)	43,003	32,705
Retail and gaming*	21,647	16,705
VIP private suites (expected to have 50 suites)	9,276	7,026
MICE/Theatre	2,325	2,134
Carpark (expected to have 532 car park spaces)	<u>21,369</u>	<u>19,317</u>
Total	<u>97,620</u>	<u>77,887</u>

\* The allocation of retail space is subject to confirmation of tenants at the material time and the gaming space is operated under the coverage of the gaming licence held by a wholly-owned subsidiary of the Company

With the exception of the gaming business where the Company has a monopoly within 200 km radius of Phnom Penh (except Silhanouville, Bokor mountains and the Vietnam border), the actual usage of TSCLK Complex after its completion would require further approvals and licences prior to the operation of the various businesses envisaged above. The Directors anticipate that the potential or target tenants for the retail areas within the TSCLK Complex will be mid to high-end retail tenants.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

According to Colliers, the site of TSCLK Complex is a vacant site with some abandoned structures. Colliers' estimates the market valuation of TSCLK Complex, as if it were completed on 30th September, 2011, is approximately US\$307,000,000 or HK\$2,380,000,000. The estimated development cost of TSCLK Complex is US\$275,000,000, which includes costs for land premium, piling, structural, mechanical and electrical, architectural finishes, finance and other development costs. The Enlarged Group has no obligation to maintain the NEC Building as it will be managed by the NEC. Colliers is of the opinion that the total estimated construction cost is reasonable.

The approval granted by OCM of RGC for TSCLK Complex is a total gross floor area of approximately 97,620 sq m, a total net floor area of approximately 77,887 sq m and a height of approximately 92.6 m. Based on this approval granted by OCM, the Project Architect has followed up and submitted a set of detailed drawings to the Phnom Penh City Hall & MLMUPC for implementation and the processing of technical compliance with the relevant technical departments.

The TSCLK Complex is expected to be completed by 2016. According to the legal opinion issued by HML, based on the relevant Sor Chor Nor No. 1481, the RGC has granted an approval in principle to TSC Inc. and TSC Inc. has obtained a 99 years long-term lease of the TSCLK Complex Site under the TSCLK Complex Lease Agreement with the NEC. The deposit of US\$1,590,500 which has already been paid by TSC Inc. and the NEC building construction cost of US\$12,000,000 would be regarded as sufficient compensation for such long-term lease.

### *NagaCity Walk*

The proposed NagaCity Walk is located along the south sidewalk running along the fence of the Buddhist Institute and NagaWorld and will connect at its western end the TSCLK Complex to the Tourist Garden at its eastern end. Total gross floor area of the NagaCity Walk is 15,778 sq m and is sited just adjacent to the Group's existing property, NagaWorld, in Phnom Penh City, Cambodia. This site is generally leveled and roughly rectangularly-shaped.

According to the development drawings provided by the Seller, the proposed NagaCity Walk consists of an underground level known as the Underground Linkway which is linked to the surface ground road level by eight exits. The Underground Linkway shall be leased to TSC Inc. for a long-term lease and is where the retail space is situated. The management of the Underground Linkway shall be by a joint committee set up by the Enlarged Group and the MPP especially from the safety aspect. The members of such joint committee have not been determined, but are expected to comprise majority members drawn from the Enlarged Group.

TSC Inc. is permitted by RGC to build glass compartments covering the tunnel entrances/exits with roof connecting from one entrance/exit to another. The surface road level of the entire length of the NagaCity Walk is the Concourse and Pedestrian Walkway. It is a public state property belonging to the RGC. The Concourse and Pedestrian Walkway may be reclassified into private property upon

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

the fulfilment of certain conditions. There is no present intention by TSC Inc. to apply for the reclassification of the Concourse and Pedestrian Walkway into a private property to allow for free public access and thus congregate business activities for NagaCity Walk. The Company and the Seller have agreed in the supplemental agreement to the Share Purchase Agreement that if the Company has such an intention the Seller will use his best endeavours to procure TSC Inc. to apply for such reclassification and subject to the approval of the RGC, further facilitate the ensuing property interest be held by TSC Inc. or the Enlarged Group.

The proposed NagaCity Walk Project has a total gross floor area of approximately 15,778 sq m for retail use with a total net floor area of 6,121 sq m (excluding public and common areas). The floor area breakdown is as follows:

<b>Level</b>	<b>Gross Floor Area (sq m)</b>	<b>Net Floor Area (sq m)</b>
Road Level Floor or Concourse and Pedestrian Walkway	7,889	1,568
Lower Ground Floor or Underground Linkway (with retail space)*	<u>7,889</u>	<u>4,553</u>
Total	<u>15,778</u>	<u>6,121</u>

\* *The allocation of retail partitioning and thus number of retail shops are subject to confirmation of tenants at the material time.*

The estimated development cost of NagaCity Walk is US\$94,000,000 which includes costs for constructing the Underground Linkway and Concourse and Pedestrian Walkway, land premium cost, architectural finishes and finance costs. Colliers' estimates the market valuation of the NagaCity Walk, as if it were completed on 30th September, 2011, is approximately US\$100,000,000 or HK\$775,000,000. No cost has been incurred on the NagaCity Walk Project as at the date of valuation. Colliers is of an opinion that the total estimated construction cost of NagaCity Walk is reasonable.

NagaCity Walk Project is expected to be completed by 2016. According to the legal opinion issued by HML, based on the relevant Sor Chor Nor No. 650, the RGC has granted an approval in principle to TSC Inc. for a long term lease over the Underground Linkway subject to the execution of a lease agreement with MPP and the payment of compensation to be assessed by the Privatization Commission of MEF. Upon advice by MLMUPC and MPP and as per the letter dated 12th August, 2011 submitted to Prime Minister from Minister of MLMUPC and Phnom Penh City Governor, the Company has opted for the grant of a long-term lease.

The potential or target tenants for the retail areas are expected to be mid to high end retail and food and beverage tenants.



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### *Tourist Garden*

The proposed Tourist Garden will be located at the existing open ground which is owned by Phnom Penh City Hall and is sited along the Bassac River and opposite Hun Sen Park. According to the development scheme provided by the Seller, the proposed Tourist Garden will be a landscaped park with indigenous trees and plants. It has a site area of about 9,934 sq m. The site is generally leveled and roughly rectangular shaped. The Tourist Garden Undertaking is expected to be completed by 2016.

The proposed Tourist Garden is a property owned by MPP. TSC Inc. has merely undertaken an obligation to landscape and undertake the future maintenance of a garden on the property of the Tourist Garden for public use, pending the formal agreement being entered into between TSC Inc. and the MPP. Details of the future maintenance costs of the Tourist Garden have not been finalised. The maintenance costs of the Tourist Garden which shall be the responsibilities of the Enlarged Group, are expected not to be material.

Details of the Projects are set out in the section headed “Relevant Project Details” in the “Letter from the Board” and “Appendix V - the Valuation Report on the Property Interests of the Target Companies” in the Circular.

The latest information on the development of the Projects in relation to the legal and regulatory requirements and progress of approval process is set out in the sections headed “Major Legal and Regulatory Requirements” and “Progress of Approval Process” respectively in the “Letter from the Board” in the Circular.

The following table sets out a comparison of the existing gaming and non-gaming facilities at NagaWorld and for illustrative purposes only, the space earmarked for gaming and non-gaming purposes as submitted by the Project Architect for the TSCLK Complex and NagaCity Walk:

	Existing NagaWorld*	TSCLK Complex and NagaCity Walk**	Total	% increase
No. of gaming tables	121	200-300	321-421	165-248%
No. of gaming machine stations	1,035	500	1,535	48%
No. of hotel rooms	500	1,033	1,533	207%
VIP private gaming suites	Nil	50	50	N/A
Retail space (sq. m.)	Nil	18,738	18,738	N/A
MICE/Theatre facilities (seating capacity)	750	3,000	3,750	400%
Car parks (no. of bays)	30	532	562	1,773%

\* Based on information available on 30th September, 2011

\*\* Based on submission plans by Project Architect to Phnom Penh City Hall



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

We note upon Completion of the Projects, the gaming and non-gaming facilities of NagaWorld are expected to increase significantly in line with the proposed expansion of the business operations of the Group.

### **Major development agreements**

TSC Inc has entered into 2 separate agreements in respect of the development of the Projects, as follows:

#### **1. *Design & Build Agreement***

TSC Inc. has entered into the Design and Build Agreement with CCAG on 7th November, 2011 for a total consideration of US\$369,000,000. This includes the costs incurred in the accounts and books of TSC Inc. of US\$17,300,000 for land cost, master planning fee and fee paid to the Project Architect. CCAG has undertaken to complete the TSCLK Complex Project, the NagaCity Walk Project and the landscaping of Tourist Garden within a period of three years with extension of another one year subject to the sole discretion of TSC Inc. In order to ensure that TSC Inc. meets the completion deadline under the Share Purchase Agreement, TSC Inc. requires an earlier completion date from CCAG, which is stipulated to be within an initial period of three years extendable by TSC Inc. by another year. This conservative approach allows additional cushion of time period to obtain all relevant governmental approvals to fulfil the terms of the Share Purchase Agreement.

The primary obligations of CCAG in relation to the development of the Projects pursuant to the Design and Build Agreement are set out in the section headed “Major Development Projects” in the “Letter from the Board” of the Circular.

#### **2. *Project Management Consultancy Agreement***

TSC Inc. has also entered into the Project Management Consultancy Agreement on 7th November, 2011 with the Project Architect, a Malaysian architect firm, which will lead a team of professionals and will oversee and monitor the successful completion of the Projects on time and in accordance with quality, progress and specifications as laid down in the Design and Build Agreement

The responsibility of the management of the Projects and the Tourist Garden Undertaking by TSC Inc. is principally passed on to the Project Managers who shall manage the Projects and the Tourist Garden Undertaking together with a team of engineers and other construction managers appointed by the Project Architect through the Project Management Consultancy Agreement. The Project Managers will monitor the quality and specifications of the Projects by way of periodic project status reports, and construction progress certificates issued by Project Architect and advised to TSC Inc. on a timely basis. TSC Inc. shall promptly and in writing keep the Company informed of the progress and milestones of the construction of the Projects and the Tourist Garden Undertaking, the construction of the NEC Building and the obligation as regards the Concourse and Pedestrian Walkway as soon as possible in form and substance akin to that informed and reported to it by the Project, so that the

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Directors, especially the independent Directors who may, if necessary, further employ other professionals to counter check on such professional reports. The fee payable under the Project Management Consultancy Agreement is approximately US\$5,000,000 which will be borne by the Seller.

The scope of services of the Project Management Consultancy Agreement is set out in the section headed “Major Development Projects” in the “Letter from the Board” of the Circular.

TSC Inc shall be responsible for obtaining all the necessary approvals from the relevant authorities and has submitted the schematic design of the architectural plans of the Projects to Phnom Penh City Hall and MLMUPC in order to comply with technical details and guidelines as laid down by the authorities of RGC. The Seller anticipates that the expected time for the completion of the Projects will fall within the terms of the Design and Build Agreement with CCAG, being within the stipulated period of three years extendable by one year at the option of TSC Inc.

Both the Design and Build Agreement and Project Management Consultancy Agreement will include and has included the obligations as regards the construction of the NEC Building and the obligation as regards the Concourse and Pedestrian Walkway and the Tourist Garden Undertaking. The said agreements do not include the obligations to maintain the Tourist Garden and the Concourse and Pedestrian Walkway which shall be responsibility of the Enlarged Group after the relevant Completion.

The Board has confirmed that as at the Latest Practicable Date, each of CCAG and the Project Architect and their respective ultimate beneficial owners are independent third parties of the Company and its connected persons.

We consider that the entering into of Design and Build Agreement and Project Management Consultancy Agreement with CCAG and the Project Architect respectively, will facilitate the execution of the development plans of the Projects in a more efficient manner and the timely completion of the Projects and consequently the Acquisition.

### **Valuation of the Properties**

TSC Inc has received approvals from the RGC for the development of the TSCLK Complex and NagaCity Walk. The development of the Projects is expected to commence in the first half of 2012 and is expected to be completed within 3 to 5 years of the date of the Share Purchase Agreement being 13th June, 2011. The total costs incurred in the accounts and books of TSC Inc and City Walk Inc up to 30th September, 2011 are in aggregate approximately US\$17,300,000, comprising land premiums, master-planning fees and other professional fees.

Colliers has been appointed by the Company to conduct market valuations of the Properties. We have reviewed and discussed with Colliers regarding the valuation approach, bases and assumptions adopted for the valuations as well as adjustments made by Colliers to arrive at the valuations. Colliers has adopted the sales comparison approach based on current comparative market values in arriving at a valuation of US\$407,000,000 of the Properties as if they were completed on 30th September, 2011 in accordance with the master-plans and architectural plans.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

The valuation is based on the assumption of the sale of the Projects upon completion with the benefit of immediate vacant possession. As the Projects will comprise, amongst other things, retail and hotel elements upon completion, in considering the valuation of the Properties, Colliers has made reference to comparable sales transactions in the relevant markets in or near Phnom Penh City. Relevant factors collated and considered by Colliers in reviewing the comparable sales transactions and arriving at an appropriate value for the Properties include, amongst other things, location, transaction time, year of completion, building condition, number of storeys, number of rooms, floor level, and approximate market price per sq m. According to the information provided by the Company and the Project Architect, upon completion, the VIP private gaming suites and retail/gaming space will be delivered as per the standard of normal hotel suites and retail space respectively while their designs have been catered for gaming use in future. Thus, Colliers has adopted the basis of hotel suites and retail space for the VIP private gaming suites and retail/gaming space respectively in its valuation of the TSCLK Complex.

Colliers has also carried out inspections of the sites earmarked for the TSCLK Complex, the NagaCity Walk and the Tourist Garden and noted that the parcels of land on which the Properties will be erected are in normal condition.

In addition, Colliers has reviewed the costs of development with respect to TSCLK Complex and NagaCity Walk and estimated landscaping cost of the Tourist Garden, calculated by the Project Architect, which are estimated at US\$369,000,000 on final Completion. Such costs also represent the original purchase or investment costs of the 100% interest in the Target Companies to be incurred by the Seller before Completion. Based on our discussions with Colliers, we understand that in assessing estimated costs of development of the Projects of approximately US\$369,000,000, Colliers has, amongst other things, reviewed the planning scheme with cost estimation as well as bare site transactions in Phnom Penh City and compared the transacted or asking prices of the properties sold in these transactions with the land premium of US\$1,750 per sq m, which is subject to final decision of the RGC, payable by the Target Companies for each of the TSCLK Complex and the NagaCity Walk. No land premium is required for the Tourist Garden.

Colliers has also researched and reviewed “Construction Cost Handbook China & Hong Kong 2011” issued by Davis Langdon & Seah and the “International Report — Construction Market Intelligence” issued by Rider Levett Buckhall, which were also reviewed by us, in relation to information on unit construction cost per square metre of five-star hotels or comparable properties in other cities in South East Asia such as Ho Chi Minh City, Kuala Lumpur, Bangkok and Macau. We further discussed with Colliers on the comparison of the relevant costs with the unit cost of construction of the TSCLK Complex and the NagaCity Walk. As certain comparable unit costs for properties in some of these cities e.g. Macau are comparatively higher, Colliers has made appropriate adjustments in comparing the relevant costs of such properties with the unit cost of development with respect to the TSCLK Complex and the Naga City Walk. At the same time, Colliers has taken into consideration the fact that the estimated development cost of US\$369,000,00 of the Projects includes some underground portions as well as costs for site formation, foundation and fixtures and hence the unit cost is comparatively higher than that of an ordinary property development. On this basis, Colliers is of the opinion that the estimated construction costs of the Properties are fair and reasonable.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Colliers has also taken into account the costs of approximately US\$17,300,000 incurred by the Target Companies on the Projects to date and as no actual cost has been incurred for the foundation, superstructure or other forms of construction work on the Properties, the existing value of each of the Properties is equal to its respective land cost only.

The maintenance costs of the Concourse and Pedestrian Walkway on the ground level of the NagaCity Walk are expected not to be material. The Underground Linkway shall be private property leased by TSC Inc. or at the election of the Seller, City Walk Inc. and shall be maintained by the Enlarged Group.

In relation to the estimated landscaping costs of the Tourist Garden, we have obtained a breakdown of the total estimated construction cost of approximately US\$369,000,000 from the Company which shows that approximately US\$10,000,000 is allocated to the Tourist Garden Project, which is consistent with the figure disclosed in the valuation report of Colliers in Appendix V of the Circular. The future maintenance costs of the Tourist Garden shall also be a responsibility of the Enlarged Group. The details of maintenance costs of Tourist Garden have not been finalised.

In considering the maintenance costs of the Projects, both the Company and Colliers have not separately allocated specific maintenance costs to the Concourse and Pedestrian Walkway and the Tourist Garden. The maintenance costs of the Projects are running costs of the Projects in the normal business practice of property management such as employment of security guards which costs will not be further sub-divided into separate areas within the Projects. As such, Colliers considered the annual obligation costs to maintain the Tourist Garden and the Concourse and Pedestrian Walkway on the ground level of the NagaCity Walk after their relevant Completion are not material and thus had not taken these costs into consideration in the valuation of the Projects.

In addition, we have reviewed the Design and Build Agreement entered into between the Company and CCAG, a Cambodian registered company controlled by a mainland Chinese group who was the main contractor in the construction of the existing NagaWorld and its subsequent renovations and improvement and has a long-term relationship with NagaWorld for 15 years. We understand that pursuant to the Design and Build Agreement, CCAG shall be deemed to have satisfied itself as to the correctness and sufficiency of the contract sum, which is represented by the total estimated construction cost of US\$369,000,000 to carry out and complete the development the Projects.

We therefore consider that the valuation approaches adopted by Colliers are reasonable in establishing the open market value of the Properties.

### **Information on the Target Group**

TSC Inc. is a limited company incorporated under the laws of the BVI established on 3rd November, 2010 to pursue and develop the Projects. As at the Latest Practicable Date, TSC Inc. has an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, and one share was issued and allotted and is fully paid or credited as fully paid.

TSC Inc. has obtained an approval from the OCM to lease or manage parcels of land from the RGC on which it proposes to develop the Projects. TSC Inc. has been established to pursue the

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

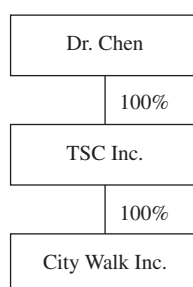
Projects but subject to the level of administrative ease of transfer or assignment of the Projects with the relevant approving authority, the Seller retains the option of segregating the Projects into two components to be developed by individual Target Companies. Notwithstanding that, the Projects may be pursued on a concurrent development timetable. TSC Inc. has established a wholly-owned limited liability subsidiary incorporated under the laws of the BVI, City Walk Inc., on 7th June, 2011, into which the NagaCity Walk Project and the Tourist Garden Undertaking will be held so far as to facilitate an earlier transfer and assignment of the same to the Purchaser

The Target Companies are the holding companies principally engaged in the business of development and construction of the “TSCLK Garden City” comprising the TSCLK Complex, the NagaCity Walk and the Tourist Garden Undertaking in Phnom Penh City, Cambodia.

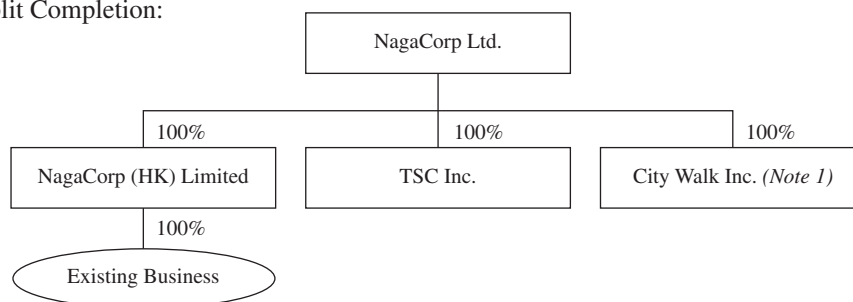
The Target Companies will become subsidiaries of the Company upon the respective Completions.

The following diagram illustrates the shareholding structure of the Target Companies as at the Latest Practicable Date and immediately upon Completion:

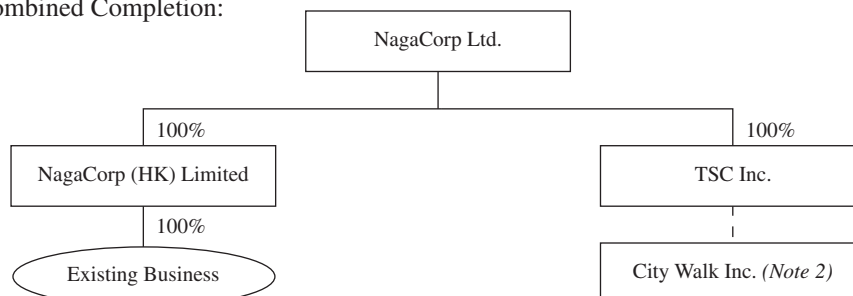
Before Completion:



After Completion, in the case of Split Completion:



After Completion, in the case of Combined Completion:



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

*Notes:*

- (1) Scenario in the case of Split Completion, meaning City Walk Inc. will be directly held by the Company if the NagaCity Walk and Tourist Garden Completion takes place.
- (2) Scenario in the case of Combined Completion, meaning City Walk Inc. will remain the inactive subsidiary of TSC Inc..

### ***Financial Information of the Target Companies***

The Target Companies are to comprise TSC Inc. and City Walk Inc., a wholly-owned subsidiary established by TSC Inc., to facilitate Completion by two stages under the Split Completion.

From its inception to 30th September, 2011, TSC Inc. did not conducted any business transaction, and its startup costs were borne by the Seller, being the sole shareholder of TSC Inc. City Walk Inc. was incorporated on 7th June, 2011 and has not conducted any business transactions, and its startup costs were also borne by the Seller.

The accountants' report of TSC Inc. is set out in Appendix II of the Circular. The unaudited pro forma financial information of the Enlarged Group is set out in Appendix IV of the Circular.

### **Possible financial effects of the Acquisition on the Group**

Whether the Seller elects the Combined Completion or the Split Completion, TSC Inc. will become the wholly owned subsidiary with City Walk Inc., an indirect wholly owned subsidiary, or both Target Companies becoming direct wholly owned subsidiaries of the Company. The financial results of the TSC Inc. and City Walk Inc. will be consolidated into the Group.

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV of the Circular and assuming Completion took place on 30th June, 2011, being the latest date for the published results of the Group, (i) the unaudited pro forma total assets would be increased by approximately 110% from approximately US\$370,774,000 to approximately US\$779,175,000; (ii) the unaudited pro forma total liabilities would be increased by approximately 4% from approximately US\$32,274,000 to approximately US\$33,676,000; (iii) the unaudited pro forma adjusted net asset value attributable to the equity holders of the Company would be increased by approximately 120% from approximately US\$338,500,000 to approximately US\$745,499,000.

The Directors consider that the Acquisition will contribute to the earnings base of the Enlarged Group. However, the overall effects of the Acquisition on the future earnings of the Enlarged Group will depend on, amongst other matters, the deliveries and performance of TSC Inc. and City Walk Inc.

### **Business prospects of the Enlarged Group**

As disclosed in the section headed "Letter from the Board" of the Circular, since the listing of the Company on the Stock Exchange in 2006, the Company has completed NagaWorld, an integrated casino, hotel and entertainment complex located in the heart of Phnom Penh City, Cambodia. Various expansion projects, financed entirely from operational cashflows, within NagaWorld have been

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

undertaken since then to cater to its constantly expanding business. The built-up area of the existing NagaWorld complex is approximately 110,768 sq m. A new lounge and club targeted toward sophisticated high-end local clientele has just been completed, helping to ensure NagaWorld's competitive position on Indochina's fast-growing entertainment scene. Also, with the completion of a third wing later this year, it will house, amongst other things, a rooftop swimming pool, health club, discotheque, offices, an additional 220 hotel rooms, more gaming space, an additional multi-purpose hall able to accommodate 1,000 people, and additional car parking. These incremental hotel rooms will be positioned at a lower price point to appeal to a wider segment of the Company's casino guests. The Company is also currently constructing additional 6-star suites, each with private gaming space, in its South Hotel Tower for its high-end junket guests.

The management of the Company considers that the scope for further expansion within the confines of NagaWorld is now very limited, especially with regard to adding more gaming space, retail space and hotel rooms, which are essential to support further business growth expected to be fuelled by the expanding gaming market in Indochina and greater China. The Projects, which shall add additional entertainment and space suitable for gaming purpose, retail, convention and parking space, shall provide competitive edge for the Company in the Asian entertainment gaming market, especially in the light of new and developing integrated gaming projects presently being undertaken in Vietnam, Philippines, Macau and Singapore.

Cambodia's economic recovery in 2010 and 2011 continues to gain momentum after a 2% shrinkage in real GDP growth in 2009. Tourism arrivals statistics issued by the Ministry of Tourism, Cambodia, reports a year on year tourism arrivals growth of approximately 14% in the first quarter of 2011. Riding on the increasing prosperity of the country and its inbound tourism growth, the Company's revenues have shown strong steady growth since 2009.

Tabulated below is the Group's revenue growth trend since the financial year ended 2009:

Revenue (US\$ million):	Audited 2009	Audited 2010	Unaudited
			6 months ended 30th June, 2011
Public tables	24.6	41.5	27.9
Slots	34.3	44.9	38.8
Junket tables	53.4	54.1	35.7
Non-gaming	<u>5.5</u>	<u>10.0</u>	<u>9.4</u>
Total	<u>117.8</u>	<u>150.5</u>	<u>111.8</u>

### *Expansion of the Group's business operations upon Completion*

As shown in the section headed "Information on the development of the Properties" above and according to the plans submitted by the Project Architect to the MPP, following completion of the Acquisition and the Projects which are located just adjacent to NagaWorld shall provide additional potential gaming space of approximately 200 to 300 gaming tables which is intended to be located at



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

the public floor next to the retail space and approximately 500 slot machines. TSCLK Complex has two blocks of buildings connected to a common podium block. One block is designed as a 24-storey building with 1,033 units of hotel rooms, another block is designed as a 22-storey building with 50 units of VIP private gaming suites. These 50 VIP private gaming suites are designed for special gaming patrons with enhanced upmarket comforts. The podium block shall have a retail space of about 18,738 sq m of net floor area and a special purpose built theatre with approximately 3,000 seats intended to be used as a special show theatre which further provides additional integrated entertainment space to gain the foothold of the Company as the entertainment centre of the Indochina region. TSCLK Complex is serviced by 532 parking bays, the biggest high-rise car park facilities in the city of Phnom Penh.

Based on the unaudited results of the Group for the 6 months up to 30th June, 2011, NagaWorld has a daily average of 121 gaming tables in operation, generating an average daily revenue of US\$2,883 per table per day and 1,035 slot machines generating a win per unit per day of US\$236.

NagaWorld currently does not have significant retail space. The Projects will bring in additional retail space of approximately 18,738 sq m of net floor area. It is intended by the Company to rent out most of this space to accommodate mid to high-end retail outlets catering to domestic demand, gaming and non-gaming patrons as well as tourists to Phnom Penh City. Based on the data compiled by Colliers, the present rental rates for high-end retail outlets range from US\$60 to US\$90 per sq m.

NagaWorld presently has 500 hotel rooms of international standard. The completion of the third tower of NagaWorld by the second quarter of 2012 shall bring in an additional international-standard 220 rooms. Upon Completion, the Project will add another 1,033 hotel rooms and 50 VIP private gaming suites, which is envisaged to boost the Company's revenue.

The present facilities for MICE in NagaWorld are in demand. The additional facility of a theatre with approximately 3,000 seats shall satisfy the needs of the Company to provide more comprehensive MICE and sizable performance events and entertainment shows of international standard.

In light of the above reasons, we consider that the Acquisition offers attractive prospects for the Group to generate continuous revenue and margin growths in the years following completion of the Projects and is beneficial to the long term strategic growth of the Group.

### **Effect of the Acquisition on the shareholding of the Independent Shareholders**

As the Consideration Shares and, or Conversion Shares (upon conversion of the Convertible Bonds) will be issued to the Seller upon Completion, the dilution of the other Shareholders occurs only on Completion and where the Projects will generate shortly thereafter.



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

The following table sets out the shareholding structure of the Company (i) as at the date of the Announcement; and (ii) immediately after final Completion, assuming there is no other change in the issued share capital and shareholding structure of the Company from the date of the Announcement:

Name of Shareholders	As at the date of the Announcement		Upon Conversion of the Convertible Bonds or issue of Consideration Shares up to the minimum public float requirement (with the balance of the Consideration held as unconverted Convertible Bonds)		Upon full conversion of the Convertible Bonds (assuming the entire Consideration is satisfied by Convertible Bonds) (for illustrative purpose)	
	<i>Approximate % of issued share capital of the Company</i>	<i>Approximate % of issued share capital of the Company</i>	<i>Approximate % of issued share capital of the Company</i>	<i>Approximate % of issued share capital of the Company</i>	<i>Approximate % of issued share capital of the Company</i>	<i>Approximate % of issued share capital of the Company</i>
	<i>No. of Shares</i>	<i>Company</i>	<i>No. of Shares</i>	<i>Company</i>	<i>No. of Shares</i>	<i>Company</i>
Dr. Chen ( <i>Note 1</i> )	1,255,795,298	60.31	2,478,850,731 ( <i>Note 3</i> )	75.00	2,822,077,405 ( <i>Note 2</i> )	77.35
Public	826,283,577	39.69	826,283,577	25.00	826,283,577	22.65
<b>Total:</b>	2,082,078,875	100.00	3,305,134,308	100.00	3,648,360,982	100.00

Notes:

- (1) Dr. Chen holds approximately 60.31% of the issued share capital of the Company through (i) direct interest of 18.52%; (ii) indirect interest of 34.00% held through Fourth Star Finance Corporation; and (iii) indirect interest of 7.79% held through Cambodia Development Corporation.
- (2) The corresponding aggregate number of Consideration Shares and Conversion Shares would be 1,566,282,107.
- (3) The number of Shares includes Dr. Chen's existing Shares and the number of Shares as converted from the Convertible Bonds or Consideration Shares issued.

According to the Share Purchase Agreement between the Company and the Seller, should the Company fail to have the minimum public float, as prescribed from time to time by the Listing Rules, then the relevant number of Consideration Shares to be issued upon completion of the Acquisition and completion of the issue of Convertible Bonds and, or Consideration Shares shall be scaled back to the number of shares in the hands of the Seller as would preserve the public float, with the balance of the Consideration being settled through the issue of a Convertible Bond or Convertible Bonds. The last scenario in the table is therefore set out solely for illustrative purpose only as at no material time will the Convertible Bonds be allowed to be converted or Consideration Shares be issued so that the percentage of issued share capital of the Company held by the public would fall below the required 25% threshold.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

We consider that the Conversion Shares upon conversion of the Convertible Bonds have the nature and characteristics of pure equity issues and effectively allow a holder of the Convertible Bonds to participate in the Company upon conversion of the Convertible Bonds in the same manner as a holder of the Consideration Shares does. The Shareholders should therefore take into account the possible dilution effect of the Acquisition on their shareholdings upon issue of the Consideration Shares and conversion of the Convertible Bonds into Conversion Shares as disclosed above when they make their voting decisions at the EGM.

### RECOMMENDATION

We believe that the Projects, subject to Completion, represent an opportunity for the Group to enhance its asset base, competitiveness and future profitability.

The Independent Shareholders and potential investors of the Company should note the time uncertainty and risks inherently associated with construction projects of a similar nature and bear in mind that Completion will not take place in 3 to 5 years from the date of the Share Purchase Agreement and the Projects are not in a position to generate earnings and cashflows until Completion. Having said that, during the period prior to Completion, the Company will not bear the completion risks of the Projects.

Given the growing trend of international visits to Cambodia and NagaWorld, satisfactory growth in revenues and profit margins of the Group in the recent financial periods coupled with an improved mix of junket and non-junket businesses, the current expansion plans implemented by NagaWorld to cope with the increasing demand for gaming and non-gaming business, the limited scope for further expansion within the confines of NagaWorld as well as the commercial benefits of the Projects, which will feature additional casino and hotel facilities and bring in additional revenues from both the higher margin mass market segment and the junket business segment, we believe the Acquisition is in line with the long term growth strategy of the Company and beneficial to the business development of the Group.

In addition, as mentioned above, the development, financing and completion risks of the Projects are borne by the Seller and the Consideration is fixed and not payable until Completion and there will not be any pricing adjustments to the Consideration in the event of costs overrun. Completion required the conditions of the Share Purchase Agreement to be fulfilled by the Seller at no additional cost to the Company. Based on our discussions with the management of the Company, we believe that this is beneficial to the Company after taking into account, amongst other things, the weakening U.S. dollar which may drive up the costs of construction materials imported from other countries to Cambodia and the current turbulences in global financial markets which may prevail in the distant future.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

On the basis of the analyses set out in this letter and with regard to the principal factors considered by us, including but not limited to the bases upon which the valuation of the Properties and the terms of the Consideration are arrived at and the possible dilutive effect of the Acquisition on the shareholding of the Independent Shareholders upon Completion and issue of Considerations Shares and, or conversion of Convertible Bonds into Conversion Shares, we consider the Acquisition to be in the interests of the Company and its Shareholders as a whole and that the terms of the Share Purchase Agreement and the Acquisition are fair and reasonable so far as the Shareholders are concerned. Further, in light of the fact that the Company is in the gaming and hotel business, we consider that the Acquisition is on normal commercial terms and in the ordinary and usual course of business. Accordingly, we recommend that all Independent Shareholders vote in favour of the ordinary resolution proposed at the EGM.

Yours faithfully,  
for and on behalf of  
**Anglo Chinese Corporate Finance, Limited**  
**Keith Ng**  
*Director*

**1. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP**

The Company is required to set out in this circular the financial information for the last three financial years and an interim period with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited statement of financial position together with the notes on the annual accounts for the last financial year for the Group.

The audited consolidated financial statements of the Group for the year ended 31 December 2010 has been set out in pages 48 to 106 of the annual report 2010 of the Company which was posted on 15 April 2011 on the Stock Exchange's website (<http://www.hkexnews.hk>). Please also see below quick link to the annual report 2010:

<http://www.hkexnews.hk/listedco/listconews/sehk/20110415/LTN20110415512.pdf>

<http://www.nagacorp.com/assets/files/eng/reports/ar2010.pdf>

The audited consolidated financial statements of the Group for the year ended 31 December 2009 has been set out in pages 44 to 100 of the annual report 2009 of the Company which was posted on 29 April 2010 on the Stock Exchange's website (<http://www.hkexnews.hk>). Please also see below quick link to the annual report 2009:

<http://www.hkexnews.hk/listedco/listconews/sehk/20100429/LTN20100429200.PDF>

<http://www.nagacorp.com/assets/files/eng/reports/ar2009.pdf>

The audited consolidated financial statements of the Group for the year ended 31 December 2008 has been set out in pages 47 to 96 of the annual report 2009 of the Company which was posted on 15 April 2009 on the Stock Exchange's website (<http://www.hkexnews.hk>). Please also see below quick link to the annual report 2008:

<http://www.hkexnews.hk/listedco/listconews/sehk/20090415/LTN20090415566.pdf>

<http://www.nagacorp.com/assets/files/eng/reports/ar2008.pdf>

**2. UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THE GROUP**

The unaudited interim consolidated financial statements of the Group for the six months ended 30 June 2011 has been set out in pages 37 to 59 of the interim report 2011 of the Company which was posted on 26 September 2011 on the Stock Exchange's website (<http://www.hkexnews.hk>). Please also see below quick link to the interim report 2011:

<http://www.hkexnews.hk/listedco/listconews/sehk/20110926/LTN20110926248.pdf>

<http://202.66.146.82/listco/hk/nagacorp/interim/2011/intrep.pdf>

**3. INDEBTEDNESS STATEMENT**

As at the close of business on 30 November 2011, being the Latest Practicable Date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had total outstanding borrowings and other payables of approximately US\$25,678,000, comprising unsecured payables for the cost of the land acquired by TSC Inc. of approximately US\$12,000,000, unsecured construction costs payable of approximately US\$8,403,000, and unsecured payable to a director of approximately US\$5,275,000.

As at 30 November 2011, the Enlarged Group had capital commitments contracted but not provided for in respect of the construction costs in relation to NagaWorld, the hotel and casino and hotel complex of the Group and in relation to the development of the TSCLK Complex Project, the NagaCity Walk Project and the Tourist Garden Undertaking, of approximately US\$382,081,000.

Save as aforesaid and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Enlarged Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, outstanding bank borrowings or indebtedness, including bank overdrafts, liabilities under acceptances, acceptance credits, mortgages, charges, other indebtedness in the nature of borrowing, finance lease or hire purchase commitments, guarantees or material contingent liabilities as at 30 November 2011.

**4. WORKING CAPITAL**

The Directors, after due and careful consideration, are of the opinion that after taking into account the available banking facilities, present internal resources of the Group and the effect of the Acquisition, the Group has sufficient working capital for at least next 12 months from the date of this circular to meet its present requirements, in the absence of any unforeseen circumstances.

As (i) the shareholder of Target Companies (*i.e.*, the Seller) will bear the financial obligations for the construction of NagaCity Walk and the TSCLK Complex and the landscaping of the Tourist Garden; (ii) the Group will only acquire the Target Companies (*i.e.*, City Walk Inc. and/or TSC Inc.) by Completion which will not occur in the next three years from the date of this circular (with extension of another year subject to sole discretion by the Seller or TSC Inc.); and (iii) the Group has no control in the Seller from the financial commitment perspective, the Directors are of the view that it is more appropriate for the preparation of working capital of the Group for at least the next 12 months from the date of this circular instead of the Enlarged Group (*i.e.*, the inclusion of the Target Companies).

## 5. MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF THE GROUP

*Set out below is the management discussion and analysis (modified as appropriate) extracted from the annual reports of the Group for the financial years ended 31 December 2008, 2009 and 2010*

**CONSOLIDATED STATEMENTS OF INCOME OF THE GROUP  
FOR THE YEARS ENDED 31 DECEMBER 2008, 2009 AND 2010**

	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Revenue</b>	150,517	117,770	193,485
Cost of sales	<u>(43,832)</u>	<u>(46,531)</u>	<u>(105,501)</u>
<b>Gross profit</b>	106,685	71,239	87,984
Other income	4,442	774	2,558
Administrative expenses	(30,957)	(17,162)	(24,324)
Other operating expenses	<u>(32,232)</u>	<u>(27,260)</u>	<u>(24,255)</u>
<b>Profit before taxation</b>	47,938	27,591	41,963
Income tax	<u>(3,877)</u>	<u>(2,123)</u>	<u>(1,953)</u>
<b>Profit attributable to owners of the Company</b>	<u>44,061</u>	<u>25,468</u>	<u>40,010</u>
<b>Earnings per share (US cents)</b>	<u>2.12</u>	<u>1.23</u>	<u>1.93</u>

**FOR THE YEAR ENDED 31 DECEMBER 2008****BUSINESS OVERVIEW**

Revenue increased by 34.3% to approximately US\$193.5 million for the financial year ended 31 December 2008 from US\$144.0 million for the same period in 2007. Gross profit increased by 12.6% to approximately US\$88.0 million in 2008 from US\$78.1 million in 2007. Earnings before interest, tax, depreciation and amortisation were approximately US\$49.3 million in 2008 and approximately US\$56.9 million in 2007. Profit attributable to Shareholders of the Company or net profit decreased by 20.3% to approximately US\$40.0 million in 2008 from US\$50.2 million in 2007.

The stable political regime and economic developments in Cambodia has continued after the national election in July 2008 and that provided a good domestic backdrop for the hospitality industry. The number of visitor arrivals at Cambodia increased to around 2.1 million in 2008 from around 2.0 million in 2007 (*Source: Ministry of Tourism, Cambodia*).

The external environment has become increasingly challenging for the hospitality sector after the onset of the global financial tsunami. Although the location of the Group's principal operations is distant from the epicenter of the tsunami, business activities were, to a certain extent, affected and slowed down in the second half compared to the first half of the year under review.

Gaming operations continued to be the principal revenue source and represented around 99% of the total revenue of the Company. The remaining revenue was derived largely from food and beverages and hotel and entertainment. Revenue derived from gaming operations was approximately US\$191.0 million in 2008 compared to US\$143.9 million in 2007. The majority of the revenue from the hotel wing was generated from the provision of complimentary services to the casino players. The increase in revenue from gaming operations was attributable mainly to the higher contributions of revenues from the Group's public floor tables and Junket VIP floor tables in 2008.

### **Segmental information**

#### *Public Floor Tables*

Revenue from public floor tables increased by 36.2% to approximately US\$102.7 million in 2008 from US\$75.4 million in 2007. Revenue derived from public floor tables accounted for 53.1% of the Group's total revenue in 2008 compared to 52.3% in 2007. The increase in revenue from the Group's public floor tables was attributable mainly to Group's various programmes targeting public floor customers namely, Vietnam Ground Junket Programme, Travel Agent Junket Programme, and the Premium Players Programme targeting Cambodians who hold foreign passports. It was estimated that 89.7% of the revenue from public floor tables was attributed to the Premium Players Programme.

The buy-in amounts made by players increased by 109.7% to US\$555.9 million in 2008 from US\$265.1 million in 2007. The level of gaming activities as measured by rollings increased by 147.4% to US\$4,073.3 million in 2008 from US\$1,646.4 million in 2007.

The costs related to the Group's various programmes namely, commission, food and beverages and transportation paid to operators and players increased by 128.6% to approximately US\$62.7 million in 2008 from US\$27.4 million in 2007 on the back of an increased level of rollings.

Win rates for the Premium Player Programme, being revenue to rollings of the programme, were 2.3% and 3.7% for 2008 and 2007 respectively.

The gross profit margins for public floor tables were 39.0% and 63.6% in 2008 and 2007 respectively.

*Junket VIP Floor Tables*

Revenue from Group's Junket VIP floor tables increased by 30.3% to approximately US\$85.2 million in 2008 from US\$65.4 million in 2007. Revenue from Group's Junket VIP floor tables accounted for 44.0% of Group's total revenue in 2008 compared to 45.4% in 2007. For the year under review, the Company recorded revenue of approximately US\$12.6 million from Poibos Co Ltd. ("Poibos"), in accordance with the terms of the management agreement dated 13 December 2007. Please refer to the announcement dated 13 December 2007 for further details.

Rollings, a measure of the level of gaming activity, in Group's various Junket VIP floor tables increased by 19.6% to approximately US\$2,373.9 million in 2008 from US\$1,984.1 million in 2007.

The Junket VIP players had deposited more check-in amounts in 2008. The check-in amounts deposited by Group's Junket VIP players increased by 8.3% to approximately US\$443.4 million in 2008 from US\$409.4 million in 2007. There were around 15,196 Junket VIP players who visited Group's casino in 2008 compared to 18,032 Junket VIP players in 2007. The average check-in amounts per Junket VIP player increased to approximately US\$29,180 in 2008 from US\$22,702 per Junket VIP player in 2007.

On 26 November 2008, the Company by way of an announcement announced that legal actions against Poibos have been initiated with a view to terminating the management agreement. Poibos has failed to fulfil its obligations in respect of, among others, prompt payments of the management fees and provision of sufficient working capital for its gaming operations in the prescribed gaming hall. In particular, of the first installment of US\$12.6 million of management fees already paid by Poibos to NWL pursuant to the management agreement, US\$2 million was dishonoured. The working capital of approximately US\$1.9 million maintained with NWL by Poibos in exchange of unsettled gaming chips amounting to approximately US\$2.6 million was not adequate.

The Company is aware that there is a claim for settlement of gaming chips of US\$1.63 million reported in a local newspaper on 18 February 2009. The claim of US\$1.63 million is for the settlement of the unsettled gaming chips issued in the Poibos gaming hall in NagaWorld and relates to one of the two competing claims as disclosed in Group's announcement dated 26 November 2008. The Company has received two more claims for the settlement of the unsettled gaming chips issued for use in the Poibos gaming hall since the announcement in the amounts of US\$33,600 and US\$425,000 respectively. The claims on unsettled gaming chips above fall within the amount of US\$2.6 million of the unsettled gaming chips referred to in the announcement.

The management of the Company considered that Poibos was in breach of the management agreement and the Group terminated the management agreement as a result of such breach. The Group is seeking legal advice from the Company's legal counsel with a view to taking further legal actions against Poibos and its associates.

In connection with Poibos, the Company has set aside a provision of US\$2.0 million for the unsettled amount of the first installment of the Poibos management fees and a provision of US\$940,000 for the claims against the unredeemed gaming chips.



Junket VIP floor win rates, being revenue to rollings, were 3.1% and 3.3% for 2008 and 2007 respectively. The revenue from the Poibos arrangement is excluded in the calculation of the win rate in 2008.

The costs related to Group's various programmes namely, commission, accommodation, food and beverages and transportation paid to operators and players increased modestly by 9.5% to approximately US\$42.1 million in 2008 from US\$38.4 million in 2007 compared to a higher growth rate in rollings. The growth in costs was contained as accommodation and related costs and, to a lesser extent, food and beverage were reduced as the players and customers have utilised more of Group's own hotel rooms and amenities in 2008 than in 2007.

The gross profit margins for Junket VIP floor tables were 50.6% in 2008 compared to 41.3% in 2007.

#### *Overall Win Rate*

Overall win rates based on revenue and rollings from public floors (save for revenue from the walk-ins) and Junket VIP floors, were 2.6% and 3.5% for 2008 and 2007 respectively.

The revenue from the Poibos arrangement is excluded in the calculation of win rate in 2008.

#### *Gaming Machine Stations*

The Group has been receiving fixed income payments from an independent party for the provision of the gaming machine stations in Group's casino. Under the existing arrangement, the Group is not required to pay rental costs for the gaming machine stations.

For the financial year under review, the Group derived revenue of US\$3.1 million from the gaming machine stations, which is the same as the level of revenue derived in 2007.

As at the end of 2008, there were a total of 211 gaming machine stations offered for patronage in Group's casino (2007: 211 gaming machine stations).

#### **Gross Profit**

Cost of sales comprised mainly commissions paid to Junket VIP operators and local operators and benefits to players such as complimentary accommodation, food and beverages and rebates on air tickets and other forms of transportation. Cost of sales was approximately US\$105.5 million in 2008, representing an increase of 60.1% compared to US\$65.9 million in 2007. The increase in cost of sales reflected patronage of Group's various programmes and the higher level of gaming activities conducted in Group's casino for the financial year under review. The level of gaming activities, as measured by rollings, increased in total by 77.6% to approximately US\$6,447.2 million in 2008 from US\$3,630.5 million in 2007. Gross profit increased by 12.6% to approximately US\$88.0 million in 2008 from US\$78.1 million in 2007.

Given the drop in win rates for both public floor and Junket VIP floor tables, revenue did not increase as fast as that of cost of sales. The gross profit margins were 45.5% and 54.3% in 2008 and 2007 respectively.

### **Administrative and Other Operating Expenses**

Administrative expenses increased by 94.6% to approximately US\$24.3 million in 2008 from US\$12.5 million in 2007. Fuel expenses increased to approximately US\$4.7 million in 2008 from US\$1.4 million in 2007. The increase in fuel expense reflected, among other things, the increase in fuel consumption for the operation and usage of various gaming and hotel spaces, facilities and amenities in NagaWorld and the increase in fuel prices in 2008.

In 2008, in order to maintain a win-win situation with the operating environment and the strategic position of the Company, the Group has made contributions in an aggregate amount of approximately US\$3.6 million to the Cambodia Red Cross, other charitable organisations and bodies for the betterment of Cambodia and its people.

For the purpose of the IPO, the Company purchased a political insurance hedging country risks in Cambodia. The Company considered, among others, the continued political stability and economic development in Cambodia and decided the political insurance was no longer necessary. As such, the political insurance was discontinued.

Other operating expenses increased by 36.2% to approximately US\$24.3 million in 2008 from approximately US\$17.8 million in 2007. The Group has been recruiting new staff to manage Group's gaming and hotel operations and other entertainment facilities. The expansion of Group's gaming and hotel operations and other entertainment facilities will require additional manpower. The number of Group's employees increased to 2,753 employees in 2008 from 1,709 employees in 2007.

### **Finance Costs**

The Group did not incur any significant finance costs as there were no significant financing arrangements in 2008.

### **Net Profit**

Profit attributable to equity Shareholders of the Company or net profit decreased by 20.3% to approximately US\$40.0 million in 2008 from US\$50.2 million in 2007. The net profit margins were 20.7% and 34.9% in 2008 and 2007 respectively.

Earnings per shares were approximately US cents 1.93 (HK cents 15.1 per share) and US cents 2.42 (HK cents 18.9 per share) in 2008 and 2007 respectively.

**FINANCIAL REVIEW****Pledge of Assets**

As at 31 December 2008, the Group had not pledged any assets for bank borrowings (2007: US\$ Nil).

**Contingent Liabilities**

As at 31 December 2008, the Group had no contingent liabilities. In relation to the litigation of a Junket VIP group as disclosed in the annual report 2007, the Group has provided an adequate allowance of US\$2.1 million for the case.

**Exchange Rate Risk**

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

**Issue of New Shares**

There was no issue of new shares for the financial year ended 31 December 2008.

**Liquidity, Financial Resources and Gearing**

As at 31 December 2008, the Group had total cash and cash equivalents of approximately US\$ 9.6 million (2007: approximately US\$56.2 million). The Group had been making investments in property, plant and equipment in connection with the development and expansion of NagaWorld and the provision of gaming, entertainment and hotel services and facilities. The Group expects that Group's working capital and investments will be financed by cash generated from Group's operations and proceeds from the IPO and, if necessary, other forms of financing.

As at 31 December 2008, the Group had net current assets of approximately US\$52.4 million (2007: approximately US\$72.2 million). The Group had net assets of approximately US\$270.2 million (2007: approximately US\$262.6 million).

As at 31 December 2008, the Group had no significant outstanding borrowings.

**Capital and Reserves**

As at 31 December 2008, the capital and reserves attributable to equity shareholders of the Group was approximately US\$270.2 million (2007: approximately US\$262.6 million). The changes in the capital and reserves reflected mainly the profit retained and dividend paid in 2008.

**Staff**

As at 31 December 2008, the Group employed a work force of 2,753 (2007: 1,709) stationed in Cambodia, Malaysia and Hong Kong. The remuneration and staff costs for the financial year under review were approximately US\$17.1 million (2007: approximately US\$13.4 million).

**Employee benefits**

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. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

**FOR THE YEAR ENDED 31 DECEMBER 2009****Consolidated Statement of Income Excluding Non-recurrent Management Fee Income from Poibos in 2008**

For illustration purposes, should the revenue and net profit of US\$12.6 million derived from the non-recurrent management fee from Poibos be excluded from the financial results of the Group for the year ended 31 December 2008, the Consolidated Statement of Income would be as follows:

	<b>Financial year ended 31 December</b>	
	<b>2009</b>	<b>2008</b>
	<i>US\$' million</i>	<i>US\$' million</i>
<b>Revenue</b>	117.8	180.9
Cost of sales	<u>(46.6)</u>	<u>(105.5)</u>
<b>Gross profit</b>	71.2	75.4
<i>Gross Profit Margin (%)</i>	60.4%	41.7%
Other income	0.8	2.6
Administrative and other operating expenses (before depreciation and amortization)	<u>(34.1)</u>	<u>(41.3)</u>
<b>Earnings before Interest, Taxation, Depreciation and Amortization (EBITDA)</b>	37.9	36.7
<i>EBITDA Margin (%)</i>	32.2%	20.3%
Interest, Depreciation and amortization	(10.3)	(7.3)
Income tax	<u>(2.1)</u>	<u>(2.0)</u>
<b>Profit attributable to equity shareholders of the Company</b>	<u><u>25.5</u></u>	<u><u>27.4</u></u>

**BUSINESS OVERVIEW (EXCLUDING NON-RECURRENT MANAGEMENT FEE INCOME FROM POIBOS IN 2008)**

Despite a drop in worldwide tourist arrivals of 4% in 2009 compared to 2008 (Source: World Tourism Organization), tourism in Cambodia has been able to maintain its arrivals figures at 2.1 million in 2009 (Source: Ministry of Tourism, Kingdom of Cambodia). The sustained tourism arrivals and stable political environment have enabled the Group to penetrate further into the mass gaming market comprising public floors and gaming machines, which yields higher margins than the Junket VIP market. The enhanced business efficiency is reflected in the significant increase in EBITDA Margin from 20.3% in 2008 to 32.2% in 2009. Despite a drop in revenue from US\$180.9 million to US\$117.8 million, EBITDA has increased from US\$36.7 million to US\$37.9 million.

For the year ended 31 December 2009, revenue derived from non-junket business contributed to 54.7% of total revenue compared to only 7.9% in 2008. This improved business mix between Junket VIP and non-junket business has provided the Group with more stable revenues and higher margins.

As a result of promotional events hosted by NagaWorld and additional food and beverage outlets opened in 2009, NagaWorld is now recognized as a social, recreational, events, business and tourist destination in Cambodia and is well patronized by locals and overseas visitors. This has resulted in an increase in non-gaming revenue from US\$2.5 million in 2008 to US\$5.5 million in 2009.

**Segmental Information***Public Floor Tables*

Revenue from the public floor in respect of those earning commissions have been reclassified as Junket VIP floor tables for the years ended 31 December 2009 and 2008. This reclassification better reflects the nature of the public floor business where there are no operators and no commissions are paid compared with the Junket VIP business where operators are paid commissions on rollings. Revenue from public floor tables has increased significantly by 151.0% from US\$9.8 million in 2008 to US\$24.6 million in 2009 as a result of higher buy-ins and win rates in 2009.

Buy-ins on the public floor increased from US\$129.1 million in 2008 to US\$150.9 million in 2009 while win rates improved from 7.6% in 2008 to 16.3% in 2009.

*Gaming Machine Stations*

NagaWorld's monopolistic advantage in Phnom Penh as a result of the closure of other slot machine and sports betting station outlets in the city has resulted in significant growth in the Group's Gaming Machine Stations business in 2009.

The number of Gaming Machine Stations in NagaWorld grew sharply from 211 at the end of 2008, to 618 as of 31 December 2009. As of the date of 9 February 2010, a further 120 machines have been installed, bringing the total to 738, and the Group expected that the total number of machines would increase to about 1,000 by mid 2010.

The sustained demand growth for Gaming Machine plays in NagaWorld has driven the revenue from Gaming Machine Stations up to US\$34.3 million in 2009 from US\$3.1 million in 2008. The business growth was also reflected in the increase in bills-in from US\$40.7 million in the first half of 2009 to US\$175.8 million in the second half of 2009.

#### *Junket VIP Floor Tables*

The global financial tsunami has affected the Junket VIP business performance for the year ended 31 December 2009, resulting in a drop in revenue of US\$112.1 million from US\$165.5 million in 2008 (excluding the non-recurrent management fee from Poibos in 2008 and including the reclassification of revenue from the public floor in respect of those earning commissions as Junket VIP floor tables) to US\$53.4 million in 2009.

The Group also tightened its credit policies in 2009 by only granting limited credit lines to Junket operators under strict guidelines and supervision in line with the Group's policy of encouraging wagering on cash terms. The tighter credit policy, coupled with the global financial tsunami, has resulted in lower check-in amounts of US\$387.5 million in 2009 as compared to US\$870.1 million in 2008.

The win rate of Junket VIP business dropped from 2.6% in 2008 to 2.3% in 2009. This had the effect of reducing the gross profit margin from 36.8% in 2008 to 23.2% in 2009. To enhance the gross profit margin, the subsidies for rooms, food and beverage and air tickets were carefully monitored and either reduced or withdrawn in the second half of 2009. As a result, the gross profit margin improved from 20.2% in the first half of 2009 to 28.6% in the second half of 2009.

#### **Gross Profit**

Gross Profit Margin improved from 41.7% in 2008 to 60.4% in 2009 due to a more efficient business mix where 54.7% of total revenue was derived from the public floor, gaming machines and non-gaming business segments as compared to only 7.9% in 2008. These business segments do not incur rolling commissions as compared to the Junket VIP business where commissions are paid based on rollings achieved by the Junket VIP players.

2009 saw the double barreled effects of not only higher revenue in the Public Floors and Slots revenue but also lower direct costs as a result of a number of initiatives, such as the variability on the commission structure offered to the Group's junket to create bilateral beneficial effects to both the Group and the operator. Hence, despite a drop of revenue of 34.9% (excluding the one off management fee income from Poibos in 2008), Gross Profit and EBITDA remain fairly stable.

#### **Administrative and Other Operating Expenses (Before Depreciation and Amortisation)**

Due to the continuous efforts by the Management to reduce overheads, Administrative and Other Operating Expenses (before Depreciation and Amortisation) fell from US\$41.3 million in 2008 to US\$34.1 million in 2009 despite the opening of additional food and beverage outlets in NagaWorld.

**Finance Costs**

The Group did not incur any significant finance costs as there were no significant financing arrangements in 2009 and 2008.

**Net Profit**

Profit attributable to equity shareholders of the Company or net profit decreased by 6.9% to approximately US\$25.5 million in 2009 from US\$27.4 million in 2008.

**FINANCIAL REVIEW****Pledge of Assets**

As at 31 December 2009, the Group had not pledged any assets for bank borrowings (2008: US\$ Nil).

**Contingent Liabilities**

As at 31 December 2009, the Group had no contingent liabilities (2008: US\$ Nil).

**Exchange Rate Risk**

The Group's income is earned principally in United States dollars. The Group's expenditure is paid principally in United States dollars and to a lesser extent in Cambodian Riels. The Group therefore does not have any significant exposure to foreign currency risk and therefore has not entered into any currency hedging transactions.

**Issue of New Shares**

On 18 June 2009, the Company issued 13,642,875 ordinary shares under the scrip dividend payment scheme for 60% of the payment of the 2008 final dividend. The market value for calculating the number of Scrip Shares allotted to the shareholders pursuant to the scrip dividend scheme was HK\$0.94 per share (or HK cents 94 per share), which was the average of the closing price per share of the Company on the Stock Exchange for the 5 consecutive trading days up to and including 18 May 2009.

There was no issue of new shares for the financial year ended 31 December 2008.

**Liquidity, Financial Resources and Gearing**

As at 31 December 2009, the Group had total cash and cash equivalents and fixed deposit at bank of approximately US\$19.0 million (2008: approximately US\$9.6 million). Funding for construction and operations is by cash generated from operations and proceeds from initial public offering in 2006.

As at 31 December 2009, the Group had net current assets of approximately US\$42.6 million (2008: US\$52.4 million). The Group had net assets of approximately US\$287.7 million as at 31 December 2009 (2008: US\$270.2 million).

As at 31 December 2009 and 2008, the Group had no outstanding borrowings.

### **Capital and Reserves**

As at 31 December 2009, the capital and reserves attributable to equity shareholders of the Company was approximately US\$287.7 million (2008: US\$270.2 million). The changes in the capital and reserves reflected the profit retained and dividend paid in 2009.

### **Staff**

As at 31 December 2009, the Group employed a work force of 3,161 (2008: 3,258) stationed in Cambodia, Malaysia and Hong Kong. The remuneration and staff costs for the financial year under review were approximately US\$16.9 million (2008: approximately US\$17.1 million).

### **Employee benefits**

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. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

### **Trade Receivables and Credit Policy**

NagaWorld is committed to deliver excellence in services and products to its gaming customers and the relationship with its Junket operators is crucial towards satisfying these objectives. The Company has maintained a win-win cordial commercial relationship with many of these Junket operators for a very long period of time spanning through many ups and downs of economic cycles in the past. Mutual support is essential such that Junket VIP business would continue to make contribution throughout this very challenging time. However the Group was closely monitoring and reviewing the performance of the Group's operators. Only bona fide, hardworking, honest and results-oriented operators who abide by the Group's strict credit policy & guidelines were retained.

The Group has closely monitored the changes in trade receivables and focused on their recovery, resulting in a 15.3% decrease in trade receivables from US\$60.2 million to US\$51.0 million.

Management has in place stringent credit guidelines and supervision. Depending on the performance and other criteria as set by the Company from time to time, many unqualified operators are not granted any credit facility at all and by doing so, it is of the view that this revised credit policy shall be beneficial to the control and management of trade receivables in future.

For the year ended 31 December 2009, the Group made a provision for doubtful debts of US\$1.6 million in respect of trade receivables which are deemed doubtful of recovery.



## FOR THE YEAR ENDED 31 DECEMBER 2010

The Group owns, manages and operates the largest integrated entertainment hotel complex in Cambodia and the only casino in Phnom Penh, the capital city. It holds a casino licence (the “Casino Licence”) granted to the Group by RGC, for a duration of 70 years commencing from 2 January 1995, and 41 years of exclusivity within a 200-km radius of Phnom Penh, Cambodia (except the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville).

The Company completed an initial public offering and became a public company listed on the Main Board of the Stock Exchange of Hong Kong Limited on 19 October 2006.

## BUSINESS OVERVIEW

*Performance Highlights*

For the years ended 31 December 2010 and 2009

	2010 US\$'000	2009 US\$'000
<b>Public Floor Gaming Tables:</b>		
- Revenue	41,517	24,566
- Win Rate	20.4%	16.3%
<b>Gaming Machines:</b>		
- Revenue	44,888	34,298
- Win Rate	12.7%	13.4%
- No. of machines at end of period	1,032	618
<b>Junket Floor Gaming Tables:</b>		
- Revenue	54,099	53,366
- Win Rate	2.3%	2.3%
- No. of visitors	7,928	11,368
<b>Hotel and Entertainment Operations:</b>		
- Revenue	10,013	5,540
- Average Occupancy Rate	60%	34%

Net profit for the year ended 31 December 2010 increased by 73% to approximately US\$44.1 million, amidst a competitive and robust gaming climate throughout the Asia Pacific region.

Amidst a competitive and robust gaming climate throughout the Asia Pacific region, net profit for the year ended 31 December 2010 increased by 73% to approximately US\$44.1 million, compared to approximately US\$25.5 million in 2009. The Company's net profit was partnered with a gross profit increase of 50% to approximately US\$106.7 million for the year ended 31 December 2010, from US\$71.2 million in 2009.

The Company's gross profit margin was 71% for the year ended 31 December 2010, which improved from 60% in 2009. Revenue increased by 28% to approximately US\$150.5 million for the year ended 31 December 2010, from approximately US\$117.8 million in 2009. EBITDA was approximately US\$61.9 million for the year ended 31 December 2010, and US\$37.9 in 2009. Profit before taxation increased by 74% to approximately US\$47.9 million, from approximately US\$27.6 million in 2009.

### **Segmental Information**

#### *Public Floor Gaming Tables*

Revenue growth from public floor gaming tables is a clear indicator that the Group's revised business strategy focusing on the mass gaming market is the right direction in the evolution of the Group's business. By concentrating on and developing untapped markets, revenue increased by 69% from US\$24.6 million for the year ended 31 December 2009 to US\$41.5 million in 31 December 2010 while win rates improved from 16.3% in 2009 to 20.4% in 2010.

#### *Gaming Machine Stations*

The growth of the Group's gaming machine business has been fuelled by both a demand for the up-to-date gaming machines offered, the Group's targeted marketing initiatives, and continued enforcement of the closure of other gaming machine and sports betting station outlets in Phnom Penh.

As at 31 December 2010, the number of slot stations was 1,032, compared with 618 as at 31 December 2009. The sustained demand growth for gaming machines at NagaWorld has driven total revenue from the gaming machine stations to US\$44.9 million for the year ended 31 December 2010, representing an increase of 31% over revenue of US\$34.3 million in 2009.

#### *Junket Floor Tables*

The Group's junket business continues to be an important component of the business model. After installing a conservative credit policy and relatively low table limit in 2009, and going through an adjustment period as a result of those changes, the Group is pleased to see its junket business making good progress. This progress has occurred in conjunction with credit policies that grant limited credit lines to certain junket operators under strict guidelines and supervision, as well as efforts to encourage wagering on cash terms. The Group continues to push forward with its strategy of maintaining a conservative gaming policy aimed at regional mid-size players, and fostering relationships with key junket operators.

For the year ended 31 December 2010, revenue from the Group's junket business was US\$54.1 million, compared to US\$53.4million in 2009. Revenue from junket floor tables accounted for 36% of the Group's total revenue for the year ended 31December 2010, compared to 45% in 2009.

#### *Hotel and Entertainment Operations*

Hotel and entertainment operations represent non-gaming revenue in NagaWorld. NagaWorld is widely recognised as a popular entertainment and MICE facilities destination in Indochina.

For the year ended 31 December 2010, the Group derived revenue of US\$10.0 million from hotel and entertainment operations, representing an increase of 82% from revenue of US\$5.5 million for the same period in 2009. As occupancy rates continue to rise, the Group expects to see the results flow through to the mass market segment of its business.

#### **Gross Profit**

Gross profit margin improved from 60% for the year ended 31 December 2009 to 71% in 2010 due to a more efficient business mix, where 64% of total revenue was derived from the public floor, gaming machines and hotel and entertainment segments, as compared to only 55% in 2009. These business segments do not incur rolling commissions, compared to the junket business where commissions are paid based on rollings achieved by junket players.

#### **Administrative and Other Operating Expenses (Before Impairment losses, Depreciation and Amortisation)**

Administrative and other operating expenses before impairment losses, depreciation and amortisation increased by 29% to approximately US\$42.0 million for the year ended 31 December 2010, from approximately US\$32.5 million in 2009 generally due to higher operational costs required to support the increased level of business activity in 2010. Increases were recorded in fuel consumption for the operation and usage of various gaming, hotel spaces and additional food and beverage outlets opened in the fourth quarter of 2009, and promotional events hosted by NagaWorld. Staff related costs also increased due to the hire of experienced and qualified staff to enhance the operations and controls in NagaWorld.

#### **Finance Costs**

The Group did not incur any significant finance costs as there were no significant financing arrangements in 2010.

#### **Net Profit**

Profit attributable to shareholders of the Company, or net profit, increased by 73% to approximately US\$44.1 million for the year ended 31 December 2010, from approximately US\$25.5 million in 2009. Net profit margins were 29% and 22% for the years ended 31 December 2010 and 2009 respectively.

Earnings per share were approximately US cents 2.12 (HK cents 16.5 per share) and US cents 1.23 (HK cents 9.6 per share) for the years ended 31 December 2010 and 2009 respectively.

**Issue of New Shares**

There were no share issues during the year ended 31 December 2010.

**Capital and Reserves**

As at 31 December 2010, the capital and reserves attributable to owners of the Company was approximately US\$308.7 million (2009: US\$287.7 million).

**Staff**

As at 31 December 2010, the Group employed, on average, a work force of 3,270 (2009: 3,187) stationed mostly in Cambodia, Malaysia and Hong Kong. The remuneration and staff costs for the financial year were approximately US\$18.1 million (2009: approximately US\$16.9 million).

**Employee benefits**

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement scheme and the cost to the Group of nonmonetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

**Trade Receivables and Credit Policy**

NagaWorld is committed to delivering excellence in services and products to its gaming customers and good relationships with its junket operators are crucial toward satisfying this objective. The Company has maintained a win-win cordial commercial relationship with many of these junket operators for a long period of time, spanning many ups and downs in economic cycles. Mutual support is essential, as the Group junket business continues to make an important contribution to the Group's business. However, the Group continue to closely monitor and review the performance of the Group's operators.

The Group has closely monitored the changes in trade receivables and focused on their recovery, resulting in a 32% decrease in trade receivables from US\$51.0 million to US\$34.7 million. The Directors feel this is a manageable level of receivables and are pleased with the downward trend going forward.

Management has credit guidelines and supervision in place for monitoring the Group's junket operators, and depending on the performance and other criteria as set by the Company from time to time, some unqualified operators are not granted a credit facility. By doing so, the Directors believe that this revised credit policy will be beneficial to the control and management of trade receivables in the future.

On a prudent basis, the Group has made provision for impairment losses amounting to US\$7.2 million in the year ended 31 December 2010 (2009: US\$1.6 million) for certain trade receivables which the Group is of the opinion may not be fully recoverable.

**Pledge of Assets**

As at 31 December 2010, the Group had not pledged any assets for bank borrowings (2009: nil).

**Contingent Liabilities**

As at 31 December 2010, the Group had no contingent liabilities.

**Exchange Rate Risk**

The Group's income is earned principally in United States dollars. The Group's expenditure is paid principally in United States dollars and to a lesser extent in Cambodian Riels. The Group therefore does not have any significant exposure to foreign currency risk and therefore has not entered into any currency hedging transactions.

**Liquidity, Financial Resources and Gearing**

As at 31 December 2010, the Group had total cash and cash equivalents and fixed deposits at bank of approximately US\$44.0 million (2009: approximately US\$19.0 million).

As at 31 December 2010, the Group had net current assets of approximately US\$61.4 million (2009: US\$42.6 million). The Group had net assets of approximately US\$308.7 million as at 31 December 2010 (2009: US\$287.7 million).

As at 31 December 2010 and 2009, the Group had no outstanding borrowings.

## FOR THE SIX MONTHS ENDED 30 JUNE 2010 AND 2011 (UNAUDITED)

	<b>Six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>Revenue</b>	111,786	67,771
Cost of sales	<u>(31,838)</u>	<u>(17,498)</u>
<b>Gross profit</b>	79,948	50,273
Other income	831	386
Administrative expenses	(14,424)	(11,777)
Other operating expenses	<u>(18,450)</u>	<u>(15,702)</u>
<b>Profit before taxation</b>	47,905	23,180
Income tax	<u>(1,989)</u>	<u>(2,120)</u>
<b>Profit attributable to owners of the Company</b>	<u>45,916</u>	<u>21,060</u>

Net profit for the first six months of 2011 increased by 118% to approximately US\$45.9 million. This compared to approximately US\$21.1 million for the same period in 2010. The Company's significant net profit achievement was partnered with a gross profit increase of 59% to approximately US\$79.9 million for the first six months ended 30 June 2011, from US\$50.3 million for the same period in 2010.

The Company's gross profit margins were 71.5% for the first six months of 2011, and 74.2% for the first six months of 2010. Revenue increased by 65% to approximately US\$111.8 million for the six months ended 30 June 2011, from approximately US\$67.8 million for the same period in 2010. Profits before taxation increased by 106% to approximately US\$47.9 million for the six months ended 30 June 2011, from approximately US\$23.2 million for the same period in 2010.

## BUSINESS OVERVIEW

## Performance Highlights

For the period ended 30 June 2011 and comparative period

	<b>1H 2011</b>	<b>1H 2010</b>
	<i>US\$'000</i>	<i>US\$'000</i>
<b>Public Floors Gaming Tables</b>		
- Total Buy-ins	116,916	88,523
- Gross Revenue	27,857	18,835
- Win rate	23.8%	21.3%
- Average no. of gaming tables in daily operation	66	59
- Average revenue per table per day (US\$)	2,336	1,760
<b>Slot Machines</b>		
- Total Bills-in	379,569	246,419
- Revenue	38,802	24,312
- Win rate (Hold rate)	11.8%	12.2%
- No. of machines at end of period	1,035	846
- Win per unit per day (US\$)	236	214
- Naga's average share	69%	51%
<b>Junket Floor Gaming Tables</b>		
- Total Rollings	1,569,544	909,915
- Revenue	35,685	20,224
- Win rate	2.3%	2.2%
- Number of visitors (persons)	7,009	3,008
- Average no. of gaming tables in daily operation	65	64
- Average revenue per table per day (US\$)	3,034	1,744
<b>Hotel and Entertainment Operations</b>		
- Total Revenue	9,442	4,400
- Food & Beverage and other revenue	7,230	2,887
- Room revenue	2,212	1,513
- No. of rooms	500	500
- Average room rate	52	57
- Average room occupancy rate	75.2%	42.4%

Worldwide tourist travel grew by 4.5% in the first four months of 2011 compared to 2010 (Source: World Tourism Organization). Tourism in Cambodia increased by 13% to 1.4 million visitors during the first six months of 2011 compared to the corresponding period in 2010. Visitors from Vietnam are taking increased advantage of visa-free entry into Cambodia — 33% more Vietnamese visited the country between January and May this year than during the first five months of 2010 (Source: Ministry of Tourism of Cambodia).

However, annual tourist arrivals from South East Vietnam (which includes Ho Chi Minh City) into Cambodia only represents 4% of the population of that region of the country (Source: 2009 General Statistics Office of Vietnam). With a population of 14 million, and close proximity to Phnom Penh, South East Vietnam may be the Company's customer base.

Recovery in global travel during 2010 helped increase tourist arrivals into Cambodia by about 16% to 2.5 million, and increased tourism-generated revenue by 14.5% to US\$1.8 billion. The sharpest gains in arrivals during 2010 were from Asia, including Vietnam (up 48% to 467,000), Korea (up 47% to 290,000), and China (up 39% to 178,000) (Source: Ministry of Tourism of Cambodia).

Overall, tourism arrivals into Cambodia is expected to grow 140% over the next 10 years, from 2.5 million in 2010 to 6 million by 2020 (Source: Ministry of Tourism of Cambodia)

NagaWorld has been benefiting from sustained tourism arrivals in Cambodia, with a clear trend of more visitation to public floors and gaming machines, which yields a high margins gaming business.

The Company's revenue from junket floor tables has also seen gains, alongside its conservative credit policy, with increased numbers of junket players and overall higher check-in amounts.

With multiple food and beverage outlets, entertainment events, high quality hotel rooms, and MICE facilities, the Company's growing non-gaming business provides NagaWorld customers with world class variety and choice.

During the first half of this year NagaWorld co-marketed and hosted several promotional events. These efforts, along with expanding and constantly improving the Company's food and beverage outlets, helped NagaWorld secure the "Best Entertainment & Hospitality Services in Cambodia" award presented at the ASEAN Tourism Forum 2011 (ATF). Consecutively, ATF also named NagaWorld the "Best Business & MICE Services in Cambodia". These two prestigious awards affirm the Company's continued stature as the foremost destination in Indochina, for both business professionals and leisure travellers. Awards and recognition such as this attest to the Company's effective marketing efforts, resulting in an increase of non-gaming revenue from US\$4.4 million for the six months ended 30 June 2010 to US\$9.4 million for the six months ended 30 June 2011.



**Segmental Information***Public Floor Tables*

Revenue from public floor tables increased by 48% from US\$18.8 million for the six months ended 30 June 2010 to US\$27.9 million for the six months ended 30 June 2011, as a result of higher buy-ins and an increased win rate.

Buy-ins on the public floor increased from US\$88.5 million for the six months ended 30 June 2010 to US\$116.9 million for the six months ended 30 June 2011, while win rates improved from 21% for the six months ended 30 June 2010 to 24% for the six months ended 30 June 2011. For the six months ended 30 June 2011, there was an average of 66 public gaming tables in operation daily. The average revenue per table per day was approximately US\$2,336 for the period under review and approximately US\$1,760 for the same period in 2010.

This notable revenue growth from the Company's public floor gaming tables is a clear indicator that its business strategy of emphasizing the mass gaming market to build a strong business base is the right direction in the evolution of developing the correct gaming strategy. Key factors contributing to the increase in revenue were tighter supervision of the Company's table operations, increased efficiency and speed of the games, emphasis on a games mix that addresses demand and profitability, and better management of table limits.

*Gaming Machine Stations*

For the six months ended 30 June 2011, total revenue for the gaming machines increased to US\$38.8 million, representing an increase of 60% over revenue of US\$24.3 million for the same period in 2010.

As at 30 June 2011, the total number of slot stations was 1,035, compared with 846 as at 30 June 2010.

An improving regulatory environment and the sustained political stability which has further ensured the Company's monopoly position in the country played a significant part in the growth of this part of the business. With the sole casino in the city, growth of the gaming machines business can simply be achieved by placing the most correct, up-to-date gaming machines to satisfy customers' tastes and experiences.

Visibly recognizable growth was also reflected in the increase in bills-in from US\$246.4 million for the six months ended 30 June 2010 to US\$379.6 million for the six months ended 30 June 2011, with an average winning per unit per day of approximately US\$236 for the period under review and approximately US\$214 for the same period in 2010. Win rates for the Company's gaming machines remained consistent at 12% for both the six months ended 30 June 2010 and the six months ended 30 June 2011. Also notable is that the Company's average revenue share on its slot machines was 69% for the period ended 30 June 2011, compared to 51% for the same period in 2010.

*Junket VIP Floor Tables*

For the six months ended 30 June 2011, revenue from the Company's junket business was US\$35.7 million, compared to US\$20.2 million for the six months ended 30 June 2010. Revenue from junket floor tables accounted for 32% of the Company's total revenue for the six months ended 30 June 2011, compared to 30% for the same period in 2010.

This growth is attributed to a pursuit of a conservative gaming policy aimed at earning stable revenue without gaming volatility. There is definitely visible improvement in the Company's junket business, which represents almost one third of total Gross Revenue for the six months ended 30 June 2011. The Company is pleased to see its junket business gaining momentum, despite its policies (implemented in 2009) of tight credit and wagering on cash terms.

The level of gaming activity conducted at junket floor tables, as measured by rollings, increased by 72% to approximately US\$1.6 billion for the six months ended 30 June 2011 from approximately US\$0.9 billion for the same period in 2010. Check-in amounts deposited by NagaWorld's junket players increased by 89% to approximately US\$355.6 million for the six months ended 30 June 2011, from approximately US\$188.1 million for the same period in 2010. There were approximately 7,009 junket players who visited the Company's casino for the six months ended 30 June 2011 compared to 3,008 junket players for same period in 2010. The increases in overall check-in amounts and number of players clearly validates that the Company's strict credit policy is not a deterrent to players' comfort level playing with cash.

The win rate of NagaWorld's junket business increased from 2.2% for the six months ended 30 June 2010 to 2.3% for the same period in 2011.

For the six months ended 30 June 2011, there was an average of 65 gaming tables in operation daily. The average revenue per table per day was approximately US\$3,034 for the period under review and approximately US\$1,744 for the same period in 2010.

*Non-Gaming Revenue - Hotel, Food & Beverage and entertainment*

The company saw an increase of 114% in non-gaming revenue for the six months ended 30 June 2011.

With a total of 12 food and beverage outlets, the Company provides multiple choices of cuisine, including its Chinese fine-dining outlet Fortune Palace, Korean Grill, Le Gourmet French restaurant, and Italian restaurant Bistro Romano. Each of these restaurants offers a sophisticated dining experience. For the convenience of gamers, Nagaworld's renovated Grand Casino Restaurant is the most popular of its food and beverage outlets.

The public floor area on the ground floor of the NagaWorld complex is very busy. To ease the ground floor traffic, and as an extension of public floor space, a new Life Style Casino called Naga Rock Café will soon be added to NagaWorld's gaming space. Along with a wide variety of menu items and beverages, the outlet will offer poker and other public floor games, as well as an additional 300 slot machines for the enjoyment of the Company's customers.

To encourage the visitation of Cambodians without foreign passports, NagaWorld has recently opened an entrance on the road leading to the neighbouring Ministry of Foreign Affairs building.

NagaWorld is widely recognised as a popular entertainment and MICE destination in Indochina, well patronized by both the public and private sectors. The present MICE rooms (already the biggest in the city of Phnom Penh) are gradually lacking space.

The Company is currently constructing an additional block called the Pool Block, featuring a rooftop swimming pool, discotheque, additional 220 rooms, more gaming space and car park facilities. Also under construction is the renovation of additional 6 star suites with attached individual private gaming space—in the South Hotel Tower, for the enjoyment of junket players who seek privacy.

For the six months ended 30 June 2011, the Company derived revenue of US\$9.4 million from hotel and entertainment operations, representing an increase of 114% from revenue of US\$4.4 million for the same period in 2010.

Throughout the first half of 2011, NagaWorld's average room occupancy rate was 75.2%, compared to 42.4% for 30 June 2010. As the Company's occupancy rates continue to rise, it expects to see the results flow through to the mass market segment of the business.

This increase in non-gaming revenue was the result of the Company's strategic marketing efforts in key target markets and reflects providing these services to both gaming and non-gaming patrons.

### **Gross Profit**

Gross profit margins were 71.5% and 74.2% for the six months ended 30 June 2011 and 2010 respectively. The drop in gross profit margin was a result of a slight change in NagaWorld's business mix wherein for the six months ended 30 June 2011, revenue derived from non-junket business contributed 68% of total revenue compared to 70% for the same period in 2010. These business segments do not incur rolling commissions, compared to the junket business where commissions are paid based on rollings achieved by junket players.

### **Administrative and other operating expenses**

Administrative and other operating expenses increased by 20% to approximately US\$32.9 million for the six months ended 30 June 2011, from approximately US\$27.5 million for the same period in 2010. The change was due to an increase in fuel consumption for the operation of various gaming, hotel space and additional food and beverage outlets opened in the third quarter of 2009; additional staff costs; and promotional events hosted by NagaWorld.

### **Finance costs**

The Company did not incur finance costs as there were no financing arrangements for the six months ended 30 June 2011.

**Net Profit**

Profit attributable to owners of the Company or net profit increased by 118% to approximately US\$45.9 million for the six months ended 30 June 2011, from approximately US\$21.1 million for the same period in 2010. For the six months ended 30 June 2011 net profit margins improved to 41.1% from 31.1% during the same period of 2010.

This also means that the Company has more efficiency in its business, which is achieved through:

1. Pursuit of a **conservative gaming policy**, while generating steadily increasing gaming income, eg., monitoring junket floor table limits.
2. Devising an **ever-improving gaming strategy**, eg., the public floor's current emphasis on high-yield mass market (slots and public floor) toward building a strong base.
3. **Operational efficiency**, eg., NagaWorld hotel casino complex has continuous improving facilities, leading to more footfall and optimum mass market figures, higher non-gaming revenue, along with very strict cost control and monitoring.

Earnings per share were approximately US cents 2.21 (HK cents 17.24 per share) and US cents 1.01 (HK cents 7.88 per share) for the six months ended 30 June 2011 and 2010 respectively.

**FINANCIAL REVIEW****Pledge of Assets**

As at 30 June 2011 the Group had not pledged any assets for bank borrowings (31 December 2010: Nil).

**Contingent Liabilities**

As at 30 June 2011, the Group had no contingent liabilities.

**Very Substantial Acquisition**

The Company entered into a conditional Share Purchase Agreement on 13 June 2011 with Dr. Chen to acquire TSC Inc. and City Walk Inc.

The agreed consideration for the transaction is US\$369,000,000, divided as to US\$275,000,000 for TSC Inc. and US\$94,000,000 for City Walk Inc. The consideration will be settled, at the option of Dr. Chen, in the form of consideration shares (being new ordinary shares of the Company), to be allotted and issued at a price of HK\$1.8376 per consideration share; or in the form of convertible bonds issued by the Company and convertible at the option of the bondholder into conversion shares (being new ordinary shares in the Company), also to be allotted and issued at a conversion price of

HK\$1.8376 per conversion share; or through a combination of consideration shares and convertible bonds, to an aggregate value of US\$369,000,000. The total number of new ordinary shares of the Company that stand to be allotted and issued as consideration shares or on exercise of the convertible bonds is 1,566,282,107 shares.

The EGM of the Company to approve the transaction will be held on a date to be announced.

**Exchange rate risk**

The Group's income is principally earned in United States dollars. Expenditures are principally paid in United States dollars and to a lesser extent in Cambodian Riels. The Group does not have a significant exposure to foreign currency risk and therefore is not required to enter into currency hedging transactions.

**Issue of New Shares**

There were no share issues during the period under review.

**Liquidity, Financial Resources and Gearing**

As at 30 June 2011, the Group had total cash and cash equivalents of approximately US\$82.0 million (31 December 2010: approximately US\$44.0 million).

As at 30 June 2011, the Group had net current assets of approximately US\$84.9 million (31 December 2010: approximately US\$61.4 million).

As at 30 June 2011, the Group had no outstanding borrowings (31 December 2010: US\$ Nil).

**Capital and Reserves**

As at 30 June 2011, the capital and reserves attributable to owners of the Company was approximately US\$338.5 million (31 December 2010: approximately US\$308.7 million).

**Staff**

For six months ended 30 June 2011, the Group employed, on average, a work force of 3,345 (For six months ended 30 June 2010: 3,233) stationed mostly in Cambodia, Malaysia and Hong Kong. Remuneration and staff costs for the six months ended 30 June 2011 was approximately US\$10.9 million (for the six months ended 30 June 2010: approximately US\$8.7 million).

**Employee benefits**

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. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

**Trade receivables and credit policy**

NagaWorld is committed to delivering excellence in services and products to its gaming customers and good relationships with its junket operators are crucial toward satisfying this objective. The Company has maintained a win-win cordial commercial relationship with many of these junket operators for a long period of time, spanning many ups and downs in economic cycles. Mutual support is essential, as the Company's junket business continues to make an important contribution to its business. However, the Company continues to closely monitor and review the performance of its operators.

The Company has closely monitored the changes in trade receivables and focused on their recovery, resulting in a 14% decrease in trade receivables from US\$34.7 million to US\$29.8 million. The Company feels this is a manageable level of receivables and is pleased with the downward trend going forward.

Management has credit guidelines and supervision in place for monitoring the Company's junket operators, and depending on the performance and other criteria as set by the Company from time to time, some unqualified operators are not granted a credit facility. By doing so, the Company believe that this revised credit policy will be beneficial to the control and management of trade receivables in the future.

For the period under review, no provision for doubtful debts was made by the Group (31 December 2010; US\$7.2 million).

**Development of NagaWorld**

NagaWorld today is a popular tourist destination. The Company's hotel and casino complex appeals to guests from a wide variety of backgrounds, cultures and interests — guests not only from the Asia Pacific region, but worldwide. NagaWorld's facilities operate at an international standard and the Company is proud to continually receive praise and accolades from global media, investors and repeat guests. NagaWorld's built-up area of approximately 110,768 square meters provides both scope and variety.

A new lounge and club targeted toward sophisticated high-end local clientele has just been completed, helping to ensure NagaWorld's competitive position on Indochina's fast-growing entertainment scene. Also, with the completion of a third wing later this year, it will house, among others, a rooftop swimming pool, health club, discotheque, offices, an additional 220 hotel rooms, more gaming space, an additional multi-purpose hall able to accommodate 1,000 people, and additional car parking. These incremental hotel rooms will be positioned at a lower price point to appeal to a wider segment of the Company's casino guests.

The Company is also currently constructing additional 6-star suites, each with private gaming space, in its South Hotel Tower for its high-end junket guests.

All of the Company's development efforts are aimed at strengthening NagaWorld's position as the gaming and entertainment hub of Indochina. However, this leadership position also means increasing popularity, and a strain on the Company's current facilities. Occupancy rates remain high and NagaWorld's public floor tables and gaming machines see consistent high levels of activity. The additional third wing and its rooms and other facilities will help alleviate an immediate need for space, however, strengthening the Company's long term competitive edge and maintaining its momentum require strategic vision in addressing this critical issue.

## 6. PROPERTY INTERESTS

Colliers International (Hong Kong) Ltd, an independent valuer, has valued the Group's property interests as of 30 September 2011 and is of the opinion that the Group's property interests were valued at an aggregate amount of approximately US\$700,000,000 (equivalent to approximately HK\$54,300,000,000) as of 30 September 2011. The full text of the letter, summary of values and valuation certificates with regard to such property interests are set forth in Appendix V to this circular.

The table below shows the reconciliation between the net book value of the land and buildings of the Group as at 30 June 2011 and the valuation of these property interests of the Group as at 30 September 2011.

	US\$'000
Net book value as of 30 June 2011	
— Land	636
— Buildings	<u>49,369</u>
	50,005
<i>Less:</i> Depreciation for the three months ended 30 September 2011	<u>(267)</u>
Net book value as of 30 September 2011	49,738
Valuation surplus as of 30 September 2011 ( <i>Note</i> )	<u>650,262</u>
Valuation as of 30 September 2011 per Appendix V to this circular	<u><u>700,000</u></u>

*Note:* According to the Group's accounting policies, the net book values of the components of land and buildings of the Group as at 30 June 2011 are accounted for as "prepaid lease payments" and "property, plant and equipment", respectively, under the cost model and are carried at historical cost less accumulated amortisation and depreciation. Meanwhile, the valuation of these property interests as at 30 September 2011 is arrived at under the basis of market value as set out in the valuation report in Appendix V to this circular. As such, to comply with the Group's existing accounting policies, the valuation surplus of the Group's properties as at 30 September 2011 will not be accounted for in the consolidated financial statements of the Group for the year ending 31 December 2011.

**7. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

The Company believes that its integrated marketing strategy for Vietnam, and eventually for Thailand and other markets in the region will continue to generate growth from all segments of its business. The Company will continue to pursue market opportunities as they emerge.

NagaCorp's junket business continues to be an important component of the Company's business model. With its conservative credit policy and relatively low table limit firmly in place, the Company is pleased to see its junket business making good progress. The positive growth in this segment of the business occurred in conjunction with credit policies that grant limited credit lines to certain junket operators under strict guidelines and supervision, as well as efforts to encourage wagering on cash terms.

As the Company continues to push forward with its strategy of maintaining a conservative gaming policy aimed at regional mid-size junket players, and fostering relationships with reputable operators, the Company believes that it has only just begun to tap into the junket market, especially within the burgeoning economies of Vietnam, China and Thailand. For the six months ended 30 June 2011 the junket business from Vietnam accounts for only 12% of headcount but 47% of rollings. Customers from China account for 13% of junket rollings while modest junket numbers from Thailand continue to improve. NagaCorp believes that moving away from low-end junkets and furthering its penetration into these critical junket markets where the potential is sizeable, is key to the future growth of this part of the business.

As NagaCorp reports its most profitable interim results in the history of the Company, it is optimistic about the future. The Company believes that being centrally located in the gaming culture of Asia will continue to offer scope and unique market opportunities. For example, with a combined population of almost 160 million and rapidly growing economies, Cambodia's neighbours, Thailand and Vietnam present prime opportunities for NagaCorp's mass market segment of the business.

On a macro-economic level, Cambodia's key economic indicators are steadily keeping pace with its regional neighbours. Foreign Direct Investment (FDI) into Cambodia increased by 25% during 2009-2010 (Source: International Monetary Fund). China, Korea, Malaysia, Vietnam and Taiwan accounted for 78% of investments into Cambodia during this period. (Source: World Bank). These investments go toward constructing and developing critical infrastructure projects, such as the Neak Loeung Bridge. Being built with a grant from Japan at an expected cost of about US\$95 million, the bridge is scheduled for completion in March 2015. It will eventually replace the current ferry service across the Mekong River between Vietnam and Cambodia and reduce the travel time between the two countries by about 1 hour from the present 5 1/2 hours (Source: Agence Kampuchea Presse; Cambodia New Vision).



During 1998-2007, Cambodia's GDP growth was strong — averaging 9.1% per year. This period of impressive growth was interrupted in 2008-2009, but is recovering strongly and forecast to grow between 6.5-6.8% annually from 2011 to 2015 (Source: Ministry of Economy and Finance of Cambodia, International Monetary Fund). Gross National Income (GNI) per capita during 2010 increased 17% over 2009 (Source: World Bank). Cumulatively, GNI increased by 46% during 2006-2010. This strong economic growth is tightly woven into the country's stable political environment.

Tourist arrivals to Cambodia during the first half of the year represented an increase of 13% to 1.4 million (Source: Ministry of Tourism of Cambodia). The majority of these visitors who come to Phnom Penh also visit NagaWorld, making the company's hotel and entertainment complex one of the most visited sites in the Kingdom of Cambodia. This increased traffic translates into greater volume at NagaWorld, driving higher gaming revenue. During the past five years, the Company's performance has been on an upward trend and produced impressive results. NagaWorld performance continues to keep pace with robust levels of intra-regional travel and consumer spending, which is stimulating growth in gaming revenue. The Company has remained comparatively in line with regional competitors on a revenue basis, and has performed as a beacon in terms of net profit and return on investment.

However, during the next 3-5 years, NagaWorld's growth trajectory is expected to put significant strain on the Company's capacity. Operational issues such as hotel room demand, public floor congestion, and public car parking all need to be addressed. The Company's corporate vision is to become an internationally competitive, world class corporation with sustained excellence in all that it does. To get there, the Company must act on its vision and maintain its long term growth strategy — acting in a timely manner and seizing the moment.

Since the Company's early beginnings in 1995 on a barge located on the Mekong River, the NagaCorp story has revolved around growth. Never remaining stagnant is the Company's mantra and driving force. With that in mind, the Company explored the best possible course of action to address this issue of growth and the need for expansion.

On 13 June 2011 NagaCorp announced a very substantial acquisition and connected transaction with NagaCorp Chief Executive Officer and majority shareholder, Dr. Chen that will lead to major growth of the Company's footprint in Cambodia. Within a 5 year period, three projects, namely the TSCLK Complex, NagaCity Walk and Tourist Garden will be developed, which will then be acquired by NagaCorp upon completion.

These projects cost US\$369 million and will be developed by Dr. Chen via TSC Inc., who will bear all development, financing and cost inflation risk. NagaCorp will have no commitments or obligations until the completion of the projects. Upon completion, NagaCorp will acquire TSC Inc. from Dr. Chen in exchange for shares/convertible bonds.

The Company is optimistic about future opportunities that lie ahead. In conjunction with this optimism, NagaCorp must be competitive internationally as it aims toward a robust, sustained customer pool in the Indochina region.

The Company's vision is to become a regional powerhouse. To do this, NagaCorp will stay focused on this strategic roadmap:

1. **Cambodia:** Realization of certain critical mass and securing further stability in the Company's home market, already its biggest market.
2. **Expansion to Vietnam** (population of 91 million and GDP of US\$104 billion):
  - a. Developing a marketing roadmap with reputable advertising/marketing firms
  - b. Creating a 'superhighway' in the sky and on the road — creating more direct transportation options for guests — particularly in Ho Chi Minh City
  - c. More emphasis on public floor visitors
3. **Thailand Initiatives** (population of 67 million and GDP of US\$319 billion):
  - a. Create a winning environment for junket groups
  - b. More emphasis on the junket market

NagaWorld is intent on enhancing its position as Indochina's premier hotel casino complex, offering international standard services and products to its customers and visitors coming from surrounding and growing economies, and beyond. The Company is intent on becoming more competitive throughout the region and internationally, both in terms of scale, and the range of facilities it offers. That means excellence on an international level in everything NagaWorld brings to its customers: rooms, MICE facilities, restaurants, entertainment and gaming facilities. The success of the Company's gaming and entertainment business will, in turn, continue to benefit Cambodia as a host nation and continue generating return for the company, its shareholders and investors.

*The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong.*



Tel : +852 2541 5041  
Fax: +852 2815 2239  
www.bdo.com.hk

25<sup>th</sup> Floor Wing On Centre  
111 Connaught Road Central  
Hong Kong

電話 : +852 2541 5041  
傳真 : +852 2815 2239  
www.bdo.com.hk

香港干諾道中111號  
永安中心25樓

30 December 2011

The Board of Directors  
NagaCorp Ltd.

Dear Sirs,

We set out below our report on the financial information regarding TanSriChen Inc. (“TSC Inc.”) and its subsidiary, TanSriChen (Citywalk) Inc. (“City Walk Inc.”) (hereinafter collectively referred to as the “TSC Group”), for the period from 3 November 2010 (date of incorporation of TSC Inc.) to 31 December 2010 and the six-month period ended 30 June 2011 (the “Relevant Periods”), prepared on the basis of preparation set forth in note 2.1 of Section II in this report below, for inclusion in the circular of NagaCorp Ltd. (the “Company”) dated 30 December 2011 in connection with the proposed acquisition of the entire equity interests in the TSC Group.

TSC Inc. was incorporated in the British Virgin Islands (“BVI”) on 3 November 2010 as a limited liability company. The TSC Group is principally engaged in the development of the TSCLK Complex Project, the NagaCity Walk Project and the Tourist Garden Undertaking, which comprise an integrated complex comprising gaming, hotel and retail facilities, a retail walkway and a landscaped park located adjacent to the existing gaming and hotel complex of the Company in the Kingdom of Cambodia (“Cambodia”), NagaWorld. TSC Inc. and its subsidiary have adopted 31 December as their financial year end date. The particulars of TSC Inc. and its subsidiary are set out in note 1 of Section II below.

The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the TSC Group for the Relevant Periods, the consolidated statements of financial position of the TSC Group as at 31 December 2010 and 30 June 2011, together with the notes thereto set out in this report (collectively the “Financial Information”) have been prepared based on the management accounts of the TSC Group, and have been prepared on the basis set out in note 2.1 of Section II below. No statement of adjustments as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) is considered necessary.

The director of TSC Inc. (the “Director”) is responsible for the preparation and the true and fair presentation of the Financial Information in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (the “IASB”) and in accordance with the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information, financial statements and management accounts that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances. It is our responsibility to form an independent opinion based on our procedures performed in respect of the Financial Information and to report our opinion thereon to you.

**Procedures performed in respect of the Financial Information**

For the purpose of this report, we have carried out audit procedures on the underlying financial statements comprising the Financial Information for the Relevant Periods in accordance with International Standards on Auditing issued by the International Federation of Accountants. We have examined the Financial Information and have carried out such additional procedures as are necessary in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the Hong Kong Institute of Certified Public Accountants.

**Opinion in respect of the Financial Information for the Relevant Periods**

In our opinion, the Financial Information for the Relevant Periods prepared on the basis of preparation set out in note 2.1 of Section II below gives, for the purpose of this report, a true and fair view of the state of affairs of the TSC Group as at 31 December 2010 and 30 June 2011 and that of TSC Inc. as at 31 December 2010 and 30 June 2011 and of the consolidated results and cash flows of the TSC Group for each of the Relevant Periods.

## TANSRICHEN INC.

## I. FINANCIAL INFORMATION

## Consolidated statements of comprehensive income

		<b>Period from 3 November 2010 (date of incorporation of TSC Inc.) to 31 December 2010 US\$'000</b>	<b>Six-month period ended 30 June 2011 US\$'000</b>
	<i>Notes</i>		
<b>Revenue</b>	3	—	—
Administrative expenses		—	(2)
<b>Loss before taxation</b>	4	—	(2)
Income tax	5	—	—
<b>Loss and total comprehensive income for the period</b>		—	(2)

## Consolidated statements of financial position

	<i>Notes</i>	<b>31 December 2010 <i>US\$'000</i></b>	<b>30 June 2011 <i>US\$'000</i></b>
<b>Non-current assets</b>			
Prepaid land cost	9	—	13,590
Properties under construction	10	<u>—</u>	<u>3,683</u>
		<u>—</u>	<u>17,273</u>
<b>Current assets</b>			
Cash and cash equivalents		<u>—</u>	<u>1</u>
<b>Net current assets</b>		<u>—</u>	<u>1</u>
<b>Total assets less current liabilities</b>		<u>—</u>	<u>17,274</u>
<b>Non-current liabilities</b>			
Construction costs payable	11	—	12,000
Amount due to director	12	<u>—</u>	<u>5,275</u>
		<u>—</u>	<u>17,275</u>
<b>NET LIABILITIES</b>		<u>—</u>	<u>(1)</u>
<b>EQUITY</b>			
Share capital	13	—	1
Accumulated loss		<u>—</u>	<u>(2)</u>
<b>TOTAL DEFICITS</b>		<u>—</u>	<u>(1)</u>

## Consolidated statements of changes in equity

	<b>Share capital</b> <i>US\$'000</i>	<b>Accumulated loss</b> <i>US\$'000</i>	<b>Total</b> <i>US\$'000</i>
<b>At 3 November 2010 (date of incorporation of TSC Inc.), 31 December 2010 and 1 January 2011</b>	—	—	—
Loss and total comprehensive income for the period	—	(2)	(2)
Issue of share	<u>1</u>	<u>—</u>	<u>1</u>
<b>At 30 June 2011</b>	<u><u>1</u></u>	<u><u>(2)</u></u>	<u><u>(1)</u></u>

## Consolidated statements of cash flows

	Period from 3 November 2010 (date of incorporation of TSC Inc.) to 31 December 2010 <i>US\$'000</i>	Six-month period ended 30 June 2011 <i>US\$'000</i>
<b>Operating activities</b>		
Loss before taxation	—	(2)
<b>Net cash used in operating activities</b>	—	(2)
<b>Financing activities</b>		
Issue of share	—	1
Increase in amount due to director	—	2
<b>Net cash from financing activities</b>	—	3
<b>Net increase in cash and cash equivalents</b>	—	1
<b>Cash and cash equivalents at beginning of period</b>	—	—
<b>Cash and cash equivalents at end of period</b>	<u>—</u>	<u>1</u>
<b>Analysis of cash and cash equivalents</b>		
Cash balances	<u>—</u>	<u>1</u>

## Non-cash transactions:

During the six-month period ended 30 June 2011, the cost of the land as set out in note 9 of approximately US\$13,590,000 was settled by non-cash considerations. Of the total consideration of approximately US\$13,590,000, an amount of US\$12,000,000 represents the estimate of the TSC Group's obligations to the Cambodian Government to construct and deliver a building at a specified location. The remaining amount of prepaid land cost of approximately US\$1,590,000 and the cost of properties under construction of approximately US\$3,683,000 were settled by the Director on behalf of the TSC Group.



## II. NOTES TO FINANCIAL INFORMATION

### 1. CORPORATE INFORMATION

TSC Inc. was incorporated with limited liability in the BVI on 3 November 2010. TSC Inc.'s registered office is located at Quastisky Building, PO Box 4389, Road Town, Tortola, BVI.

TSC Inc. is an investment holding company and is engaged in the development of the TSCLK Complex Project, the NagaCity Walk Project and the Tourist Garden Undertaking in Cambodia.

As at the date of this report, TSC Inc. had a direct interest in the following subsidiary, a private company incorporated in the BVI, the particulars of which are set out below:

<b>Company name</b>	<b>Place and date of incorporation</b>	<b>Nominal value of issued ordinary share capital</b>	<b>Percentage of equity directly attributable to TSC Inc.</b>	<b>Principal activity and location of operations</b>
<i>Subsidiary</i>				
City Walk Inc.	BVI 7 June 2011	US\$1	100%	Inactive

As at the date of this report, no statutory audited financial statements have been prepared for TSC Inc. or City Walk Inc. since their incorporation as the companies are not subject to any statutory audit requirements under their jurisdiction of incorporation.

### 2.1 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with IFRSs (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the IASB.

The IASB issued a number of new or revised IFRSs which are generally effective for annual periods beginning on or after 1 January 2010 and 1 January 2011.

For the purpose of preparing and presenting the Financial Information, the TSC Group has early adopted all these new and revised IFRSs that are relevant to the TSC Group's operations as at the beginning of the Relevant Periods.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

The Financial Information has been prepared under the historical cost basis. The Financial Information is presented in United States dollars, which is the functional currency of TSC Inc. and City Walk Inc.

## 2.2 POSSIBLE IMPACT OF AMENDMENTS AND NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE

Up to the date of this report, the IASB has issued the following amendments and new standards which are not yet effective for the annual accounting periods beginning on 1 January 2011, potentially relevant to the Financial Information, and have not been early adopted in this Financial Information.

Amendments to IFRS 7	Disclosures — Transfers of Financial Assets <sup>1</sup>
Amendments to IAS 1 (Revised)	Presentation of Items of Other Comprehensive Income <sup>2</sup>
Amendments to IAS 12	Deferred Tax — Recovery of Underlying Assets <sup>3</sup>
IFRS 9	Financial Instruments <sup>5</sup>
IFRS 10	Consolidated Financial Statements <sup>4</sup>
IFRS 11	Joint Arrangements <sup>4</sup>
IFRS 12	Disclosure of Interests in Other Entities <sup>4</sup>
IFRS 13	Fair Value Measurement <sup>4</sup>
IAS 27 (2011)	Separate Financial Statements <sup>4</sup>
IAS 28 (2011)	Investments in Associates and Joint Ventures <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2012

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2015

The TSC Group is in the process of making an assessment of the potential impact of these new standards and amendments and the Director so far concluded that the application of these new standards and amendments will have no material impact on the results and the financial position of the TSC Group.

## 2.3 PRINCIPAL ACCOUNTING POLICIES

### (a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the TSC Group. Inter-company 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.

The results of subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiary to bring its accounting policies in line with those used by TSC Inc.

*Subsidiary*

Subsidiary is an entity controlled by TSC Inc. Control exists when TSC Inc. has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account.

**(b) Prepaid land cost**

Prepaid land cost is initially recognised at cost. Subsequently, the balance is carried at cost less any accumulated impairment losses.

**(c) Properties under construction**

Properties under construction represents capital work-in-progress which 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 TSC 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.

No depreciation is provided for capital work-in-progress.

**(d) Impairment of non-financial assets**

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the properties under construction may be impaired, or an impairment loss previously recognised no longer exists or may have decreased. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised in profit or loss whenever the carrying amount of the 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 periods. A reversal of an impairment loss is recognised in profit or loss immediately.

(e) **Financial assets**

The financial assets of the TSC Group are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They incorporate certain 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 TSC Group assesses, at the end of each reporting period, whether there is any objective evidence that a financial asset is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

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

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. Where any part of a financial asset is determined to be 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 TSC 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) **Financial liabilities**

Financial liabilities are initially recognised at fair value net of directly attributable transaction costs incurred, and thereafter stated at amortised cost using the effective interest method. The related interest expense is recognised within “finance costs” in profit or loss.

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

(i) Effective interest method

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

(ii) Derecognition

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

(g) **Provisions**

Provisions are recognised for liabilities of uncertain timing or amount when the TSC 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) Income 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 period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

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

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

**(i) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand and demand deposits with banks and other financial institutions, having been within three months of maturity at acquisition.

**3. REVENUE**

The TSC Group did not generate any revenue during the Relevant Periods.

**4. LOSS BEFORE TAXATION**

During the six-month period ended 30 June 2011, certain insignificant amounts of administrative expenses in relation to the establishment of TSC Inc. and City Walk Inc. have been paid by the Director on behalf of the TSC Group.

**5. INCOME TAX**

No income tax expense has been incurred by the TSC Group during the Relevant Periods as the TSC Group did not generate any taxable profit during the Relevant Periods.

**6. DIVIDENDS**

No dividend has been paid or declared by TSC Inc. since its date of incorporation.

Dividend rates are not presented as such information is not considered meaningful for the purpose of this report.

**7. EARNINGS PER SHARE**

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

**8. SEGMENT INFORMATION**

No separate analysis of segment information is presented by the TSC Group as all of the TSC Group's revenue, results and assets during the Relevant Periods are related to the development of the TSCLK Complex Project in Cambodia.

**9. PREPAID LAND COST**

On 29 April 2011, the Cambodian Government approved the transfer of ownership interest in a parcel of land located in Cambodia to the TSC Group. In return, the TSC Group is obligated to pay an amount of approximately US\$1,590,000 and to construct and deliver to the Cambodian Government a building at a specified location in Cambodia. The estimated construction cost agreed between the TSC Group and the Cambodian Government is US\$12,000,000.

On 28 November 2011, the Cambodian Government approved the grant of ownership interest in the parcel of land to the TSC Group in the form of a 99-year long-term lease. The Cambodian Government agreed that the total lease payment shall be equal to this prepaid land cost of US\$13,590,000.

The amount of US\$1,590,000 was settled by the Director on behalf of the TSC Group.

**10. PROPERTIES UNDER CONSTRUCTION**

Properties under construction comprise the costs and fees incurred in relation to the planning and design of the development projects which have been settled by the Director on behalf of the TSC Group.

**11. CONSTRUCTION COSTS PAYABLE**

This provision represents the agreed estimated cost of construction of the building to be delivered to the Cambodia Government as part of the consideration for the acquisition of the parcel of land as set out in note 9.

The Director considers that the liability is not payable within twelve months from the end of the reporting period.

## **12. AMOUNT DUE TO DIRECTOR**

The balance is unsecured, interest-free and is not repayable within twelve months from the end of the reporting period.

## **13. SHARE CAPITAL**

TSC Inc. was incorporated in the BVI on 3 November 2010. The authorised share capital of TSC Inc. is US\$50,000. One share in TSC Inc. was issued to and fully paid by the sole shareholder of TSC Inc. on 3 January 2011.

### **Capital management**

TSC Inc.'s objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to the shareholder and benefits for other stakeholders.

## **14. RISK MANAGEMENT**

The TSC Group's principal financial instruments comprise cash and cash equivalents and the amount due to director.

The main risk arising from the TSC Group's financial instruments is liquidity risk.

### **Liquidity risk**

The maturity profile of the TSC Group's financial liabilities as at 30 June 2011, based on contractual undiscounted payments, is same as the carrying amount of the amount due to director at the end of the reporting period, which is expected to be repaid between one to two years.

## **15. RELATED PARTY TRANSACTIONS**

Other than those disclosed in notes 4, 9, 10 and 12, the TSC Group did not enter into significant transactions with its related parties during the Relevant Periods.

## **16. STATEMENTS OF FINANCIAL POSITION OF TSC INC.**

The statements of financial position of TSC Inc. as at 31 December 2010 and 30 June 2011 are not presented as they are substantially identical to the consolidated statements of financial position of the TSC Group as at 31 December 2010 and 30 June 2011 included in this report, except that TSC Inc. had an investment cost in the subsidiary City Walk Inc. of US\$1 as at 30 June 2011, which was paid by the Director on behalf of TSC Inc.



**III. DIRECTOR'S REMUNERATION**

No remuneration was paid to the Director during the Relevant Periods. There was no arrangement under which the Director waived or agreed to waive any remuneration during the Relevant Periods.

**IV. SUBSEQUENT EVENTS**

Up to the date of this report, save for those disclosed in note 9, significant events subsequent to the end of the reporting period are as follows:

- (i) On 7 November 2011, the TSC Group and an independent construction company entered into a turnkey construction agreement for the development of the TSCLK Complex Project, the NagaCity Walk Project and the Tourist Garden Undertaking at the consideration of US\$369,000,000; and
- (ii) On 7 November 2011, the TSC Group and an independent architect entered into a project management consultancy agreement for the development of the TSCLK Complex Project, the NagaCity Walk Project and the Tourist Garden Undertaking at the consideration of US\$5,000,000.

**V. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the TSC Group in respect of any period subsequent to 30 June 2011.

Yours faithfully,

**BDO Limited**

*Certified Public Accountants*

**Tony Yuk Tung Chan**

*Practising Certificate Number P04654*

Hong Kong

---

## **APPENDIX III      MANAGEMENT DISCUSSION AND ANALYSIS ON TSC INC.**

---

### **MANAGEMENT DISCUSSION AND ANALYSIS ON TSC INC.**

TSC Inc. was incorporated in the BVI on 3 November 2010 as a limited liability company. TSC Inc. is principally engaged in the development of the TSCLK Complex Project, which is an integrated complex comprising gaming, hotel and retail facilities located adjacent to the existing gaming and hotel complex of the Company, NagaWorld. Up to the Latest Practicable Date, TSC Inc. has not carried out any business activity except for the acquisition and holding of a parcel of land located in Cambodia.

TSC Inc. had a direct interest in its wholly-owned subsidiary, City Walk Inc., a private company incorporated in the BVI. As at the Latest Practicable Date, no statutory audited financial statements have been prepared for TSC Inc. or City Walk Inc. since their incorporation as the companies are not subject to any statutory audit requirements under their jurisdiction of incorporation.

During the six-month period ended 30 June 2011, the Target Companies incurred insignificant amounts of administrative expenses in relation to the establishment of the Target Companies, which have been paid by the Seller on behalf of the Target Companies. The Target Companies did not generate any revenue for the period from 3 November 2010 (date of incorporation of TSC Inc.) to 31 December 2010 and the six-month period ended 30 June 2011.

#### **Segmental information**

As all of the Target Companies' revenue, results and assets during the period from 3 November 2010 (date of incorporation of TSC Inc.) to 31 December 2010 and the six-month period ended 30 June 2011 are related to the development of the TSCLK Complex Project (including the acquisition and holding of a parcel of land) in Cambodia, no segmental analysis is necessary.

#### **Pledge of assets**

As at 30 June 2011 and 31 December 2010, TSC Inc. has not pledged any assets for bank borrowings.

#### **Contingent liabilities**

As at 30 June 2011 and 31 December 2010, TSC Inc. has no contingent liabilities.

#### **Material acquisitions and disposals**

As at 30 June 2011 and 31 December 2010, TSC Inc. has no material acquisition and disposal of subsidiaries or assets, save as the acquisition and holding of a parcel of land located in Cambodia since 29 April 2011.

#### **Director's remuneration**

Up to 30 June 2011, no remuneration was paid to the Director and there was no arrangement under which the Director waived or agreed to waive any remuneration.

---

## **APPENDIX III      MANAGEMENT DISCUSSION AND ANALYSIS ON TSC INC.**

---

### **Liquidity, financial resources and gearing**

As at 30 June 2011, TSC Inc. had total cash and cash equivalents of approximately US\$1,000 (31 December 2010: Nil).

As at 30 June 2011, TSC Inc. had net current assets of approximately US\$1,000 (31 December 2010: Nil). TSC Inc. had net liabilities of approximately US\$1,000 as at 30 June 2011 (31 December 2010: Nil).

As at 30 June 2011 and 31 December 2010, the Group had no outstanding borrowings.

### **Subsequent events and commitments**

As at 30 September 2011, there was no subsequent event and commitment for TSC Inc.

---

**APPENDIX IV                      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE ENLARGED GROUP**

---

**A.    UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED  
GROUP**

**INTRODUCTION**

The accompanying unaudited pro forma financial information of the Enlarged Group has been prepared to illustrate the effect of the proposed acquisition of the entire equity interests in TSC Inc. and its subsidiary, City Walk Inc. (collectively the “TSC Group”), might have affected the financial information of the Group.

The unaudited pro forma consolidated statement of income and statement of cash flows of the Enlarged Group for the year ended 31 December 2010 are prepared based on the audited consolidated statement of income and consolidated statement of cash flows of the Group for the year ended 31 December 2010 as extracted from the annual report of the Company for the year ended 31 December 2010 and the audited consolidated statement of comprehensive income and consolidated statement of cash flows of the TSC Group for the period from 3 November 2010 (date of incorporation of TSC Inc.) to 31 December 2010 as extracted from the accountants’ report set out in Appendix II to this circular as if the acquisition had been completed on 1 January 2010.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 June 2011 is prepared based on the unaudited consolidated statement of financial position of the Group as at 30 June 2011 as extracted from the interim results announcement of the Company for the six months ended 30 June 2011 and the audited consolidated statement of financial position of the TSC Group as at 30 June 2011 as extracted from the accountants’ report set out in Appendix II to this circular as if the acquisition had been completed on 30 June 2011.

The unaudited pro forma financial information of the Enlarged Group is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the hypothetical nature of the unaudited pro forma financial information of the Enlarged Group, it may not give a true picture of the actual financial position, results of operation or cash flows of the Enlarged Group that would have been attained had the acquisition actually occurred on the dates indicated herein. Furthermore, the unaudited pro forma financial information of the Enlarged Group does not purport to predict the Enlarged Group’s future financial position, results of operation or cash flows.

For the purpose of pro forma financial information of the Enlarged Group, the acquisition is accounted for in the unaudited pro forma financial information as acquisition of assets and liabilities as the Target Companies proposed to be acquired have not carried out any business activity, except for the acquisition of the parcels of land in Cambodia and the commencement of development of the projects by TSC Inc., and does not constitute a business under International Financial Reporting Standard 3 “Business Combinations”.

---

**APPENDIX IV                      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE ENLARGED GROUP**

---

**1.    UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF INCOME OF THE  
ENLARGED GROUP FOR THE YEAR ENDED 31 DECEMBER 2010**

	The Group for the year ended 31 December 2010 <i>US\$'000</i> <i>(audited)</i>	The TSC Group for the period from 3 November 2010 (date of incorporation of TSC Inc.) to 31 December 2010 <i>US\$'000</i> <i>(audited)</i>	Subtotal <i>US\$'000</i>	Pro forma adjustment <i>US\$'000</i>	<i>Note</i>	Pro forma Enlarged Group <i>US\$'000</i> <i>(unaudited)</i>
<b>Revenue</b>	150,517	—	150,517			150,517
Cost of sales	<u>(43,832)</u>	<u>—</u>	<u>(43,832)</u>			<u>(43,832)</u>
<b>Gross profit</b>	106,685	—	106,685			106,685
Other income	4,442	—	4,442			4,442
Administrative expenses	(30,957)	—	(30,957)			(30,957)
Other operating expenses	<u>(32,232)</u>	<u>—</u>	<u>(32,232)</u>			<u>(32,232)</u>
<b>Profit before taxation</b>	47,938	—	47,938			47,938
Income tax	<u>(3,877)</u>	<u>—</u>	<u>(3,877)</u>			<u>(3,877)</u>
<b>Profit for the year</b>	<u><u>44,061</u></u>	<u><u>—</u></u>	<u><u>44,061</u></u>			<u><u>44,061</u></u>

---

**APPENDIX IV      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE ENLARGED GROUP**

---

**2. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL  
POSITION OF THE ENLARGED GROUP AS AT 30 JUNE 2011**

	<b>The Group as at 30 June 2011</b>	<b>The TSC Group as at 30 June 2011</b>	<b>Subtotal</b>	<b>Pro forma adjustments</b>	<i>Notes</i>	<b>Pro forma Enlarged Group</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>		<i>US\$'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>				<i>(unaudited)</i>
<b>Non-current assets</b>						
Property, plant and equipment	165,943	3,683	169,626	389,727	(ii)	560,753
Prepaid land cost	—	13,590	13,590	1,400	(iii)	13,590
Interest in leasehold land held for own use under operating lease	636	—	636			636
Intangible assets	85,710	—	85,710			85,710
Trade receivables	1,331	—	1,331			1,331
Deposit payments for purchase of raw materials	<u>3,190</u>	<u>—</u>	<u>3,190</u>			<u>3,190</u>
	<u>256,810</u>	<u>17,273</u>	<u>274,083</u>			<u>665,210</u>
<b>Current assets</b>						
Consumables	655	—	655			655
Trade and other receivables	26,116	—	26,116			26,116
Deposit payments for purchase of raw materials	5,150	—	5,150			5,150
Fixed deposit at bank	40,500	—	40,500			40,500
Cash and cash equivalents	<u>41,543</u>	<u>1</u>	<u>41,544</u>			<u>41,544</u>
	<u>113,964</u>	<u>1</u>	<u>113,965</u>			<u>113,965</u>

---

**APPENDIX IV                      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE ENLARGED GROUP**

---

	<b>The Group as at 30 June 2011</b>	<b>The TSC Group as at 30 June 2011</b>	<b>Subtotal</b>	<b>Pro forma adjustments</b>	<i>Notes</i>	<b>Pro forma Enlarged Group</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>		<i>US\$'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>				<i>(unaudited)</i>
<b>Current liabilities</b>						
Trade and other payables	15,839	—	15,839	1,400	(iii)	17,239
Dividend payable	16,101	—	16,101			16,101
Current tax liability	331	—	331			331
Obligations under finance leases	<u>1</u>	<u>—</u>	<u>1</u>			<u>1</u>
	<u>32,272</u>	<u>—</u>	<u>32,272</u>			<u>33,672</u>
<b>Net current assets</b>	<u>81,692</u>	<u>1</u>	<u>81,693</u>			<u>80,293</u>
<b>Total assets less current liabilities</b>	<u>338,502</u>	<u>17,274</u>	<u>355,776</u>			<u>745,503</u>
<b>Non-current liabilities</b>						
Construction costs payable	—	12,000	12,000	(12,000)	(iv)	—
Obligations under finance leases	2	—	2			2
Amount due to director	<u>—</u>	<u>5,275</u>	<u>5,275</u>	(5,273)	(iv)	<u>2</u>
	<u>2</u>	<u>17,275</u>	<u>17,277</u>			<u>4</u>
<b>NET ASSETS/ (LIABILITIES)</b>	<u><u>338,500</u></u>	<u><u>(1)</u></u>	<u><u>338,499</u></u>			<u><u>745,499</u></u>
<b>CAPITAL AND RESERVES</b>						
Share capital	26,026	1	26,027	19,579	(v)	45,606
Reserves	<u>312,474</u>	<u>(2)</u>	<u>312,472</u>	387,421	(v)	<u>699,893</u>
<b>TOTAL EQUITY/(DEFICITS)</b>	<u><u>338,500</u></u>	<u><u>(1)</u></u>	<u><u>338,499</u></u>			<u><u>745,499</u></u>

---

**APPENDIX IV                      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE ENLARGED GROUP**

---

**3.    UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF  
THE ENLARGED GROUP FOR THE YEAR ENDED 31 DECEMBER 2010**

	<b>The Group for the year ended 31 December 2010</b>	<b>The TSC Group for period from 3 November 2010 (date of incorporation of TSC Inc.) to 31 December 2010</b>	<b>Subtotal</b>	<b>Pro forma adjustment</b>	<b>Note</b>	<b>Pro forma Enlarged Group</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>		<i>US\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>				<i>(unaudited)</i>
<b>OPERATING</b>						
<b>ACTIVITIES</b>						
Profit before taxation	47,938	—	47,938			47,938
Adjustments for:						
- Depreciation and amortisation	10,422	—	10,422			10,422
- Amortisation of casino licence premium	3,547	—	3,547			3,547
- Interest income	(660)	—	(660)			(660)
- Exchange loss, net	144	—	144			144
- Impairment loss on trade receivables	7,219	—	7,219			7,219
- Loss on disposal of property, plant and equipment	27	—	27			27
- Write-off of property, plant and equipment	196	—	196			196
- Reversal of provision for litigation	(2,096)	—	(2,096)			(2,096)
- Reversal of unredeemed chips - Poibos	(940)	—	(940)			(940)
- Write-back of trade payables	(318)	—	(318)			(318)



---

**APPENDIX IV                      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE ENLARGED GROUP**

---

	The Group for the year ended 31 December 2010 <i>US\$'000</i> <i>(audited)</i>	The TSC Group for period from 3 November 2010 (date of incorporation of TSC Inc.) to 31 December 2010 <i>US\$'000</i> <i>(audited)</i>	Subtotal <i>US\$'000</i>	Pro forma adjustment <i>US\$'000</i>	Note	Pro forma Enlarged Group <i>US\$'000</i> <i>(unaudited)</i>
<b>Operating profit before changes in working capital</b>	65,479	—	65,479			65,479
Increase in consumables	(290)	—	(290)			(290)
Decrease in trade and other receivables	15,586	—	15,586			15,586
Increase in trade and other payables	<u>1,165</u>	<u>—</u>	<u>1,165</u>			<u>1,165</u>
Cash generated from operations	81,940	—	81,940			81,940
Tax paid	<u>(4,117)</u>	<u>—</u>	<u>(4,117)</u>			<u>(4,117)</u>
<b>Net cash from operating activities</b>	<u>77,823</u>	<u>—</u>	<u>77,823</u>			<u>77,823</u>
<b>INVESTING ACTIVITIES</b>						
Interest received	660	—	660			660
Payment for the purchase of property, plant and equipment and for the construction cost of property	(23,500)	—	(23,500)			(23,500)
Proceeds from disposal of property, plant and equipment	6	—	6			6
Addition of fixed deposits at bank	<u>(17,100)</u>	<u>—</u>	<u>(17,100)</u>			<u>(17,100)</u>

---

**APPENDIX IV                      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE ENLARGED GROUP**

---

	The Group for the year ended 31 December 2010 <i>US\$'000</i> <i>(audited)</i>	The TSC Group for period from 3 November 2010 (date of incorporation of TSC Inc.) to 31 December 2010 <i>US\$'000</i> <i>(audited)</i>	Subtotal <i>US\$'000</i>	Pro forma adjustment <i>US\$'000</i>	Note	Pro forma Enlarged Group <i>US\$'000</i> <i>(unaudited)</i>
Net cash used in investing activities	(39,934)	—	(39,934)			(39,934)
<b>FINANCING ACTIVITIES</b>						
Dividend paid	(30,022)	—	(30,022)			(30,022)
Repayment of finance leases	(2)	—	(2)			(2)
Net cash used in financing activities	(30,024)	—	(30,024)			(30,024)
Net increase in cash and cash equivalents	7,865	—	7,865			7,865
Cash and cash equivalents at beginning of year	14,987	—	14,987			14,987
Cash and cash equivalents at end of year	<u>22,852</u>	<u>—</u>	<u>22,852</u>			<u>22,852</u>
Analysis of cash and cash equivalents						
- Cash and bank balances	<u>22,852</u>	<u>—</u>	<u>22,852</u>			<u>22,852</u>

---

## APPENDIX IV      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

---

*Notes:*

- (i) For the purpose of preparing the unaudited pro forma financial information of the Enlarged Group, the acquisition cost of the properties under the Projects, which is satisfied by the issue of the Consideration Shares or Convertible Bonds (classified as equity instruments for its perpetuity terms), is the fair value of the properties at the date of acquisition in accordance with IFRS 2 “Share-based Payment”. The fair value is assessed by independent valuer upon completion of the development of the properties as at 30 September 2011.
  
- (ii) As at 30 June 2011, the fair value of the land held by the TSC Group is assumed to be same as its carry amount of approximately US\$13,590,000, while the residual value of approximately US\$393,410,000 is assigned as the fair value of other components of the properties completed, because the Directors consider that it is impracticable to assess the fair value portion between the land and building components for the purpose of this unaudited pro forma financial information.  
  
Moreover, the Directors also consider that it is impracticable to determine the detailed usage of each component of the properties for the purpose of this unaudited pro forma financial information. It is assumed that the entire property cost is accounted for as “property, plant and equipment” in the unaudited pro forma consolidated statement of financial position as at 30 June 2011. As a result, no depreciation has been provided for the properties under the Projects in the preparation of the unaudited consolidated statement of income and consolidated statement of cash flows for the year ended 31 December 2010.
  
- (iii) The adjustment represented estimated professional fees payable of approximately US\$1,400,000 as transaction costs of the acquisition. This forms part of the acquisition cost of the assets, which are the properties under the Projects, and is, therefore, capitalised as part of the cost of “property, plant and equipment”.
  
- (iv) This represents the elimination of construction costs payable and amount due to director in relation to the development of the Projects upon completion of the Projects, since according to the Share Purchase Agreement, the Group shall not bear any development cost in relation to the Projects.
  
- (v) The adjustments represented the consideration for the acquisition as if the acquisition had been taken place on 30 June 2011. For the purpose of preparing this unaudited pro forma financial information, the Directors assumed that the consideration is to be fully satisfied by the issue of the Consideration Shares, and the initial recognition amount of the Consideration Shares is the cost of the properties completed under the Projects. The excess of the initial recognition amount of the Consideration Shares of approximately US\$407,000,000 over the par value of US\$0.0125 of the 1,566,282,107 Consideration Shares, representing an amount of approximately US\$387,421,000, is accounted for as “share premium” under “reserves” in the unaudited pro forma consolidated statement of financial position as at 30 June 2011.
  
- (vi) If assuming that the consideration for the acquisition is to be fully satisfied by the issue of the Convertible Bonds instead, there is no impact on the unaudited pro forma financial information presented above, except adjustment (v) that the entire initial recognition amount of the consideration of approximately US\$407,000,000 is accounted for as “convertible bonds equity reserve” under “reserves” in the unaudited pro forma consolidated statement of financial position as at 30 June 2011. Based on the terms of the Convertible Bonds, the Convertible Bonds are to be issued to the controlling shareholder of the Group on a perpetual basis with no maturity date. No liability component arises at the initial recognition.

---

## APPENDIX IV      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

---

### B. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

*The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong.*



Tel : +852 2541 5041  
Fax : +852 2815 2239  
www.bdo.com.hk

25<sup>th</sup> Floor Wing On Centre  
111 Connaught Road Central  
Hong Kong

電話 : +852 2541 5041  
傳真 : +852 2815 2239  
www.bdo.com.hk

香港干諾道中111號  
永安中心25樓

30 December 2011

The Board of Directors  
NagaCorp Ltd.

Dear Sirs

We report on the unaudited pro forma financial information (the “Unaudited Pro Forma Financial Information”) of NagaCorp Ltd. (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) which has been prepared by the directors of the Company, for illustrative purposes only, to provide information on how the proposed acquisition of the entire equity interests in TanSriChen Inc. and TanSriChen (Citywalk) Inc. might have affected the financial information presented, for inclusion in Appendix IV to the circular of the Company dated 30 December 2011 (the “Circular”). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Section A of Appendix IV to the Circular.

#### **Respective Responsibilities of Directors of the Company and Reporting Accountants**

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

---

**APPENDIX IV      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE ENLARGED GROUP**

---

**Basis of Opinion**

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Enlarged Group as at 30 June 2011 or any future date; and
- the results and cash flows of the Enlarged Group for the year ended 31 December 2010 or any future period.

**Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and

---

**APPENDIX IV      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE ENLARGED GROUP**

---

- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

**BDO Limited**

*Certified Public Accountants*

**Tony Yuk Tung Chan**

*Practising Certificate Number P04654*

Hong Kong

*The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of the incorporation in this circular, received from Colliers International (Hong Kong) Limited, an independent valuer, in connection with its valuation as at 30 September 2011 of the property interests of the Enlarged Group.*



Colliers International (Hong Kong) Ltd  
Valuation & Advisory Services  
Company Licence No: C-006052

Suite 5701 Central Plaza  
18 Harbour Road Wanchai  
Hong Kong

30 December 2011

The Board of Directors  
NagaCorp Limited  
Suite 2806, 28/F  
Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

Dear Sirs,

#### **INSTRUCTIONS**

In accordance with your instructions for us to value the property interests as set out in the attached Summary of Values held by NagaCorp Limited (the “Company”), TanSriChen Inc and City Walk Inc (the “Target Companies”) in Hong Kong and the Kingdom of Cambodia, we confirmed that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for providing you with our opinion of the values of such property interests as at 30 September 2011 (the “date of valuation”).

#### **BASIS OF VALUATION**

Our valuation is based on the market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing purchaser and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

---

## **APPENDIX V                      VALUATION REPORT ON THE PROPERTY INTEREST OF THE ENLARGED GROUP**

---

### **VALUATION STANDARDS**

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 to Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited. Our valuation has been carried out in accordance with the Hong Kong Institute of Surveyors Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

### **VALUATION RATIONALE**

In valuing property interests in Group I and Group II, we have adopted the Sales Comparison Approach assuming the property interests are capable of being sold after completion with the benefit of vacant possession and by reference to comparable sales evidence as available in the property market of Phnom Penh.

In valuing the property interests in Group III, we have assigned no commercial value to the property due to the lease term nature or the prohibition against assignment or sub-letting or due to the lack of substantial profit rent.

### **ASSUMPTIONS AND CAVEATS**

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

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values. Where necessary, we have adopted the exchange rates for US dollars (“US\$”) to Hong Kong dollars (“HK\$”) at US\$1 = HK\$7.7915, being the rate prevailing at the date of valuation.

We have inspected the property interests in their existing state. However, we have not carried out investigations to determine the suitability of ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory.

We have relied on the information given by the Company and the Target Companies and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, proposed development and all other relevant matters.



In the course of our valuation of the property interests, we have relied on the legal opinions provided by the Company's Cambodian legal advisor. We have not, however, examined the original documents to verify ownership or existence of any amendments which do not appear on the copies provided to us. All documents and leases have been used for reference only. All dimensions, measurements and areas are approximations. No on-site measurement has been conducted.

We have reviewed the costs of development with respect to Property No. 1 and Property No. 2 and the estimated landscaping cost of the Tourist Garden in Property No. 2 which are calculated by the Project Architect on final Completion. Such costs also represent the original purchase or investment costs of the 100% interest in the Target Companies to be incurred by the Seller before Completion. In assessing estimated costs of development of the Projects, we have, amongst other things, reviewed the proposed scheme with cost estimation as well as bare site transactions in Phnom Penh City and compared the transacted or asking prices of the properties sold in these transactions with the land premium payable by the Target Companies on the Property Interests. We have also researched and reviewed annual and quarterly cost reports published by other international quantity survey firms in relation to information on unit construction cost per sq m of five-star hotels or comparable properties in other cities in South East Asia including Ho Chi Minh City, Kuala Lumpur, Bangkok and Macau. Appropriate adjustments are made in comparing the relevant costs.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company and the Target Companies. We have also sought confirmation from the Company and the Target Companies that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive at an informed view, and have no reason to suspect that any material information has been withheld.

Our valuation certificates are attached.

Yours sincerely,  
For and on behalf of

**Colliers International (Hong Kong) Limited**

-draft-

**David Faulkner**  
*FRICS FHKIS RPS(GP) MAE*  
Executive Director  
Valuation & Advisory Services

-draft-

**Gregory Tam**  
*MRICS MHKIS RPS(GP)*  
Associate Director  
Valuation & Advisory Services

*Note:* Mr. Faulkner is a fellow member of the Royal Institution of Chartered Surveyors, a fellow member of the Hong Kong Institute of Surveyors and a practising Member of The Academy of Experts. He has over 30 years of experience in the real estate field and over 25 years of experience in valuation of properties in Hong Kong, the PRC and various Asian countries including the Kingdom of Cambodia.

Mr. Tam is a member of the Royal Institution of Chartered Surveyors and the Hong Kong Institute of Surveyors. He has over 13 years valuation experience in the Asia Pacific Region.

## SUMMARY OF VALUES

## Group I - Property Interests owned by the Target Companies in the Kingdom of Cambodia

No. Property	Market Value as if completed as at 30 September 2011 (refer to Note 2 of the valuation certificates)
1. The proposed development of TSCLK Integrated Complex located at Lot 1, Village 1, Sangkat Tonle Basaac, Khan Chamkamon, Phnom Penh, the Kingdom of Cambodia  This property is held for investment purpose.	US\$307,000,000
2. The proposed development of NagaCity Walk located at the south sidewalk against the fence of the Buddhist Institute and NagaWorld together with the proposed landscaping of the Tourist Garden located at the open ground sited along Bassac River, opposite to Hun Sen Park, Phnom Penh, the Kingdom of Cambodia  This property is held for investment purpose, except for tourist garden which is merely an obligation to landscape and maintain.	US\$100,000,000
<b>Sub-total:</b>	<u>US\$407,000,000</u>

## Group II - Property Interests owned by the Company in the Kingdom of Cambodia

No. Property	Market Value as at 30 September 2011
3. NagaWorld Building located at the south of Samdech Hun Sen's Park and the east of the Ministry of Cult and Religion Land, Phnom Penh, The Kingdom of Cambodia  This property is held for investment purpose.	US\$700,000,000
<b>Sub-Total:</b>	<u>US\$700,000,000</u>

---

**APPENDIX V                      VALUATION REPORT ON THE PROPERTY INTEREST  
OF THE ENLARGED GROUP**

---

**Group III - Property Interests leased by the Company in Hong Kong**

<b>No. Property</b>	<b>Market Value as at 30 September 2011</b>
4. Office Unit No. 2806 on 28th Floor, Central Plaza, No.18 Harbour Road, Wanchai, Hong Kong	No commercial value <hr/>
This property is occupied for office use.	
<b>Sub-Total:</b>	<u>Nil</u>
<b>Total:</b>	<u>US\$1,107,000,000</u>

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value as if completed as at 30 September 2011 (refer to Note 2)																					
1. The proposed development of TSCLK Integrated Complex, Lot 1, Village 1, Sangkat Tonle Basaac, Khan Chamkamon, Phnom Penh, the Kingdom of Cambodia	<p>The property is located close to the junction of Boulevard Samdach Preah Sihanouk and Preah Sisovath. Bounded by the Cambodia Korea Cultural Center to its north, the Belgium Honorary Consulate to its west, Sontepheap Book Store to its south, the property abuts on a side road off Boulevard Samdach Preah Sihanouk and is opposite the Buddhist Institute.</p> <p>According to the development scheme provided by the Company, the proposed development is a building complex consisting of hotel, VIP private gaming suites, retail, carpark, entertainment elements with a site area of about 7,766 sq m. The site is generally levelled and roughly 'L' shaped.</p> <p>According to the documents provided by the Project Architect, the total gross floor area of the property is approximately 97,620 sq m with the following usages:</p> <table border="1"> <thead> <tr> <th></th> <th>Gross Floor Area (sq.m.)</th> <th>Net Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Hotel (1,036 rooms)</td> <td>43,003</td> <td>32,705</td> </tr> <tr> <td>VIP private gaming suites</td> <td>9,276</td> <td>7,026</td> </tr> <tr> <td>Retail/Gaming</td> <td>21,647</td> <td>16,705</td> </tr> <tr> <td>MICE/Theatre</td> <td>2,325</td> <td>2,134</td> </tr> <tr> <td>Carpark</td> <td><u>21,369</u></td> <td><u>19,317</u></td> </tr> <tr> <td><b>Total</b></td> <td><b><u>97,620</u></b></td> <td><b><u>77,887</u></b></td> </tr> </tbody> </table>		Gross Floor Area (sq.m.)	Net Floor Area (sq.m.)	Hotel (1,036 rooms)	43,003	32,705	VIP private gaming suites	9,276	7,026	Retail/Gaming	21,647	16,705	MICE/Theatre	2,325	2,134	Carpark	<u>21,369</u>	<u>19,317</u>	<b>Total</b>	<b><u>97,620</u></b>	<b><u>77,887</u></b>	Upon our inspection and the information provided, the property was a vacant site with some abandoned structures.	US\$307,000,000 or HK\$2,390,000,000
	Gross Floor Area (sq.m.)	Net Floor Area (sq.m.)																						
Hotel (1,036 rooms)	43,003	32,705																						
VIP private gaming suites	9,276	7,026																						
Retail/Gaming	21,647	16,705																						
MICE/Theatre	2,325	2,134																						
Carpark	<u>21,369</u>	<u>19,317</u>																						
<b>Total</b>	<b><u>97,620</u></b>	<b><u>77,887</u></b>																						
	<p>The development is expected to be completed in about 2016.</p> <p>According to the information provided, the property is privatized. The property is held for investment purpose.</p>																							

*Notes:*

- In accordance with the information provided by the Company, the registered owner of the property is "TanSriChen Inc" ("TSC Inc").

2. We are instructed by the Company to assess the market value of the property as at 30 September 2011 assuming completion of the proposed development above as at 30 September 2011 and we are advised that the completion date for the proposed development would be within five years from the date of valuation.
3. According to the information provided by the Company and the Project Architect, we understand that, upon completion, the VIP private gaming suites and retail/gaming space will be delivered as per the standard of normal hotel suites and retail space respectively while their designs have been catered for gaming use in the future. Thus, we have adopted the basis of hotel suites and retail space for the VIP private gaming suites and retail/gaming space respectively in our valuation.
4. As advised by the Company, the land premium payable for the property is approximately US\$1,750 per sq m, subject to final decision of the Government of the Kingdom of Cambodia. The total cost incurred as at the date of valuation was US\$17,300,000 which included the Land cost, Master Planning Fee and Fee for Architect. As no actual cost has been incurred for the foundation, superstructure or other forms of construction work on the property, the existing value of the property is equal to its respective land cost only.
5. The total construction cost estimation provided by the Company for the property is US\$275,000,000, including the land premium cost, architectural finishes and interest. We are of an opinion that the total estimated construction cost is reasonable.
6. According to Sor Chor Nos. 419 and 500, being the high level government directive issued by the Council of Ministers of the RGC, no restriction was imposed on the proposed use and the density of the development. Architectural plans and planning consents have not been obtained.
7. According to Sor Chor Nor Nos. 419 and 500, Dr. Chen is required to construct a new National Election Committee building (“NEC Building”) on an adjoining piece of land at a cost of US\$12,000,000. The total development cost of the NEC Building and the TSCLK Complex shall be more than US\$200,000,000.
8. As advised by the Company, the commencement of development of the property is pending the approval of the necessary architectural and development plans by the Phnom Penh City Hall and MLMUPC. No construction works have been commenced as at the date of valuation. The Company expects that these approvals will be obtained by the first half of 2012.
9. In the course of our valuation, we have been provided with a legal opinion on the title to the property issued by the Company’s Cambodian legal advisor, HML Law Firm & Consultants (“HML”), which contains, inter alia, the following information:
  - i. Based on the relevant Sor Chor Nor No. 1481, the Royal Government of Cambodia has granted TSC Inc. the 99 years long-term lease subject to the execution of a lease; the lease agreement between TSC Inc. and the NEC have also been entered into on 15 December 2011. Such lease agreement provides TSC Inc. good and legal title to the leasehold rights over the land of TSCLK Complex Site.
  - ii. The Royal Government of Cambodia has approved in principle the 99 years long-term lease to TSC Inc. prior to the completion of the construction of NEC Building on the condition that TSC Inc. shall (a) apply to the Council for the Development of Cambodia for a Qualified Investment Project for which TSC Inc. has obtained approval on 13 July 2011; (b) comply with the formalities and rules set out by the Council for the Development of Cambodia; and (c) comply with the Ministry of Economy and Finance’s instruction to pay the full amount of US\$1,590,500 in advance to the Privatisation Account as a form of deposit and commitment to the Ministry of Economy and Finance for which TSC Inc. has already paid on 5 April 2011;

and (d) comply with the Ministry of Economy and Finance's instruction to construct the NEC Building. According to the lease agreement entered into between NEC and TSC Inc. on 15 December 2011, the 99 years long-term lease is renewable for another term in accordance with the prevailing Laws of Kingdom of Cambodia upon expiration.

According to HML, under Cambodian laws on investment, a lessee of long term lease would have rights comprising land use rights coupled with rights of buildings over the land for the duration of the lease.

10. There is currently no valid town planning or zoning system in Phnom Penh City. The prescribed terms specified in the respective Sor Chor Nor, which are the high level government directive issued by the Council of Ministers of the Royal Government of Cambodia, are considered sufficient to support the proposed developments.
11. The following assumptions are made in the course of our valuation.
  - i. the proposed development of the property will comply with the government lease and other statutory requirements upon the completion of the proposed development;
  - ii. good and alienable title to the land use rights of the property can be proved to be free from any unduly onerous or unusual covenants, restrictions or outgoings upon the completion of the proposed development;
  - iii. the property rights proofed by lease agreement, is legal and valid. TanSriChen Inc has obtained all the relevant approvals upon the completion of the proposed development.
  - iv. there are no easements or rights of way affecting the property upon the completion of the proposed development;
  - v. the property is free from and clear of any and all charges, liens and encumbrances of any onerous or unusual nature likely to affect the value thereof upon the completion of the proposed development;
  - vi. the property is able to be disposed of freely to local or overseas purchasers upon the completion of the proposed development; and
  - vii. the property is to be delivered with immediate vacant possession upon the completion of the proposed development.

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value as if completed as at 30 September 2011 (refer to Note 2)												
2. The proposed development of NagaCity Walk located at the south sidewalk against the fence of the Buddhist Institute and NagaWorld together with the proposed landscaping of the Tourist Garden located at the open ground sited along Bassac River, opposite to Hun Sen Park, Phnom Penh, the Kingdom of Cambodia	<p>The proposed NagaCity Walk development is located along the south sidewalk against the fence of the Buddhist Institute and NagaWorld.</p> <p>According to the development scheme provided by the Company, the proposed NagaCity Walk development is a retail walkway with the ground floor and lower ground level connecting to the existing NagaWorld Building, the proposed TSCLK Integrated Complex and the Tourist Garden at its western and eastern ends respectively. It has a site area of about 7,889 sq m. The site is generally levelled and roughly rectangular-shaped.</p> <p>According to the documents provided by the Project Architect, the proposed NagaCity Walk development has a total gross floor area of approximately 15,788 sq m for retail use. The area breakdown is as follows:</p> <table border="1"> <thead> <tr> <th>Level</th> <th>Gross Floor Area (sq.m.)</th> <th>Net Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Road Level Floor or Concourse and Pedestrian Walkway</td> <td>7,889</td> <td>1,568</td> </tr> <tr> <td>Lower Ground Floor or Underground Linkway</td> <td><u>7,889</u></td> <td><u>4,553</u></td> </tr> <tr> <td>Total</td> <td><u>15,778</u></td> <td><u>6,121</u></td> </tr> </tbody> </table> <p>The proposed Tourist Garden is located at the existing open ground which is owned by Phnom Penh City Hall and is sited along the Bassac River and opposite Hun Sen Park. According to the development scheme provided by the Company, the proposed landscaping of the Tourist Garden is to be a park with indigenous trees and plants. It has a site area of about 9,934 sq m. The site is generally leveled and roughly rectangular shaped.</p> <p>The proposed Tourist Garden is a state public property of the Phnom Penh City Hall and TSC Inc. will be obligated to landscape and maintain the Tourist Garden.</p>	Level	Gross Floor Area (sq.m.)	Net Floor Area (sq.m.)	Road Level Floor or Concourse and Pedestrian Walkway	7,889	1,568	Lower Ground Floor or Underground Linkway	<u>7,889</u>	<u>4,553</u>	Total	<u>15,778</u>	<u>6,121</u>	Upon our inspection and the information provided, the Property was a pedestrian walkway and a vacant site.	US\$100,000,000 or HK\$779,000,000
Level	Gross Floor Area (sq.m.)	Net Floor Area (sq.m.)													
Road Level Floor or Concourse and Pedestrian Walkway	7,889	1,568													
Lower Ground Floor or Underground Linkway	<u>7,889</u>	<u>4,553</u>													
Total	<u>15,778</u>	<u>6,121</u>													

Property	Description and Tenure	Particulars of Occupancy	Market Value as if completed as at 30 September 2011 (refer to Note 2)
	<p>The property is expected to be completed in about 2016. According to the information provided, the NagaCity Walk will be held under a long-term lease. Under Cambodia Land law, a long-term lease has the duration of 15 years or more. However, the law is silent on the maximum duration. According to the legal opinion provided by HML, we understand that the property is to be held for a leasehold tenure for a term of 50 years.</p> <p>The property is held for investment purpose, save and except the Tourist Garden, which is merely an obligation to landscape and maintain.</p>		

*Notes:*

1. In accordance with the information provided by the Company, the registered owner of the property is "TanSriChen Inc" ("TSC Inc.").
2. We are instructed by the Company to assess the market value of the property as at 30 September 2011 assuming completion of the proposed development above as at 30 September 2011 and we are advised that the completion date for the proposed development would be within five years from the date of valuation.
3. As advised by the Company, the land premium payable for NagaCity Walk is approximately US\$1,750 per sq m, subject to the final decision of the Government of the Kingdom of Cambodia while no land premium is required for the Tourist Garden. In respect of NagaCity Walk, TSC Inc. will pay such compensation costs to be ascertained by the Privatisation Committee of the MEF. No cost has been incurred as at the date of valuation.
4. The total construction cost estimation provided by the Company for the property is US\$94,000,000, including the land premium cost, architectural finishes and interest. We are of an opinion that the total estimated construction cost is reasonable. As no actual cost has been incurred for the foundation, superstructure or other forms of construction work on the property, the existing value of the property is equal to its respective land cost only.
5. According to Sor Chor Nor 650, being the high level government directive issued by the Council of Ministers of the RGC, no restriction was imposed on the proposed use and the density of the development. Architectural plans and planning consents have not been obtained.



6. As advised by the Company, the commencement of development of the property is pending the approval of the necessary architectural and development plans by the Phnom Penh City Hall and MLMUPC. No construction works have been commenced as at the date of valuation. The Company expects that these approvals will be obtained by the first half of 2012.
7. In the course of our valuation, we have been provided with a legal opinion on the title to the property issued by the Company's Cambodian legal advisor, HML Law Firm & Consultants ("HML"), which contains, inter alia, the following information:
  - i. Based on the relevant Sor Chor Nor no. 650, the Royal Government of Cambodia has granted in principle to TSC Inc. a long-term lease or ownership subject to the execution of a lease agreement with the Municipality of Phnom Penh ("MPP") and the payment of compensation to be assessed by the Privatization Commission of the Ministry of Economy and Finance. According to letter dated 12 August 2011 submitted to Prime Minister from Minister of MLMUPC and Phnom Penh Governor, the Company has requested for a long-term lease. Article 18 of the Sub-decree No. 129 provides that "the lease agreement of state public property shall not be more than 15 years". And article 106 of Cambodian Land Law also states that the long-term lease is 15 years or more. With regard to the relevant documents and information provided, it is likely that the Underground Linkway shall be reclassified into state private property. Thus, HML do not foresee any legal impediment with regard to the lease as long as the Company has obtained approval from MPP prior to signing the Lease Agreement with MPP. According to Article 247 of "New Cambodian Civil Code on Long-Term Lease" states that "the term of a perpetual lease may not exceed 50 years. If a perpetual lease is established with a term exceeding 50 years, it shall be shortened to 50 years. A perpetual lease may be renewed, provided that the renewed term may not exceed 50 years counting from the date of renewal." This new law is currently expected to be effective six months after 31 May 2011. In this valuation, we have assumed the leasehold tenant of the property to be 50 years. Therefore, the new regulation on the lease term shall not have an impact on the valuation as at 30 September 2011.
  - ii. Based on the relevant Sor Chor Nor No. 650 and Sor Chor Nor No. 1142, the Road Level Floor and the Underground Linkway of the property are both state public properties. Based on the relevant Sor Chor Nor No. 1142, the RGC has agreed in principal to construct a glass structure and a roof covering of height 6m above the walkway from one exit to another for the entire 8 exits. According to article 3 of the Law on Reclassification, the reclassification of state public property shall be done upon the fulfillment of certain conditions. Through these tendencies and it is anticipated that the Underground Linkway shall be leased to the Company, it is likely that the Road Level Floor of the property shall be reclassified into a state private property.
  - iii. Under the Cambodian laws on investment projects, a lessee of long-term lease would have rights comprising land use rights coupled with rights of buildings over the land for the duration of the lease.
8. A proposed Tourist Garden is located at the existing open ground which is owned by Phnom Penh City Hall and is sited along the Bassac River and opposite Hun Sen Park. According to the development scheme provided by the Company, the proposed landscaping of the Tourist Garden is to be a park with indigenous trees and plants. It has a site area of about 9,934 sq m. The site is generally leveled and roughly rectangular shaped.
9. The proposed Tourist Garden is a state public property of the Phnom Penh City Hall and TSC Inc. will be obligated to landscape and maintain the Tourist Garden.
10. We understand from the Company that TSC Inc. will spend an approximately US\$10,000,000 on the landscaping of the Tourist Garden to fulfil its obligation in the proposed development.
11. There is currently no valid town planning or zoning system in Phnom Penh City. The prescribed terms specified in the respective Sor Chor Nor, which are the high level government directive issued by the Council of Ministers of the Royal Government of Cambodia, are considered sufficient to support the proposed developments.

12. The following assumptions are made in the course of our valuation.
- i. The proposed development of the property will comply with the government lease and other statutory requirements upon the completion of the proposed development;
  - ii. Good and alienable title to the land use rights of the property can be proved to be free from any unduly onerous or unusual covenants, restrictions or outgoings upon the completion of the proposed development;
  - iii. The property rights proofed by lease agreement, is legal and valid. TanSriChen Inc will have obtained all the relevant approvals upon the completion of the proposed development.
  - iv. There are no easements or rights of way affecting the property upon the completion of the proposed development;
  - v. The property is free from and clear of any and all charges, liens and encumbrances of any onerous or unusual nature likely to affect the value thereof upon the completion of the proposed development;
  - vi. The property is able to be disposed of freely to local or overseas purchasers upon the completion of the proposed development; and
  - vii. The property is to be delivered with immediate vacant possession upon the completion of the proposed development.

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value as at 30 September 2011
3. NagaWorld Building located at the south of Samdech Hun Sen's Park and the east of the Ministry of Cult and Religion Land, Phnom Penh, The Kingdom of Cambodia	<p>The property comprises two blocks of buildings which includes a hotel block and a casino block of an entertainment complex.</p> <p>The property is built on a land parcel that has a total area of approximately 14,160 sq m.</p> <p>The property was completed in 2007. According to the information provided, the property is undergoing some refurbishment which is expected to be completed by the end of 2011.</p> <p>The casino block is an eight-storey building with a total gross floor area of approximately 20,918 sq m.</p> <p>The hotel block is a 14-storey building with a total gross floor area of approximately 67,945 sq m which accommodates 509 guest rooms, convention facilities, food and beverage, recreation facilities, spa, etc.</p> <p>The Hotel / Casino portion is held for a term of 70 years commencing from 1st August 1996 for hotel and running business purposes.</p> <p>The property is held for investment purpose.</p>	Upon our inspection and the information provided, the property was occupied by the Company as an entertainment complex.	US\$700,000,000 or HK\$5,450,000,000

*Notes:*

1. According to the Lease Agreement dated 27 February 1996 between the Municipality of Phnom Penh ("MPP") and International Land Company Limited ("ILC"), the land located between the south of Samdech Second Prime Minister's Park and the east of Cult Ministry land ("Hotel-Casino land parcel") with site area of about 14,160 sq.m. has been granted to ILC for a lease term of 70 years commencing from 1 August 1996 and ILC is entitled to run a business of hotel and tourism services.
2. According to the Supplementary Agreement dated 16 August 2000, the Hotel-Casino land parcel has been transferred from ILC to Neptune Orient SDN Bhd ("NOSB"), an indirect wholly-owned subsidiary of the Company and NOSB has inherited the rights of ILC under the Lease Agreement dated 27 February 1996. The initial lease term entered into under the Supplementary Agreement dated 16 August 2000 between the NOSB and MPP was for a period of 70 years. Under a Supplemental Agreement dated 8 April 2009 between NOSB and the MPP, the lease period was extended to 99 years expiring 1 August 2095. Subsequent renewals under the new law shall be for a period of 50 years.
3. According to the Approval of Construction Work Ref. 1313 dated 30 November 2000, the Ministry of Land Management, Urban Planning & Construction permitted in principle to Ariston Sdn.Bhd to construct the five-star Nexus Naga Hotel on the Hotel-Casino land parcel.

4. According to the Lease Agreement dated 26 June 2001 between the MPP and NOSB, the road yard behind the former Khov Chuly's land North of the Land of the Ministry of Foreign Affairs ("Entertainment land parcel") with a site area of about 2,516 sq.m. has been granted to NOSB for a lease term of 10 years and for the purpose of construction of the car parking lot. We understand that the Lease Agreement for the Entertainment land parcel expired on 25 June 2011. As the lease renewal document has not been obtained, we have considered no commercial value for the Entertainment land parcel during the course of our valuation.
5. According to the Construction Permit Ref. 87 dated 12 October 2001, the Ministry of Land Management, Urban Planning & Construction agreed to the Proposed Nexus Naga five-star hotel at the Hotel-Casino land parcel.
6. According to the Start Work Order Permit Ref. 095 dated 15 August 2002, the Director General of the General Construction Department permitted the start of construction on the Hotel-Casino land parcel.
7. According to the Sale and Purchase of Leasehold Interest dated 30 August 2002 between NOSB and Naga Resorts & Casinos Limited ("NRCL"), the Hotel-Casino land parcel together with the improvements on the said land parcel was transferred to NRCL for a lease term of 70 years commencing from 1 August 1996. NRCL is the old name of NagaWorld Ltd, which is an indirect wholly-owned subsidiary of the Company and which is the owner and operator of NagaWorld.
8. According to the Supplementary Agreement dated 8 April 2009 between NOSB and the MPP, the lease of the land was extended to 99 years, expiring on 1 August 2095.
9. According to the letter dated 19 September 2003 issued by the Ministry of Land Management, Urban Planning and Construction, the proposed construction of car park on the north and close to the land of the Ministry of Foreign Affairs and International Corporation was approved.
10. According to the Lease Agreement dated 1 October 2003 and the Extension of NagaWorld Lease Agreements dated 30 July 2004 and 21 December 2004 between NRCL and Golden Frontier Consulting Limited ("GFCL"), GFCL desires to provide welcome services to its coming customers and in furtherance thereof desires to occupy a space at the NagaWorld Building for a term expired on 30th September 2006 at a monthly rent of US\$1,000 inclusive of costs of utilities such as electricity and air-conditioning.
11. According to the Lease Agreement dated 1 October 2003 and the Extension of Nagaworld Lease Agreements dated 30 July 2004 and 21 December 2004 between NRCL and Mr. Chan Choi Tak, Mr. Chan Choi Tak desires to provide welcome services to its coming customers and in furtherance thereof desires to occupy a space at the NagaWorld Building for a term which expired on 30th September 2006 at a monthly rent of US\$1,000 inclusive of costs of utilities such as electricity and air-conditioning.
12. According to the Lease Agreement dated 1 October 2003 and the Extension of NagaWorld Lease Agreements dated 30 July 2004 and 21 December 2004 between NRCL and Cambodia Asia Bank, Cambodia Asia Bank desires to provide welcome services to its coming customers and in furtherance thereof desires to occupy a space at the NagaWorld Building for a term which expired on 30th September 2006 at a monthly rent of US\$1,000 inclusive of costs of utilities such as electricity and air-conditioning.
13. In the course of our valuation, we have been provided with a legal opinion on the title to the property issued by the Company's Cambodian legal advisor, HML Law Firm & Consultants, which contains, inter alia, the following information:
  - i. The Company has been duly registered in Cambodia as a Branch of a foreign company which can fully enjoy the rights and obligations conferred under the Lease Agreement dated 27 February 1996 between the MPP and ILC ("Lease Agreement"). The Company hold good and legal title to the leasehold rights over the Hotel-Casino land parcel for the term of the Lease Agreement.

- ii. The Company is thus able to fully enjoy the rights and obligations encumbered under the Lease Agreement for a period of up to 99 years while the renewal lease terms will be a maximum of 50 years subject to agreement between the parties.
- iii. The Company is able to fully enjoy the rights over the Hotel-Casino land parcel and legally operate it for the term of the Lease Agreement.
- iv. According to HML, under Cambodian laws on investment, a lessee of long term lease would have rights comprising land use rights coupled with rights of buildings over the land for the duration of the lease.
- v. During the said 70-year period, the Group has exclusive rights up to 2035 to operate casinos within a 200 kilometres' radius (except Vietnam Border, Bokor Mountain and Sihanoukville) of Phnom Penh, the capital city of Cambodia.

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value as at 30 September 2011
4. Office Unit No. 2806 on 28th Floor, Central Plaza, No.18 Harbour Road, Wanchai, Hong Kong	<p>The property is located at the northern part of Wanchai district, with Harbour Road to its north, Fleming Road to its east and Gloucester Road to its south.</p> <p>Central Plaza, being the third tallest building in Hong Kong, is a 78 storey office tower completed in 1992. Most of the units in the building enjoy an open harbor view. Public transportations like bus, minibus and taxi are readily available nearby while MTR Wanchai Station can be reached by a short walk over a footbridge.</p> <p>As scaled off from the Approved Building Plan, the saleable area of the property is approximately 462.17 sq m.</p> <p>The property comprises certain shares of and in Inland Lot No. 8643 and is held under Conditions of Sale No.12060 for a term commencing from 25 January 1989 and expiring on 30 June 2047. The Government Rent of the property is 3% of the rateable value of the property.</p> <p>According to the information provided, the property is leased at a monthly rental of HK\$173,197, exclusive of rates, management fee, cleaning charges and air-conditioning charges, for a term of three years commencing from 15 December 2009 and expiring on 14 December 2012. The monthly service charge is approximately HK\$37,991.60 (subject to review).</p>	Upon our recent inspection and the information provided, the property was occupied by the Company for office use.	No commercial value

*Notes:*

1. Pursuant to the Approved Wan Chai North Outline Zoning Plan No. S/H25/2 dated 22nd May 2009, the property is zoned for commercial use.
2. According to the land registry record, the registered owners of the property are Cheer City Properties Limited and Protasan Limited (Tenant in common) vide Condition of Sale No. 12060 of Inland Lot No. 8643.
3. The property is subject to the following encumbrances:
  - i. Joint Venture Agreement with Plan vide Memorial no. UB4488661 dated 18 July 1990

- ii. Modification Letter with Plan vide Memorial no.UB4706622 dated 2 February 1991
  - iii. Deed of Dedication Re Part with Plans in favour of the Government of Hong Kong vide Memorial no. UB4931178 dated 1 August 1991
  - iv. Modification Letter vide Memorial no. UB4931179 dated 1 August 1991
  - v. Modification Letter vide Memorial No. UB5194111 dated 26 February 1992
  - vi. Letter with Car-Parking Layout Plan vide Memorial no. UB5353741 dated 15 July 1992
  - vii. Deed of Variation of Deed of Dedication M/N 4931178 with Plans in favour of the Government of Hong Kong vide Memorial no. UB5523139 dated 12 December 1992
  - viii. Modification Letter vide Memorial no. UB5551652 dated 21 January 1993
  - ix. Supplemental Agreement to the Joint Venture Agreement M/N 4488661 vide Memorial no. UB7718493 dated 26 February 1999
  - x. Deed of Variation of Joint Venture Agreement of M/N 4488661 vide Memorial no. UB7782328 dated 3 July 1995
  - xi. Debenture and Mortgage in favour of Hang Seng Bank Limited “Agent” In Its Own Right and As Agent For And On Behalf of the Banks (As Defined In the Agreement) for Consideration See Memorial (PT.) vide Memorial no. 07071902700485 dated 26 June 2007 (Remarks: By Cheer City Properties Limited Re 1/2 Share)
  - xii. Supplement to Security Documents in favour of Hang Seng Bank Limited “Agent” In Its Own Right And As Agent For And On Behalf Of the Banks (As Defined In the Agreement) for Consideration See Memorial (PT.) vide Memorial no. 10051002990279 dated 20 April 2010 (Remarks: By Cheer City Properties Limited Re 1/2 Share)
4. The Company is the tenant of the property and the encumbrances are considered to have no material effect/implications to the tenant of the property.

**1. RESPONSIBILITY STATEMENT**

This circular, for which the directors of the issuer collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the issuer. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

**2. SHARE CAPITAL**

The authorised and issued and fully paid up share capital of the Company as at the Latest Practicable Date was as follows:

<i>Authorised:</i>		<i>US\$</i>
<u>8,000,000,000</u>	Shares	<u>100,000,000.00</u>
<i>Issued and fully paid:</i>		
<u>2,082,078,875</u>	Shares	<u>26,025,985.94</u>

The authorised and issued and fully paid up share capital of the Company upon the conversion of the Convertible Bonds or issue of the Consideration Shares up to the minimum public float requirement (with the balance of the Consideration held as unconverted Convertible Bonds) will be as follows:

<i>Authorized:</i>		<i>US\$</i>
<u>8,000,000,000</u>	Shares	<u>100,000,000.00</u>
<i>Issued and fully paid:</i>		
2,082,078,875	Shares in issue as at the Latest Practicable Date	26,025,986
1,223,055,433	Conversion Share or Consideration Shares to be issued upon Completion	15,288,193
<u>3,305,134,308</u>		<u>41,314,179</u>

**3. DISCLOSURE OF INTERESTS**

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which are required to be notified



to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO); or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange are as follows:

Name of director	Capacity	Number of ordinary shares held	Approximate % of total issued ordinary shares
Dr Chen	Interest in control corporation- Cambodia Development Corporation <i>(Note 1)</i>	162,260,443 <sup>(L)</sup>	7.79 <sup>(L)</sup>
Dr Chen	Beneficiary of a trust declared by Fourth Star Finance Corp. <sup><i>(Note 2)</i></sup>	707,917,323 <sup>(L)</sup>	34.00 <sup>(L)</sup>
Dr Chen <sup><i>(Note 4)</i></sup>	Beneficial owner <sup><i>(Note 3)</i></sup>	385,617,532 <sup>(L)</sup>	18.52 <sup>(L)</sup>

*Notes:*

- (1) Details of the interest in the Company held by Cambodia Development Corporation is set out in the section headed “Substantial Shareholders” below.
- (2) Details of the interest in the Company held by Fourth Star Finance Corp. are set out in the section headed “Substantial Shareholder” below.
- (3) The letter “L” denotes the person’s long position in the shares.
- (4) For the purposes of the SFO, Dr Chen has, in addition, disclosed his interest in the Consideration Shares (being, also, his interest in the Conversion Shares). Thus, when the 1,566,282,107 Consideration Shares are aggregated with the 1,255,795,298 Shares, in total, referred to above, Dr Chen is interested in an aggregate of 2,822,077,405 Shares (equating to approximately 135.54% of the existing issued share capital of the Company).

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

#### 4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as known to the Directors and chief executives of the Company, persons other than the Directors or chief executives of the Company, who has an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in ten per cent. or more the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group are as follows:

Substantial Shareholders	Capacity	Number of ordinary shares held	Approximate % of total issued ordinary shares
Cambodia Development Corporation <sup>(Note 1)</sup>	Beneficial Owner	162,260,443 <sup>(L)</sup>	7.79 <sup>(L)</sup>
Fourth Star Finance Corp <sup>(Note 1 &amp; 2)</sup>	Trustee	707,917,323 <sup>(L)</sup>	34.00 <sup>(L)</sup>
OSK Investment Bank (Labuan) Limited	Security Interest	236,956,383 <sup>(L)</sup>	11.38 <sup>(L)</sup>
Templeton Asset Management Ltd.	Investment Manager	123,600,364 <sup>(L)</sup>	5.94 <sup>(L)</sup>

*Notes:*

- (1) The beneficial owner of Cambodia Development Corporation and the beneficiary of shares held by Fourth Star Finance Corp is Dr. Chen.
- (2) Fourth Star Finance Corp. is the trustee of a trust of which Dr. Chen is a beneficiary. Dr. Chen is also the director of Fourth Star Finance Corp.
- (3) The letter "L" denotes the entity's long position in the shares.

Save as disclosed, so far as known to the Directors and chief executives of the Company, there are no other persons other than the Directors or chief executives of the Company, who has an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

The Directors confirmed that, save for Dr. Chen as disclosed above, none of them is a director or employee of Fourth Star Finance Corp, OSK Investment Bank (Labuan) Limited or Templeton Asset Management Ltd. each being a company which has an interest in Shares discloseable under the provisions of Divisions 2 and 3 of the Part XV of the SFO.

**5. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into a service contract or had an unexpired service contract with any member of the Group, which is not determinable by any member of the Group within one year without payment of compensation other than statutory compensation.

**6. DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business apart from the Group which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

**7. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS**

Save as disclosed in this circular under the sections "Disclosure of Interests" and "Substantial Shareholders" and with regard to the Acquisition relating to Dr. Chen, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Enlarged Group which was subsisting as at the date of this circular and which was significant in relation to the business of the Enlarged Group.

Save as disclosed in this circular under the sections "Disclosure of Interests" and "Substantial Shareholders" and with regard to the Acquisition relating to Dr. Chen, none of the Directors has or had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Enlarged Group or are proposed to be acquired of by or leased to any member of the Enlarged Group since 31 December 2010, being the date to which the latest published audited consolidated accounts of the Enlarged Group were made up.

**8. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors confirm that there is no material adverse change in the financial or trading position or prospects of the Group since 31 December 2010, the date to which the latest published audited financial statements of the Group were made up.

**9. LITIGATION**

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

**10. MATERIAL CONTRACTS**

The following material contracts, not being contracts entered into in the ordinary course of business of the Company, have been entered into by members of the Enlarged Group within two years immediately preceding the Latest Practicable Date and is or may be material:

- (a) the Share Purchase Agreement;
- (b) Project Design and Build Agreement; and
- (c) Project Management Consultancy Agreement.

**10. EXPERT AND CONSENT**

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

<b>Name</b>	<b>Qualification</b>
Anglo Chinese	a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
BDO Limited	Certified Public Accountants
Colliers	Independent Professional Valuer
HML Law Firm & Consultants	Practising lawyer (in Cambodia)
Dr. Tan LM Architect	Registered professional architect in Malaysia

Each of Anglo Chinese, BDO Limited, Colliers, HML Law Firm & Consultants and Dr. Tan LM Architect has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which they respectively appear.

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

As at the Latest Practicable Date, each of Anglo Chinese, BDO Limited, Colliers, HML Law Firm & Consultants and Dr. Tan LM Architect were not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to an member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2010, being the date to which the latest published audited accounts of the Company were made up.

As at the Latest Practicable Date, CCAG did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, and it was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to an member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2010, being the date to which the latest published audited accounts of the Company were made up.

#### **11. GENERAL INFORMATION**

- (a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal office of the Company in Cambodia is at NagaWorld Building, Samdech Hun Sen Park, Phnom Penh, Kingdom of Cambodia and the principal office of the Company in Hong Kong is at Suite 2806, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (b) The company secretary of the Company is Ms. Ng Tien Che Margaret, who is a Hong Kong solicitor.
- (c) The auditor of the Company is BDO Limited.
- (d) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

#### **12. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Suite 2806, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong during normal office hours from 9:30 a.m. to 12:30 p.m. and from 2:30 p.m. to 5:30 p.m. on any weekday, except Saturdays, Sundays and public holidays, from the date of this circular up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the letter from the Board, the text of which is set out this circular;
- (c) the annual reports of the Company for each of the two years ended 31 December 2009 and 2010;
- (d) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;
- (e) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" in this circular;

- (f) the accountants' report on TSC Inc., the text of which is set out in Appendix II to this circular;
- (g) the accountants' report in relation to the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;
- (h) legal opinion from HML Law Firm & Consultants;
- (i) the valuation report from Colliers, the text of which is set out in Appendix V to this circular;
- (j) the material contracts referred to in the paragraph headed "Material Contracts" to this Appendix; and
- (k) this circular.

---

## NOTICE OF EXTRAORDINARY GENERAL MEETING

---



**NAGACORP LTD.**

**金界控股有限公司\***

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

**Stock code: 3918**

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of NagaCorp Ltd. (the “Company”) will be held at Hennessy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Admiralty, Hong Kong on Monday, 30 January 2012 at 2:30 p.m. for the purpose of considering and, if thought fit, passing the following resolutions, with or without amendments, as ordinary resolutions of the Company, **THAT**:

1. (i) “the share purchase agreement entered into between the Company and Tan Sri Dr. Chen Lip Keong (the “**Seller**”) dated 13 June 2011 together with the supplemental agreement dated 28 December 2011 (together the “**Share Purchase Agreement**”) in relation to the acquisition (the “**Acquisition**”) of the entire issued share capital of TanSriChen Inc. and the entire issued share capital of TanSriChen (Citywalk) Inc. at a total consideration of US\$369,000,000, a copy of which has been produced to the EGM marked “A” and “B” respectively and signed by the chairman of the EGM for the purpose of identification, and all the transactions contemplated thereby be and are hereby approved, confirmed and ratified;
- (ii) the creation and issue by the Company of the Convertible Bonds (as defined in the circular dated 30 December 2011 despatched to the shareholders of the Company (the “**Circular**”)) to the Seller upon the relevant completion of the Acquisition in accordance with the Share Purchase Agreement in an aggregate principal amount of up to US\$369,000,000 be and are hereby approved;
- (iii) the allotment and issue of new shares of the Company upon the exercise of conversion rights attaching to the Convertible Bonds at the conversion price of HK\$1.8376 be and are hereby approved;
- (iv) the allotment and issue of up to 1,566,282,107 Consideration Shares (as defined in the Circular) at the issue price of HK\$1.8376 to the Seller upon the relevant completion of the Acquisition in accordance with the Share Purchase Agreement be and are hereby approved; and

\* for identification purposes only

---

## NOTICE OF EXTRAORDINARY GENERAL MEETING

---

- (v) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments, agreements and deeds and do all such acts, matters and things as he/she may in his/her absolute discretion consider necessary or desirable for the purpose of and in connection with the implementation of the Share Purchase Agreement, the Acquisition and the transactions contemplated thereunder and to agree to such variations of the terms of the Share Purchase Agreement and the transaction documents contemplated thereunder as he/she may in his/her absolute discretion consider necessary or desirable.”

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

Hong Kong, 30 December 2011

**Notes:**

1. A shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint another person as to attend and, on a poll, vote in accordance with the articles of association of the Company. A proxy needs not be a shareholder of the Company.
2. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s); and for this purpose seniority shall be determined as the person so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.
3. In order to be valid, a form of proxy must be deposited at the Company's share registrar, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof.
4. The completion and return of the form of proxy shall not preclude shareholders of the Company from attending in person and voting at the EGM (or any adjournment thereof) if they so wish.

*As at the date of this notice, the board of directors of the Company comprises three executive directors, namely Tan Sri Dr Chen Lip Keong, Mr. Philip Lee Wai Tuck and Mr. Chen Yepern; and one non-executive director, namely Mr. Timothy Patrick McNally; and three independent non-executive directors, namely Mr. Michael Lai Kai Jin, Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir and Mr. Lim Mun Kee.*