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 or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

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

NAGACORP
金界控股有限公司

NAGACORP LTD.
金界控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3918)

THE GUARANTEED MAXIMUM SUM DESIGN AND BUILD AGREEMENT — VERY SUBSTANTIAL ACQUISITION

NAGA 3 FUNDING BY THE CONTROLLING SHAREHOLDER — CONNECTED TRANSACTION

THE SETTLEMENT VIA SUBSCRIPTION AGREEMENT — UNDER A SPECIFIC MANDATE

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Advisers to the Company (in alphabetical order)

CREDIT SUISSE

Morgan Stanley

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

ANGLO CHINESE
CORPORATE FINANCE, LIMITED
英高

A letter from the Board is set out on pages 17 to 78 of this Circular. A letter from the Independent Board Committee containing its recommendation is set out on pages 79 to 80 of this Circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 81 to 113 of this Circular.

A notice convening the EGM to be held on Thursday, 8 August 2019 at 10:00 a.m. at Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong is set out on pages 158 to 160 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 Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and, in any event, not less than 48 hours before the time fixed for holding of the EGM or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.

22 July 2019

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

"acting in concert"	has the meaning ascribed to it in the Code;
"Adjusted Settlement Shares"	the number of the Settlement Shares of 1,142,378,575 shall be adjusted in the following situations: (a) in the event of the Project Resize by way of reduction of size of Naga 3 by reducing the Total Built-Up Areas, the number of the Adjusted Settlement Shares shall be computed in accordance with the formula set out in paragraph (a) under the section headed "Adjustment of the Settlement Shares" on page 52 of this Circular; in this case, the Total Development Costs are less than US$3,515,011,000 and the Total Built-Up Areas are less than 544,801 square metres; or (b) in the event of the Capital Restructuring, the issue price of the Settlement Shares shall be adjusted and hence, the number of the Settlement Shares shall be determined by dividing the Subscription Sum by the Adjusted Settlement Share Issue Price; each Capital Restructuring event adjustment formula is set out in paragraph (c) under the section headed "Capital Restructuring" on pages 53 to 59 of this Circular;
"Adjusted Settlement Share Issue Price"	refers to the adjustments of the issue price for each Settlement Share after each event of the Capital Restructuring as per the formula set out in paragraph (c) under the section headed "Capital Restructuring" on pages 53 to 59 of this Circular;
"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 Subscription Agreement and the transaction(s) contemplated thereunder;
"Applicable Percentage Ratios"	the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules;
"Board"	the board of Directors;

"British Standard"	means the standards produced by the BSI Group which is incorporated under a Royal Charter (and which is formally designated as the National Standards Body (NSB) for the UK). The BSI Group produces British Standards under the authority of the Charter, which lays down as one of the BSI's objectives to set up standards of quality for goods and services, and prepare and promote the general adoption of British Standards and schedules in connection therewith and from time to time to revise, alter and amend such standards and schedules as experience and circumstances require;
"Business Day"	a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open in New York City, Hong Kong and London;
"CAGR"	compound annual growth rate;
"Cambodia"	the Kingdom of Cambodia;
"Cambodian Lawyer"	HML Law Group & Consultants, a Cambodian law firm appointed by the Company;
"Capital Distribution"	means, on a per-share basis, the aggregate distribution of assets in specie by the Issuer for any financial period whenever paid or made and however described (and for these purposes a distribution of assets in specie includes, without limitation, an issue of Shares or other securities credited as fully or partly paid by way of capitalisation of reserves, but excludes any Shares credited as fully paid to the extent an adjustment to the issue price per Settlement Share is made in respect thereof under the Subscription Agreement and a Scrip Dividend adjusted for under the Subscription Agreement);
"Capital Restructuring"	with respect to the changes of the share capital of the Company, the issue price per Settlement Share will be adjusted, consistent with market practice, for the dilutive effects of such events: a. consolidation, subdivision, redenomination or reclassification of Shares; b. capitalisation of profits or reserves; c. Capital Distributions; d. rights issues of Shares or options over Shares at less than 95% of the then current market price; e. rights issue of other securities (other than those in d. above);

f. issues at less than 95% of the then current market price;

g. other issues at less than 95% of the then current market price;

h. modifications of rights of conversion, exchange or subscription; and

i. other offers to Shareholders;

"CCAG"	CCAG Asia Co., Ltd.;
"Certificate of Completion"	a certificate issued by the Project Architect in satisfaction of a fully completed and fully operational Naga 3 Project;
"Circular"	this entire set of documents dated 22 July 2019 issued by the Company to all Shareholders;
"Code"	the Codes on Takeovers and Mergers and Share Buy-backs;
"Colliers"	Colliers International (Hong Kong) Limited, an independent property valuer;
"Company"	NagaCorp Ltd., a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange (stock code: 3918);
"Company's Contributions"	the amount of the Company's portion of the final Contract Sum which the Company is contributing towards the development and completion of the Naga 3 Project;
"Completion of the DBA"	Completion of the Guaranteed Maximum Sum Design and Build Agreement"
"Completion of the Guaranteed Maximum Sum Design and Build Agreement"	on or before 30 September 2025 and/or such other extension date that may be mutually agreeable between the Employer and the Contractor;
"Completion of the Subscription Agreement"	the date of issuance of the Settlement Shares or the Adjusted Settlement Shares (whichever is relevant) (subject to any relevant statutory approval) which shall occur after the Completion of the Guaranteed Maximum Sum Design and Build Agreement which falls on or before 30 September 2025 or such other extension period as may be mutually agreeable between the Employer and the Contractor; for the sake of clarity, Completion of the Subscription Agreement shall automatically be extended in the event of any adjustment of extension of the Guaranteed Maximum Sum Design and Build Agreement;
"Connected Person(s)"	has the meaning ascribed to it under the Listing Rules;

"Construction Documents"	means the Construction Drawings, Specifications, descriptive schedules, design briefs, letter of acceptance and conditions of the Guaranteed Maximum Sum Design and Build Agreement;
"Construction Drawings"	means drawing for the Naga 3 Project which provides all the information, both graphic and written, including but not limited to detailed information of walls, doors, equipment, lighting and demolition by way of graphic symbols;
"Construction Permit"	means approval or license granted to the Group by the Ministry of Land Management, Urban Planning and Construction of Cambodia to permit the development and construction as per Construction Drawings and plans submitted by the Group in compliance with relevant prevailing building by-laws and regulations;
"Contract Period"	means the time period from commencement of the DBA on or before 30 September 2019 to the Completion of the DBA on or before 30 September 2025 and/or any such other extension period that may be mutually agreeable between the Employer and the Contractor. The Contract Period is based on the Contractor being able to work round the clock. In the event that the Contractor fails to complete the Works within the Contract Period and where it has been established by the Project Architect and Project Consultants that the Contractor was wholly or partially responsible for the delay, then the Contractor shall pay a sum in accordance with the degree of established responsibility as the LAD which shall not exceed the amount per day as stipulated in the DBA for the period during which the Works remain or have remained incomplete. Such determination by the Project Architect and the Project Consultants shall be final and conclusive;
"Contract Sum"	being the contract sum to be ascertained and paid in accordance with the provisions of the Guaranteed Maximum Sum Design and Build Agreement, amounting to the maximum amount of US$3,515,011,000 to build 544,801 square metres, or a contract sum which is less than US$3,515,011,000 due to: a) the final contract sum is based on the site measurement of actual works done; or b) as provided under the DBA, the Issuer is at liberty to issue the Instructions to reduce the Total Built-Up Areas at below 544,801 square metres;
"Contractor"	means CCAG;

"Controlling Shareholder"	being Tan Sri Dr. Chen Lip Keong, the controlling shareholder, the founder, the Chief Executive Officer and an executive director of the Company;
"Costs Overrun"	where the Total Development Costs exceed US$3,515,011,000;
"Costs Underrun"	refer to the costs savings where the Total Development Costs are below US$3,515,011,000 but the Total Built-Up Areas remain at 544,801 square metres as a result of the Employer and the Project Architect giving an Instruction for any other changes of the Specifications and/or the Works (including the supply of labour, materials and equipments) which have not been expressly laid down in Third Schedule and Sixth Schedule of the DBA. The savings arising from these changes shall go towards the benefits and account of the Issuer and not the Controlling Shareholder. In such circumstances, the amount of savings shall be equivalent to the lesser amount of payments to be made by the Company towards the development and construction of the Naga 3 Project;
"Cost Overrun Amount"	the amount in US dollars by which the Total Development Costs exceed US$3,515,011,000;
"Credit Suisse"	Credit Suisse (Hong Kong) Limited;
"Critical Path"	the sequence of activities that must be completed on schedule for the entire Project to be completed on schedule. It is the longest duration path through the work plan. If an activity on the critical path is delayed by one (1) day, then the entire Project will be delayed by at least one (1) day (unless another activity on the critical path can be accelerated by one (1) day);
"DBA"	means the Guaranteed Maximum Sum Design and Build Agreement;
"Development Costs per sq m"	means as per Colliers' letter dated 9 April 2019 (a copy of this letter is set out in Appendix III to this Circular), the development cost of Naga 3 per square metre i.e. US$6,415.92 per square metre;
"Director(s)"	the director(s) of the Company;
"Dr. Chen"	means the Controlling Shareholder, Tan Sri Dr. Chen Lip Keong or the Founder;

"EGM"	an extraordinary general meeting of the Company to be convened for the purposes of approving the Guaranteed Maximum Sum Design and Build Agreement and the Subscription Agreement and the transaction(s) contemplated thereunder;
"Employer"	means Naga 3 Company Limited;
"External Auditor"	BDO Limited;
"Fair Market Value"	means, with respect to any asset, security (including Shares), option, warrant or other right on any date, the fair market value of that asset, security (including Shares), option, warrant or other right as determined by the Issuer, provided that: (i) the fair market value of a cash dividend paid or to be paid per Share shall be the amount of such cash dividend per Share determined as at the date of announcement of such dividend, and if required for the purposes of calculating a Hong Kong dollar amount, translated into Hong Kong dollar (if declared or paid or payable in a currency other than Hong Kong dollar) (A) based on the Hong Kong dollar amount of such cash dividend (if any) as published and announced by the Issuer or (B) at the rate of exchange used to determine the amount payable to Shareholders who were paid or are to be paid or are entitled to be paid the cash dividend in Hong Kong dollar; (ii) where any asset, security (including Shares), option, warrant or other right is publicly traded in a market of adequate liquidity (as determined by the Issuer) the fair market value of such asset, security (including Shares), option, warrant or other right shall equal the arithmetic mean of the daily closing prices of such asset, security (including Shares), option, warrant or other right during the period of five trading days on the relevant market commencing on the first such trading day such asset, security (including Shares), option, warrant or other right is publicly traded, and if required for the purposes of calculating a Hong Kong dollar amount, translated into Hong Kong dollar (if expressed in a currency other than Hong Kong dollar) at such rate of exchange as may be determined in good faith by the Issuer to be the spot rate ruling at the close of business on that date (or if no such rate is available on that date the equivalent rate on the immediately preceding date on which such a rate is available) and (iii) where any asset, security (including Shares), option, warrant or other right is not publicly traded in a market of adequate liquidity (as determined by the Issuer)

	an amount determined in good faith by the Issuer for such asset, security (including Shares), option, warrant or other right on the basis of a commonly accepted market valuation method and taking account of such factors as it considers appropriate, including, without limitation, the volatility of such market price, prevailing interest rates and the terms of such asset, security (including Shares), option, warrant or other right; for the avoidance of doubt, the Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax and disregarding any associated tax credit;
"Financial Advisers"	being Morgan Stanley Asia Limited and Credit Suisse (Hong Kong) Limited, the financial advisers which have been appointed by the Company to explore and evaluate the funding options in connection with the development of the Naga 3 Project;
"Firm Unit Rate"	contract unit rates as certified by the Project Consultants as referred to in the DBA; any contract unit rates certified by the Project Consultants shall be firm and deemed to be final and include all wastage, storage, handling cost, import duties and taxes all forms of inflation in the present and future and shall hold good for the completion of the Works ("Firm Unit Rate"). Any rates in the Works are not subjected to any adjustment in respect of fluctuation in cost of materials and goods, import duty or any other duties and taxes nor in expenditure arising out of any changes due to legislation or other new laws, amendments or replacement of existing legislation, etc of such increase or additional expenditure coming into effect after the date of the DBA or delivery of the above-mentioned goods. All the rates and stated lump sum shall be deemed to include the supply of materials, labour and any other necessary tools and equipments to carry out and complete the Works;
"Founder"	means the Controlling Shareholder;
"Funding"	cash advances from the Controlling Shareholder;
"GDP"	gross domestic product;
"GGR"	Gross Gaming Revenue;
"Group"	the Company and its subsidiaries from time to time;

"Guaranteed Maximum Sum"	being the guaranteed maximum sum to be ascertained and paid in accordance with the DBA, amounting to the maximum amount of US$3,515,011,000 to build 544,801 square metres, or a contract sum which is less than US$3,515,011,000 due to: a) the final contract sum is based on the site measurement of actual works done; or b) as provided under the DBA, the Issuer is at liberty to issue the Instructions to reduce the Total Built-Up Areas at below 544,801 square metres;
"Guaranteed Maximum Sum Design and Build Agreement"	the guaranteed maximum sum design and build agreement dated 12 April 2019 entered into between Naga 3 Company Limited and CCAG;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"HML Law Group & Consultants"	the Cambodian law firm appointed by the Group;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Illustrative 2019-2025 Cashflow Table"	means the table as set out on page 32 of this Circular;
"Independent Board Committee"	independent committee of the Board comprising all independent non-executive Directors, established for the purpose of considering and advising the Independent Shareholders on the terms of the Subscription Agreement, and the transaction(s) contemplated thereunder;
"Independent Financial Adviser"	being Anglo Chinese Corporate Finance, Limited, the independent financial adviser which has been appointed by the Company to advise the Independent Shareholders and the Independent Board Committee in relation to the Subscription Agreement and the transaction(s) contemplated thereunder;
"Independent Shareholders"	the Shareholders except for the Controlling Shareholder and his associates;

"Instruction(s)"	as provided under the DBA, during the Contract Period, any written instruction as may be reasonably issued within reasonable time by the Employer and the Project Architect in respect of implementation, modifications and alterations of the Works and/or the Specifications as mentioned in Third and Sixth Schedules of the DBA, including any Instruction for reduction and resizing of the Total Built-Up Areas of 544,801 square metres. This is in line with the Company's policy of pursuing a nil to low debt to EBITDA ratio in the past years and the Company's all-time intention to use its internally generated net cashflow to fund the development of the Naga 3 Project by matching the availability of internally generated net cashflow with the size of the Naga 3 Project, and hence also meeting with the Company's prudent policy of overcoming unforeseen circumstances including but not limited to any unexpected external economic uncertainties. In such event the Guaranteed Maximum Sum shall be reduced and computed by the amount of reduction in square metres calculated on the basis of the Development Costs per sq m basis;
"Issue Date"	the date of issuance of the Settlement Shares or the Adjusted Settlement Shares (whichever is relevant) which falls after all relevant statutory approvals and after the Completion of the Subscription Agreement on or before 30 September 2025 or such other extended date as may be mutually agreeable between the Company and the Subscriber as per the terms in the Subscription Agreement;
"Issuer"	means the Company;
"LAD"	means liquidated and ascertained damages of US$ one million only (US$1,000,000) per day;
"Last Traded Price"	being HK$9.31, the closing price on the Last Trading Date;
"Last Trading Date"	12 April 2019, being the last trading day prior to the signing of the Subscription Agreement;
"Latest Practicable Date"	18 July 2019, being the latest practicable date for ascertaining certain information to be included in this Circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time);

"Lump Sum"	refers to the option of the Employer to pay the Contractor a series of payments or such other sums other than each Progress Payment, as provided under the Guaranteed Maximum Sum Design and Build Agreement;
"Malaysian Standard"	The Department of Standards Malaysia (**STANDARDS MALAYSIA**) is the national standards and accreditation body of Malaysia. The main function of STANDARDS MALAYSIA is to foster and promote standards, standardisation and accreditation as a means of advancing the national economy, promoting industrial efficiency and development, benefiting the health and safety of the public, protecting the consumers, facilitating domestic and international trade and furthering international cooperation in relation to standards and standardisation. Malaysian Standards are developed through consensus by committees which comprise balanced representation of producers, users, consumers and others with relevant interests, as may be appropriate to the subject at hand. To the greatest extent possible, Malaysian Standards are aligned to or are adoption of international standards. Approval of a standard as a Malaysian Standard is governed by the Standards of Malaysia Act 1996 [Act 549]. Malaysian Standards are reviewed periodically. The use of Malaysian Standards is voluntary except in so far as they are made mandatory by regulatory authorities by means of regulations, local by-laws or any other similar ways. STANDARDS MALAYSIA has appointed SIRIM Berhad as the agent to develop, distribute and sell Malaysian Standards;
"Master Construction Programme"	Master Construction Programme as set out in the Fourth Schedule of the DBA. The Contractor is required to liaise with the Employer to ascertain the overall work programme and schedule the Works accordingly. The programme of Works submitted by the Contractor shall have sufficient and reasonable details including design activities to the reasonable satisfaction of the Employer and shall include indication of Critical Path. The Employer shall also reserve the right to demand for a revised programme or indication of the Critical Path;
"MICE"	means meetings, incentives, conferences and exhibitions;
"MLMUPC"	Ministry of Land Management, Urban Planning and Construction of Cambodia;
"Morgan Stanley"	Morgan Stanley Asia Limited;

"Naga 1"	the casino NagaWorld built around the initial public offering period of the Company;
"Naga 2"	the casino NagaWorld opened for business in November 2017;
"Naga 3"	Naga 3 Project;
"Naga 3 Company Limited"	a private company incorporated in Cambodia and wholly and beneficially owned by the Company;
"Naga 3 Project"	the proposed development and construction of a multi-entertainment, comprehensive and integrated resort complex on land area of 16,837 square metres which consist of the lands having Title Deed of Immovable Property No. 12010101-0057 and Title Deed of Immovable Property No. 12010115-0003. Sangkat Tonle Bassac, Khan Chamkar Morn, Phnom Penh, Cambodia;
"NagaWorld Complex"	the Naga 1, Naga 2 and Naga 3 upon the completion of the Naga 3 Project;
"Nominated Sub-Contractor"	any sub-contractor as appointed by the Employer or the Project Architect to carry out any aspect of the Works of the Naga 3 Project;
"PRC"	the People's Republic of China (for the purpose of this Circular, excluding Hong Kong, Macau Special Administrative Region and Taiwan);
"Progress Payment"	means notice of periodic payments submitted by the Contractor to the Employer on a bi-monthly basis (or such other longer intervals as may be elected by the Contractor) pursuant to the Guaranteed Maximum Sum Design and Build Agreement as per progress works done after certification by the Project Architect;
"Project"	means the Naga 3 Project;
"Project Architect"	DRTAN LM Architect, or such other consultants as may be appointed by the Employer from time to time and where applicable, shall include the relevant qualified professionals, quantity surveyors and engineers as may be appointed by the Employer to inter alia monitor, check on the progress, quality and Specifications of the Project;

"Project Consultants"	collectively Steelman Partners (design architect/ planner, interior designer); DRTAN LM Architect (architect-of-record); JACOBS Engineering Services Sdn Bhd (civil and structural engineers); KWA Consult Sdn Bhd (mechanical & electrical engineers); and ELP Quantity Surveyors Sdn Bhd (quantity surveyor);
"Project Resize"	as provided under the DBA, the Guaranteed Maximum Sum is up to US$3,515,011,000 and the Company is at liberty to reduce the Total Built-Up Areas of the Naga 3 Project to less than 544,801 square metres by way of any written Instruction which may be reasonably issued within reasonable time by the Employer and the Project Architect in respect of implementation, modifications and alteration of the Works and/or the Specifications as mentioned in Third and Sixth Schedules of the DBA. This is in line with the Company's policy of pursuing a nil to low debt to EBITDA ratio in the past years and the Company's all-time intention to use its internally generated net cashflow to fund the development of the Naga 3 Project by matching the availability of internally generated net cashflow with the size of the Naga 3 Project, and hence also meeting with the Company's prudent policy of overcoming unforeseen circumstances including but not limited to any unexpected external economic uncertainties. In the aforementioned event the Guaranteed Maximum Sum shall be reduced and computed by the amount of reduction in square metres calculated on the basis of the Development Costs per sq m basis;
"Quantity Surveyor"	ELP Quantity Surveyor Sdn Bhd;
"Relevant Cash Dividend"	means the aggregate cash dividend or distribution declared and paid by the Issuer, including any cash dividend in respect of which there is any Scrip Dividend or a Scrip Dividend in respect of which there is a cash alternative;
"Scrip Dividend"	means any Shares issued in lieu of the whole or any part of any Relevant Cash Dividend being a dividend which the Shareholders concerned would or could otherwise have received;
"Selected Sub-Contractor"	Selected Sub-Contractor is one that is employed at the discretion of the Contractor;

"Settlement"	settlement of the Subscription Sum with the Controlling Shareholder through the issuance of 1,142,378,575 Settlement Shares or Adjusted Settlement Shares (whichever is relevant) as per terms of the Subscription Agreement;
"Settlement Shares"	means the number of the settlement shares of the Company to be issued to the Controlling Shareholder in accordance with the terms of the Subscription Agreement;
"Settlement Share Issue Price"	means the issue price of each Settlement Share at HK$12.00 per Share;
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
"Share(s)"	the ordinary share(s) with par value of US$0.0125 each in the share capital of the Company;
"Shareholder(s)"	holder(s) of the Share(s) of the Company;
"Site"	means the site where the Naga 3 Project is to be situated;
"Specifications"	means an explicit set of international requirements to be satisfied as set out in the Guaranteed Maximum Sum Design and Build Agreement and the Construction Documents. All materials used in the Works shall comply with the requirements of the latest British Standard issued by the British Standards Institution or the Malaysian Standards issued by the Standards and Industrial Research Institute of Malaysia (SIRIM), and the Contractor or sub-contractors shall produce all necessary certificates to substantiate this fact if so requested by the Project Architect. Materials shall be of the best quality. Where no standards are specified, the materials shall be in accordance with the relevant British Standards; Workmanship generally is to be of the highest standard obtainable and in all cases where either a British Standard Code of Practice or a Malaysian Standard exist and is applicable to any portion of the Works, the Contractor shall allow for complying with the recommended practice of either code unless such procedure would directly conflict with requirements stated elsewhere in these documents;
"sq m"	square metres;
"Steelman Partners"	Las Vegas based Steelman Partners design architect/planner, interior designer;

"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Subscriber"	ChenLipKeong Fund Limited, a Cayman Islands incorporated private limited company wholly owned by the Controlling Shareholder;
"Subscriber's Contributions"	the amount of the Subscriber's portion of the final Contract Sum which the Subscriber contributing towards the development and completion of the Naga 3 Project;
"Subscription"	the subscription of the Settlement Shares pursuant to the Subscription Agreement;
"Subscription Agreement"	the subscription agreement dated 14 April 2019 entered into between the Company and the Subscriber;
"Subscription Notice"	the Issuer shall, on receipt of a duly executed certificate of a Progress Payment, give not less than 15 Business Days' notice to the Subscriber thereof (each a Subscription Notice) specifying the amount of the Subscription Payment;
"Subscription Payment"	means 50% of each Progress Payment after certification by the Project Architect i.e. after having been notified by the Company via a Subscription Notice, each payment made by the Subscriber to the Contractor and notified to the Company as a response to the Subscription Notice as evidence of each particular aspect of Works completed in accordance with the terms of the Guaranteed Maximum Sum Design and Build Agreement; for the sake of clarity, each Subscription Payment made by the Subscriber shall contribute 50% of each Progress Payment, the balance of the 50% shall be paid by the Company;
"Subscription Sum"	(a) the sum of US$1,757,505,500 subject to the final Contract Sum; (b) in the case of Project Resize, means a sum of less than US$1,757,505,500 subject to the final Contract Sum is less than US$3,515,011,000 and the Total Built-Up Areas are less than 544,801 square metres; in this case, the Subscription Sum shall be 50% of the final Contract Sum;

	(c) in the event of Costs Underrun, a sum of US$1,757,505,500 subject to the final Contract Sum is less than US$3,515,011,000. The savings arising from these changes shall go towards the benefits and account of the Issuer and not the Controlling Shareholder. In such circumstances, the amount of savings shall be equivalent to the lesser amount of payments to be made by the Company towards the development and construction of the Naga 3 Project; or (d) in the event of Costs Overrun when the final Contract Sum is more than US$3,515,011,000, any such cost overrun shall be borne by the Controlling Shareholder and the sum of US$1,757,505,500 shall remain the same;
"Tan Sri Dr. Chen Lip Keong"	Dr. Chen, the Founder or the Controlling Shareholder;
"Term of the Subscription Agreement"	commencing from 14 April 2019 till the date of issuance of the Settlement Shares or the Adjusted Settlement Shares (subject to any relevant statutory approval) which shall occur after the date of the Completion of the Guaranteed Maximum Sum Design and Build Agreement which is expected to be on or before 30 September 2025 or such other extension period as may be mutually agreeable between the Employer and the Contractor;
"Total Built-Up Areas"	means the total development and built-up areas of 544,801 square metres or less for development of the Naga 3 Project;
"Total Development Costs"	the amount of costs spent towards the development and completion of the Naga 3 Project, which includes planning construction, FF&E (furniture, fixtures and equipment), operations equipment, contingency and is ready for commencement of operations of business by the Company as independently certified by the Project Architect and shall mean the following: (a) as per the terms of the DBA, the Total Development Costs are up to US$3,515,011,000 for the development of the Naga 3 Project with Total Built-Up Areas of 544,801 square metres;

	(b) in the event of Project Resize by way of reduction of size of Naga 3 by reducing the Total Built-Up Areas, means the Total Development Costs are less than US$3,515,011,000 and the Total Built-Up Areas are less than 544,801 square metres; in this case, the Total Development Costs shall be reduced and computed by the amount of final built-up area in square metres multiplied by the Development Costs per sq m basis;
	(c) in event of Costs Underrun, the Total Development Costs are less than US$3,515,011,000. The savings arising from these changes shall go towards the benefits and account of the Issuer and not the Controlling Shareholder. In such circumstances, the amount of savings shall be equivalent to the lesser amount of payments to be made by the Company towards the development and construction of the Naga 3 Project; or
	(d) in event of Costs Overrun, the Total Development Costs are more than US$3,515,011,000 and the Controlling Shareholder shall pay the amount of Costs Overrun;
"US$"	United States dollars, the lawful currency of the United States of America;
"Variation Order"	the alteration or modification of the design, quality or quantity of the Works;
"VWAP"	the volume-weighted average price;
"Works"	the development and construction of the Naga 3 Project set out in the Third and Sixth Schedules of the Guaranteed Maximum Sum Design and Build Agreement; and
"%"	per cent.

This Circular is published on the Company's website at www.nagacorp.com and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk.

For the purpose of this Circular and for illustration purpose only, amounts denominated in US$ have been converted to HK$ at the exchange rate of US$1.0 to HK$7.8.

NAGACORP
金界控股有限公司

NAGACORP LTD.
金界控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 3918)

Executive Directors:
Tan Sri Dr. Chen Lip Keong
Mr. Philip Lee Wai Tuck
Mr. Chen Yiy Fon

Non-executive Director:
Mr. Timothy Patrick McNally

Independent Non-executive Directors:
Mr. Lim Mun Kee
Mr. Michael Lai Kai Jin
Mr. Leong Choong Wah

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

Principal Place of Business in Cambodia:
NagaWorld
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22 July 2019

To the Shareholders

Dear Sir or Madam,

THE GUARANTEED MAXIMUM SUM DESIGN AND BUILD AGREEMENT — VERY SUBSTANTIAL ACQUISITION

NAGA 3 FUNDING BY THE CONTROLLING SHAREHOLDER — CONNECTED TRANSACTION

THE SETTLEMENT VIA SUBSCRIPTION AGREEMENT — UNDER A SPECIFIC MANDATE

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

ARTICLE 1 — INTRODUCTION

The Board announced that after trading hours of the Stock Exchange on 12 April 2019, the Group, via its wholly and beneficially owned subsidiary, Naga 3 Company Limited as the employer and CCAG Asia Co., Ltd. as the contractor entered into the Guaranteed Maximum Sum Design and Build Agreement for the purpose of the Naga 3 Project. The Guaranteed Maximum Sum Design and Build Agreement has been fixed and signed for a sum of US$3,515,011,000. In the Guaranteed Maximum Sum Design and Build Agreement, the Contractor undertakes together with its sub-contractors to develop and deliver a fully completed and operational Naga 3. Upon completion, Naga 3 will be equipped with theme park equipment, furniture & fixtures, security like CCTV, specified information technology systems, full hotel operating services & equipment and utility connection and other fully equipped necessity which may allow the operator to commence business after the handing over of the Naga 3 Project.

In response to the Stock Exchange's enquiries and after further discussion with the Stock Exchange, the Board made an announcement on 24 April 2019 to clarify that since the Guaranteed Maximum Sum Design and Build Agreement is a single contract and is in substance an acquisition of assets, the transaction contemplated under the Guaranteed Maximum Sum Design and Build Agreement constitutes a very substantial acquisition of the Company under Rule 14.06(5) of the Listing Rules and is therefore subject to the Shareholders' approval at the EGM. To the best of knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the Guaranteed Maximum Sum Design and Build Agreement. But for good corporate governance purpose, the Controlling Shareholder and his associates elect to abstain from voting on the resolution approving the Guaranteed Maximum Sum Design and Build Agreement at the EGM.

The Board further announced that on 14 April 2019, the Company as an issuer entered into the Subscription Agreement with a special purpose vehicle called ChenLipKeong Fund Limited as the Subscriber, pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for 1,142,378,575 Settlement Shares or such Adjusted Settlement Shares with the par value of US$0.0125 each at the price of HK$12.00 per Share (subject to adjustment as set out in the Subscription Agreement) for the Subscription Sum.

The Subscription Agreement and the transaction(s) contemplated thereunder constitute a connected transaction of the Company under the Listing Rules. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transaction(s) contemplated thereunder. The Controlling Shareholder and his associates will be required to abstain from voting on the resolution(s) approving the Subscription Agreement and the transaction(s) contemplated thereunder at the EGM.

The purpose of this Circular is to provide the Shareholders with (i) the independent cost-based valuation of the Naga 3 Project; (ii) further details of the Guaranteed Maximum Sum Design and Build Agreement and the transaction(s) contemplated thereunder; (iii) further details of the Subscription Agreement and the transaction(s) contemplated thereunder; (iv) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Subscription Agreement; (v) the letter of advice from the Independent Financial Adviser to the Independent Board

Committee and the Independent Shareholders in respect of the Subscription Agreement and the transaction(s) contemplated thereunder; (vi) updated information about the Naga 3 Project; and (vii) a notice of the EGM at which resolutions will be proposed to consider and if thought fit, approve, inter alia, the abovementioned matters.

ARTICLE 2 — DETERMINATION OF DEVELOPMENT COST BY COLLIERS

Colliers has been instructed by the Company via a letter dated 13 March 2019 for a cost-based valuation confirmation that the estimated development costs of the Naga 3 Project are reasonable based on the proposed development scheme. Colliers has provided its initial comments on the appropriateness of the anticipated development costs in the letter dated 28 March 2019. Following this, the Company has provided an update of the anticipated development costs obtained from its Quantity Surveyor and DRTAN LM Architect. The signed letter dated 9 April 2019 (a copy of this letter is set out in Appendix III to this Circular) therefore updates Collier's findings and opinion stated in the 28 March 2019 letter based on the additional information provided by the Company.

Located along Sothearos Road in Phnom Penh, Kingdom of Cambodia, Naga 3, upon completion, will be the largest integrated resort in the country. Set within five modern purpose-built towers, it will complement the existing facilities at Naga 1 and Naga 2, with a quality standard set to rival that of the integrated resorts located in Macau. Proposed facilities will include gaming facilities (tables and slots), three basement levels, an eleven-level multi-entertainment podium, five hotel towers (totaling circa 4,720 hotel bays) which includes a 48-storey condotel. Preliminary plans provided by the Company indicate the following development:

Description	**Construction Floor Area**	
	m²	*sf*
Basement		
1. 3-storey Basement	46,443	499,912
Podium		
1. 11-storey Podium (Hotel Lobby, Retail, Gaming, Restaurant, Theme Park, SPA, Conference)	124,813	1,343,487
Tower 1 & 4 (45-storey inclusive of 11-storey podium)		
1. 1-storey M&E Room (Level 12)	3,936	42,367
2. 30-storey Hotel (Level 13 - Level 42)	118,080	1,271,013
3. 2-storey VIP Gaming / Restaurant / Clubs (Level 43 - Level 44)	7,872	84,734
4. 1-storey Roof Facilities Floor (Level 45)	4,515	48,599
Tower 2 & 3 (66-storey inclusive of 11-storey podium)		
1. 1-storey Lanai Suite with Swimming Pools and M&E Rooms (Level 12)	7,228	77,802
2 1-storey M&E Room (Level 13)	2,642	28,438

Description	**Construction Floor Area**	
	m^2	*sf*
3. 50-storey Hotel (Level 14 - Level 63)	119,600	1,287,374
4. 2-storey VIP Gaming / Restaurant / Clubs (Level 64 - Level 65)	4,784	51,495
5. 1-storey Sky Deck (Level 66)	2,962	31,883
Tower 5 (48-storey inclusive of ground floor)		
1. 14-storey Elevated Carpark (Level P1 - Level P14)	37,646	405,222
2. 2-storey M&E Service Floor (Level 8 - Level 9)	5,378	57,889
3. 30-storey Condotel (Level 10 - Level 39)	56,850	611,933
4. 1-storey Roof Facilities Floor (Level 40)	2,052	22,088
TOTAL GROSS FLOOR AREA	**544,801**	**5,864,236**

Colliers has been provided by the Company with two recent (2019) development cost estimates for the Project (excluding land), prepared separately by reputable architects and cost consultants. These are set out below:

Firm	**Cost estimation** *(US$)*	**Cost per hotel bay** *(US$ million rounded)*
DRTAN LM Architect	3,515,011,000	0.74
Steelman Partners	3,291,685,200	0.70

Source: NagaCorp

Colliers has independently undertaken benchmarking analysis of 'similar' integrated resort projects located in Asia. This information has been obtained from publicly available information and as shown in the following table:

Property	Year Completed / Projected Completion Date	CAPEX (US$ million)	Number of rooms / bays	Cost per room / bay (US$ million)
Wynn Palace Macau[1]	2016	4,400	1,706	2.58
The Parisian Macau[2]	2016	2,700	3,000	0.90
MGM Cotai Macau[3]	2018	3,432	1,427	2.41
Grand Lisboa Palace Macau[4]	2019	4,645	2,000	2.32
Marina Bay Sands Singapore[5]	2010	5,714	2,560	2.23
Marina Bay Sands Phase II[6]	tbc	3,300	1,000	3.30
Resorts World Sentosa Singapore[7]	2010	6,590	1,840	3.58
Resorts World Sentosa Phase II[8]	tbc	3,300	1,100	3.30
City of Dreams Manila, Philippines[9]	2014	1,200	981	1.22
Solaire Resort & Casino Manila, Philippines[10]	2013	1,200	800	1.50
Corona Resort and Casino Phu Quoc, Vietnam[11]	2019	2,100	2,000	1.05
Ho Tram Resort Casino, Ho Tram, Vietnam[12]	2021 (est.)	4,200	2,085	2.01
Naga 2, Phnom Penh, Kingdom of Cambodia[13]	2017	700[(1)]	902	0.78
Naga 3, Phnom Penh, Kingdom of Cambodia[14]	tbc	3,515	4,720	0.74

[(1)] 2012 contracted development cost

1 Source: Annual Report

2 Source: https://www.scmp.com/destination-macau/article/2014981/first-look-inside-us27-billion-parisian-macao

3 Source: Annual Report

4 Source: Annual Report

5 Source: https://www.safdiearchitects.com/projects/marina-bay-sands-integrated-resort

6 Source: Marina Bay Sands (estimate)

7 Source: https://www.rwsentosa.com/-/media/project/non-gaming/rwsentosa/press-release/pdf/en/2010/20100211-rws-casino.pdf

8 Source: Genting Singapore (estimate)

9 Source: https://business.inquirer.net/179553/1-2-b-city-of-dreams-manila-to-open-in-november

10 Source: https://www.reuters.com/article/philippines-ayala-land-bloomberry-idUSL3N0NZ0C020140513

11 Source: https://e.theleader.vn/vietnam-opens-first-casino-allowing-locals-to-gamble-1548088495596.htm

12 Source: https://www.forbes.com/sites/muhammadcohen/2015/12/11/philip-falcone-doubles-down-on-vietnam-casino-resort/#452645061772

13 Source: NagaCorp

14 Source: NagaCorp

As can be seen from the benchmarks, costs can vary depending on the size and nature of facilities including the extent of non-gaming amenities that is to be provided, the latter of which could be quite costly. Benchmark development costs has ranged from US$0.90 million per room/bay (i.e. excluding Naga 2) to over US$3.5 million. Colliers notes that at the higher end of the scale i.e. for properties in Macau and Singapore in particular, the requirement to provide significant non-gaming activities, particularly retail, entertainment and conferencing/exhibition facilities, as part of the integrated resort development has largely driven these substantial amounts. Colliers also notes that Naga 3 may not include this scale of non-gaming facilities and would therefore expect anticipated development costs to be much lower.

Colliers notes that Naga 2 was completed in 2017 (soft opening) at a cost of US$700 million (circa US$0.78 million per room). Colliers is aware this was a fixed fee contract awarded in 2012, and as such the amounts stated are in 2012 values. Considering consumer price inflation between 2012 and 2018 according to the International Monetary Fund, Colliers notes that this amount would increase to circa US$854 million (circa US$0.95 million per room). This may well be a conservative figure given that in Colliers' experience and given recent development activity in Phnom Penh, that construction price index may well be very much higher.

Colliers also notes that the main decrease of the cost estimation for costs per room of Naga 3 is that although price inflation in Cambodia has increased over the timeframe, the construction cost index has weakened in recent months as the level of construction has decreased in the city due to demand and supply imbalance. In addition, many projects are on hold given the over-supply in the non-hospitality sectors and this has led to some price compressions.

Colliers further notes that the Company's specifications, planning requirements and the enabling works for the land for Naga 3 are much lower than those for Naga 2, which led to cost savings. Colliers has also consulted with external cost consultants, together with the proposed contractors and is satisfied that the anticipated development costs plus contingencies are adequate.

From the Development Cost Study Report prepared by DRTAN LM Architect and all the Project Consultants dated April 2019, in summary the total estimated development cost for Naga 3 is as below:

Description	**Amount**
Gross floor area	544,801 sq m
Estimated all-in construction costs	US$2,081,011,000
All-in construction cost per sq m	US$3,819.76
Estimated all-in development costs	US$3,515,011,000
All-in development cost per sq m	US$6,415.92

Compared to Naga 2, which cost circa US$6,435 per sq m based on the actual amount spent in 2012, the all-in development cost per sq m would seem reasonable albeit excluding cost price inflation. In addition, given the paucity of data for Cambodia, using other key cities in Asia as a proxy, they are aware from the latest Arcadius Construction Cost Handbook (2019) that five-star hotels (using this as a proxy), can cost between US$2,120 (Ho Chi Minh City) to US$6,621 (Macau) per sq m. This only includes all-in construction costs. They are also aware of the total development costs for luxury hotels in Phnom Penh, and the estimated costs per sq m stated above are in line with those.

As such, given the above, overall market context, industry benchmarks, together with the intended market positioning from Colliers' discussions with the Company, Colliers is of the opinion that the estimated costs excluding the land cost for Naga 3, are reasonable at US$3.5 billion (US$0.74 million per hotel bay). Colliers notes that the US$0.74 million is per hotel bay, and it is likely, depending on the operator's requirements, that the number of rooms may well be lower than the number of bays thereby increasing the cost per room figure, thereby likely bringing it in line with recent benchmarks.

ARTICLE 3 — KEY POINTS OF THE GUARANTEED MAXIMUM SUM DESIGN AND BUILD AGREEMENT

Reference is made to the announcements dated 14 April 2019 and 24 April 2019 of the Company, the Group, via its wholly and beneficially owned subsidiary, Naga 3 Company Limited as an employer had on 12 April 2019 entered into the Guaranteed Maximum Sum Design and Build Agreement with its proven, long-time and Chinese owned contractor, CCAG Asia Co., Ltd. as a contractor. The Guaranteed Maximum Sum Design and Build Agreement has been fixed and signed for a sum of US$3,515,011,000.

In the Guaranteed Maximum Sum Design and Build Agreement, the Contractor undertakes together with its sub-contractors to develop and deliver a fully completed and operational Naga 3. Upon completion, Naga 3 will be equipped with theme park equipment, furniture & fixtures, security like CCTV, specified information technology systems, full hotel operating services & equipment and utility connection and other fully equipped necessity which may allow the operator to commence business after the handing over of the Naga 3 Project.

For the details of the Naga 3 Project, please refer to the sections headed "Article 2 — Determination of development cost by Colliers", "Article 14 — Information about the Founder and his vision for the Group", "Article 13 — Development of the Naga 3 Project", and "Article 12 — Updated information about the Naga 3 Project" of this Circular.

Key terms of the Guaranteed Maximum Sum Design and Build Agreement are as follows:

The Guaranteed Maximum Sum Design and Build Agreement

Date

12 April 2019

Parties

Naga 3 Company Limited as the Employer

CCAG Asia Co., Ltd. as the Contractor

Subject Matter

Pursuant to the Guaranteed Maximum Sum Design and Build Agreement, the Employer is the beneficial owner of the properties where the Naga 3 Project will be situated upon its completion, namely:

1. land parcel of 7,757 square metres with Title Deed of Immovable Property No. 12010101-0057 Village 1, Sangkat Tonle Bassac, Khan Chamkar Morn, Phnom Penh (the "**former White Building land**"); and

2. land parcel of 9,080 square metres with Title Deed of Immovable Property No. 12010115-0003 Village 15, Sangkat Tonle Bassac, Khan Chamkar Morn, Phnom Penh, sited boundary to boundary to the former White Building land.

The Contractor, having the requisite technical expertise knowledge, experience and financial capabilities, shall undertake together with its sub-contractors to develop and deliver a fully completed and operational Naga 3 with the Contract Sum inclusive of all relevant Cambodian tax pursuant to the DBA. The Contractor undertakes to perform and complete the Works including but not limited to the Construction Drawings, design development, engineering, testing, fabrication, transportation, assembly and installation in conformity with the requirements and contents of the Construction Documents.

Some Salient Terms of the Guaranteed Maximum Sum Design and Build Agreement

Guaranteed Maximum Sum

In consideration of the Works to be developed and fully completed and fully operational by the Contractor or its Selected Sub-Contractors or its other agents in respect of the Naga 3 Project, the Employer agrees to pay the Contractor a sum up to US Dollars Three Billion Five Hundred and Fifteen Million and Eleven Thousand Only (US$3,515,011,000) inclusive of all relevant Cambodian tax pursuant to the DBA.

The Contractor guarantees that the Guaranteed Maximum Sum is the maximum sum that is required for the design, execution and completion of the Works fit for its purpose. The obligation of the Employer is to pay the Contractor a sum not exceeding the Guaranteed Maximum Sum.

It is the obligations of the Contractor to ensure that the cost for the design, construction and completion of the Works does not exceed the Guaranteed Maximum Sum despite the provision for adjustment of the Guaranteed Maximum Sum in the DBA.

Any cost incurred by the Contractor over and above the Guaranteed Maximum Sum shall be at the expense of the Contractor and the Employer is under no obligation to pay the Contractor any sum over and above the Guaranteed Maximum Sum. This is a lump sum contract. It is practically not timely to confirm any unit rates on the date of execution of the DBA. The Project Consultants shall reasonably fix at a later date the unit rates based on the prevailing market price or such rates which shall be reasonably agreed on by the Contractor and the Employer. In the event that the Contractor is not agreeable to any unit rate for the development and construction of the Naga 3 Project and subject to the consent from the Project Consultants, the Employer is at liberty to tender out to any Nominated Sub-Contractor to construct and complete the aspect of the Works at the unit rate of which the Contractor does not agree and accept. The expenses and costs incurred on the construction and completion of the aspect of Works by any Nominated Sub-Contractor shall be proportionally deducted from this Guaranteed Maximum Sum of US$3,515,011,000.

Any unit rates which have been confirmed and certified by the Project Consultants shall be firm and deemed to be final and include all wastage, storage, handling cost, import duties and taxes, all forms of inflation in the present and future and shall hold good for the completion of the Works ("**Firm Unit Rate**"). Any rates in the Works are not subjected to any adjustment in respect of fluctuation in cost of materials and goods, import duty or any other duties and taxes nor in expenditure arising out of any changes due to legislation or other new laws, amendments or replacement of existing legislation, etc of such increase or additional expenditure coming into effect after the date of the DBA or delivery of the above-mentioned goods. All the rates and stated lump sum shall be deemed to include the supply of materials, labour and any other necessary tools and equipments to carry out and complete the Works.

Situations of decrease of the Guaranteed Maximum Sum

This is a Guaranteed Maximum Sum contract based on unit rate computation to build 544,801 square metres up to a maximum sum of US$3,515,011,000, where the final contract sum is determined by the final site measurement of actual works done. For the delivery of a fully completed and fully operational Naga 3, the final Contract Sum is:

Either

(a) a guaranteed maximum sum of US$3,515,011,000;

Or

(b) less, subject to final measurement of actual works done.

Any loss or benefit due to change of unit rate within this Guaranteed Maximum Sum is the sole responsibility of the Contractor.

Hence, any increase in unit rate due to escalation in change of costs of labour, materials, equipment and other costs as may be reasonably and independently identifiable by the Project Consultants shall be the sole responsibility of the Contractor.

Any decrease in units rates resulting in change of costs of labor, materials, equipment and other savings as may be reasonably and independently identifiable by the Project Consultants shall also go towards the benefits and account of the Contractor.

In addition, as provided under the DBA, at any time during the Contract Period, due to whatsoever reasons, the Employer and the Project Architect are at liberty to reasonably issue an Instruction to the Contractor to reduce but cannot increase the Total Built-Up Areas of 544,801 square metres. This adjustment for the decrease of the Total Built-Up Areas shall result in decrease of the Guaranteed Maximum Sum depending on the site measurement.

Costs Overrun: Costs Overrun occurs to build 544,801 square metres of built-up area if the Guaranteed Maximum Sum contract shall exceed US$3,515,011,000. Any cost incurred by the Contractor over and above the Guaranteed Maximum Sum shall be at the expense of the Contractor and the Employer is under no obligation to pay the Contractor any sum over and above the Guaranteed Maximum Sum. There is no adjustment to the Guaranteed Maximum Sum.

Costs Underrun: Costs Underrun occurs to build 544,801 square metres of built-up area if the Guaranteed Maximum Sum contract is less than US$3,515,011,000. Costs Underrun occurs only when Instructions from the Employer are extended to the Contractor when and where the Employer and the Project Architect give Instruction for any modifications and alterations of the Specifications and/or the Works inclusive of supply of labour, materials and equipment which have not been expressly laid down in Third Schedule and Sixth Schedule of the DBA, the adjustments for these changes as mentioned herein resulting in decrease of the Guaranteed Maximum Sum and hence the savings deriving therefrom shall also go towards the benefits and account of the Employer.

Guaranteed Maximum Sum to Cover All Obligations

Unless otherwise stated in the DBA, the Guaranteed Maximum Sum shall cover all obligations under the DBA and all things necessary for the proper construction, execution and completion of the Works including but not limited to remedy of any defects. There are no other situations not covered and clarified under the DBA.

Sufficiency of Guaranteed Maximum Sum

The Contractor shall be deemed to have satisfied itself as to the correctness and sufficiency of the Guaranteed Maximum Sum to carry out and complete the Works.

Completed Works Based on the Firm Unit Rate

The completed Works will be indicated in the measurement on the latest Construction Documents and based on the Firm Unit Rate as shown in the breakdown of the Guaranteed Maximum Sum set out in the DBA or the new unit rate based on changed materials or scope of Works which shall be determined by the Employer.

Contract Period

The time period from the commencement of the DBA on or before 30 September 2019 to the Completion of the DBA on or before 30 September 2025 and/or any such other extension period that may be mutually agreeable between the Employer and the Contractor. The Contract Period is based on the Contractor being able to work round the clock. In the event that the Contractor fails to complete the Works within the Contract Period and where it has been established by the Project Architect and Project Consultants that the Contractor was wholly or partially responsible for the delay, then the Contractor shall pay a sum in accordance with the degree of established responsibility as the LAD which shall not exceed the amount per day as stipulated in the DBA for the period during which the Works remain or have remained incomplete. Such determination by the Project Architect and the Project Consultants shall be final and conclusive.

The Contractor's Obligations and Undertaking

a. The quality of workmanship, materials and goods shall be of good quality, free from any defects and to the reasonable satisfaction of the Employer and fully in compliance with the Construction Drawings and the Specifications and where specifications by the Project Architect are not available, the British Standard specifications shall be deemed to be applicable.

b. The Contractor shall upon the instruction of the Employer and/or the Project Architect provide the vouchers, delivery orders, tests certificates and other documents to prove that the materials, goods and workmanship comply with the Construction Drawings and the Specifications set forth in the DBA.

c. Upon further instructions of the Employer, the Contractor shall open up for inspection by the Project Architect of any Works covered or to arrange for or to carry out any tests of materials or goods or workmanship of any executed Works and the cost of remedying any defects and poor workmanship (together with the cost of making good in consequence thereof) shall be borne by the Contractor immediately unless otherwise agreed by the Employer.

d. The Contractor shall be responsible for the adequacy, stability and safety of all Site operations and methods of construction.

e. The Contractor shall be deemed to have read the Specifications, as and when it is available, for materials and workmanship and also having visited and acquired all necessary information as to risks, all contingencies influencing and affecting the DBA.

f. The Contractor warrants that the DBA is a guaranteed maximum sum contract which has captured all the expenses necessary to complete the Project within the specified period and the Contractor is strictly not allowed to have any further claims.

g. The Contractor warrants that the Contractor has the experience and resources in a design and build contract, including sufficient and complete management, supervisory and other personnel and all necessary facilities, to efficiently and expeditiously perform the Works. The Contractor shall perform all necessary Works including the Construction Drawings, design development, engineering, testing, fabrication, transportation, assembly and installation to provide total installation and/or construction fully in conformity with the requirements and content of the Construction Documents.

h. The Contractor shall be deemed to have full knowledge of the provisions of the Project Architect's requirements. The Contractor shall indemnify the Employer against any liability which the Employer has or may have incurred to any other person whatsoever and against all claims, demands, proceedings, damages, costs and expenses made against or incurred by the Employer due to any breach by the Contractor in respect of the Works.

i. Subject to compliance with all applicable laws, the Contractor shall upon the date of commencement commence all the Works in accordance to the scope of work set out in the Works as prescribed by the Project Architect.

j. The Contractor undertakes to complete the Works in a timely and efficient and professional workmanlike manner as contemplated under the Guaranteed Maximum Sum Design and Build Agreement. In the event of any delay in completion of the Works past the scheduled date of completion, the Contractor shall pay to the Employer liquidated and ascertained damages of US Dollars One Million only (US$1,000,000.00) per day and the Employer shall have the absolute discretion to deduct the amount of LAD as may be reasonably determined after taking into account the LAD payable by the Contractor to the Employer.

k. The Contractor hereby warrants that the Works shall be free from all defects and hereby undertakes to take all such actions to promptly remedy any defect in a timely manner at no additional cost and expense to the Employer. In the event of any failure of the Contractor to undertake such actions to remedy the said defects expeditiously, the Employer may take such actions to rectify the defects and the Contractor shall be liable to forthwith pay including but not limited to all cost, expenses, damages, losses incurred thereto to the Employer.

Specifications

The Contractor have to comply with an explicit set of international requirements to be satisfied as set out in the Guaranteed Maximum Sum Design and Build Agreement and the Construction Documents. All materials used in the Works shall comply with the requirements of the latest British Standard issued by the British Standards Institution or the Malaysian Standards issued by the Standards and Industrial Research Institute of Malaysia (SIRIM), and the Contractor or sub-contractors shall produce all necessary certificates to substantiate this fact if so requested by the Project Architect. Materials shall be of the best quality. Where no standards are specified, the materials shall be in accordance with the relevant British Standards.

Workmanship generally is to be of the highest standard obtainable and in all cases where either a British Standard Code of Practice or a Malaysian Standard exist and is applicable to any portion of the Works. The Contractor shall allow for complying with the recommended practice of either code unless such procedure would directly conflict with requirements stated elsewhere in these documents.

Construction Documents

The Employer has submitted to the Contractor a series of drawings which include Construction Drawings, Specifications, descriptive schedules, design briefs, letter of acceptance, conditions of the DBA and the schedules are referred to which are collectively as the Construction Documents.

It is agreed by the parties thereto that, based on a design and build basis, the Contractor shall proceed to design the development stage and develop the relevant Construction Documents in sufficient details, as required by the Employer and/or the Project Architect. The Construction Documents shall remain in the custody of the Contractor so as to be available at all reasonable times for inspection by the Employer and/or the Project Architect whenever so required. The Contractor may, at its own cost, copy, use and communicate any such documents (including making and using modifications) for the purposes of completing, operating, maintaining, altering, adjusting and repairing the Works. The Contractor shall not, without the Employer's written consent, use, copy or communicate any such documents to a third party for any purpose otherwise than that stipulated therein.

Appointment of Sub-Contractors

Subject to the prior consent of the Project Architect, the Contractor is at liberty to appoint qualified, bona fide, reputable Selected Sub-contractor(s) to carry out and complete any portion of the Works, where applicable.

Project Architect

The Project Architect or such other consultants as may be appointed by the Employer from time to time and where applicable, shall include the relevant qualified professionals, quantity surveyors and engineers as may be appointed by the Employer to inter alia monitor, check on the progress, quality and Specifications of the Project.

In addition, the Project Architect shall lead a team of Project Consultants to oversee and monitor the Contractor on the successful and on time completion of the Project in accordance with quality, progress and specifications as laid down in the Guaranteed Maximum Sum Design and Build Agreement. Details of the Project Architect, please refer to the section headed "Article 13 — Development of the Naga 3 Project" below in this Circular.

Completion of the DBA

A date on and before 30 September 2025 and/or any such other extended date that may be mutually agreeable between the Employer and the Contractor, i. e. when the Project Architect is of the opinion that the Works are practically completed, meaning that the Contractor has performed and completed all the necessary Works specified in the Guaranteed Maximum Sum Design and Build Agreement and the defects existing in such Works are de minimis, the Project Architect shall forthwith issue a Certificate of Completion. The Works shall be deemed to be practically completed for all purposes of the Guaranteed Maximum Sum Design and Build Agreement on the day named in the Certificate of Completion. The issuance of the Certificate of Completion or making good defects under the written notice by the Employer and/or the Project Architect shall not absolve the design and workmanship responsibility and liabilities of the Contractor.

Consideration and Payment

Pursuant to the Guaranteed Maximum Sum Design and Build Agreement, the Employer shall pay the Contractor the Contract Sum up to US$3,515,011,000 inclusive of all relevant Cambodian tax pursuant to the Guaranteed Maximum Sum Design and Build Agreement, subject to the measurement of such exact final sum incurred and the amount of Works done as independently certified by the Project Architect. The Contractor warrants that the Contract Sum captures all the expenses necessary to complete the Naga 3 Project within the Contract Period.

The Contractor guarantees that the Contract Sum is the maximum sum that is required for the design, execution and completion of the Works fit for its purpose. The obligation of the Employer is to pay the Contractor a sum not exceeding the Contract Sum.

Any cost incurred by the Contractor over and above the Contract Sum shall be at the expense of the Contractor and the Employer is under no obligation to pay the Contractor any sum over and above the Contract Sum.

The Employer shall pay the Contract Sum to the Contractor in the form of Progress Payments as may be independently certified by the Project Architect or for ease of administration, it is agreed by the parties that payments of the Contract Sum can be on a Lump Sum basis paid within 90 days after issue of payment notice or a longer period not exceeding more than 365 days.

Each Progress Payment having been independently certified by the Project Architect and the acknowledgement of receipt by the Contractor of each Progress Payment or any such other Lump Sum shall be conclusive of each progressive works done and satisfaction of payments to the Contractor. Subject to the determination of such exact final sum incurred and the amount of Works done as independently certified by the Project Architect, the Employer shall pay a Contract Sum up to US$3,515,011,000, the Contractor shall deliver a fully completed and fully operational Naga 3 Project as per terms of the Guaranteed Maximum Sum Design and Build Agreement.

Determination of the Contract Sum

Colliers has been instructed by the Company via a letter dated 13 March 2019 for a cost-based valuation confirmation that the estimated development costs of the Naga 3 Project are reasonable based on the proposed development scheme. Colliers has provided its initial comments on the appropriateness of the anticipated developments costs in the letter dated 28 March 2019. Following this, the Company has provided an update of the anticipated development costs obtained from its Quantity Surveyor and DRTAN LM Architect. The signed letter dated 9 April 2019 therefore updates Collier 's findings and opinion stated in the 28 March 2019 letter based on the additional information provided by the Company.

As such, given the overall market context, industry benchmarks, together with the intended market positioning from Colliers' discussions with the Company, Colliers is of the opinion that the estimated costs excluding the land cost for the Naga 3 Project, are reasonable at US$3.5 billion (US$0.74 million per hotel bay).

For further details, please see the section headed "Article 2 — Determination of Development Cost By Colliers" in this Circular.

Funding of the Contract Sum

It is the Group's present intention to fund 50% of the Contract Sum by way of internally generated funds and the remaining 50% of the Contract Sum will be funded by the Controlling Shareholder. The 50% funding of the Contract Sum by the Controlling Shareholder is by way of subscribing for the Settlement Shares or the Adjusted Settlement Shares (whichever is relevant) to be issued under a specific mandate. For the details of the funding by the Controlling Shareholder, please see the section headed "Article 9 — Key points of the Subscription Agreement" below.

In the past years of its operation, the Company has been very consistent in adopting a prudent finance policy of nil to low debt to equity ratio. In respect of the development of the Naga 3 Project which is expected to be completed on or before 30 September 2025 plus any unexpected extensions, the Company's expectation is to use its internally generated cash flow to fund the Naga 3 Project; hence similarly, the Company would adopt a cautious approach and try as much as possible to match its internally generated operating cashflow with the final Total Built-Up Areas of the Naga 3 Project.

For this reason and for illustration purpose only, the Company shall adopt a conservative approach and has illustrated an Illustrative 2019-2025 Cashflow Table based on the most transparent market-based conservative methodology. As stated in the Credit Opinion dated 18 April 2019, Moody's Investor Service estimates, based on the Company's data, the Company's revenue is expected to grow at about 10% until 2020. Barring unforeseen circumstances, the Company is optimistic of the growth prospects of a rate of 10% revenue growth for the period of 2018 until the end of 2025 based on the following reasons:

a. Since its inception in 1994, NagaWorld has been growing steadily with its market capitalization multiplying more than 12 times from US$441 million since the listing of the Company in October 2006 to approximately US$5.97 billion (as of 17 July 2019). The past yearly improving financial positions and the annual growth rate demonstrated the performance of the Company during difficult and good times;

b. In 2018, the Group contributed approximately 23% of local GDP tourism growth and approximately 1.3% of national GDP in Cambodia (*Source: MOEF classification of rooms and F&B compare with the Group's 2018 Annual Report*). Cambodia's GDP for the next 6 years can be maintained at 6-6.8% as projected by International Monetary Fund *(Source: IMF World Economic Outlook April2019)*. Cambodia has attained lower middle-income status with gross national income (GNI) per capita reaching US$1,230 in 2017. Driven by garment exports and tourism, Cambodia sustained an average growth rate of 7.7% between 1995 and 2017, making Cambodia the sixth fastest-growing economy in the world. As global demand peaks in 2018, economic growth is expected to reach 7%, compared to 6.9% in 2017;

c. A major driver of growth in the Cambodian economy is the tourism sector, which contributed US$2.8 billion, or 13%, to the overall GDP of Cambodia in 2017 *(Source: Global Market Advisors, April 2018)*. In 2018, there was an 11% growth in the number of visitors to Cambodia reaching 6.2 million visitors. Visitor arrivals via Phnom Penh International Airport increased by 37% during 2018 to 1.9 million visitors. The highest rate of growth was evident in visitors coming to Cambodia from China, which grew by 67% to over 2 million visitors and accounted for 33% of the total number of visitors to Cambodia in 2018 as compared to 22% in 2017. By 2025 it is expected that at least 5.5 million Chinese visitors will come to Cambodia. Cambodia currently benefits from 879 weekly scheduled in-bound international flights (an increase from 386 such flights in December 2013). Of these flights, 328 flights per week originate from Chinese cities such as Shanghai, Guangzhou and Shenzhen. The Ministry of Tourism of Cambodia estimates that by the end of 2025, Cambodia will receive 12 million annual international arrivals, of which 5.5 million will be arrivals originating from China and 3.9 million will be arrivals at Phnom Penh International Airport *(Source: The Ministry of Tourism of Cambodia);* and

d. Close geopolitical relationship with China helps drive Cambodia's economic and tourism growth. China's "belt and road" policy drives a large number of business travellers resulting in the construction boom in the city of Phnom Penh and overall tourism and other business growth in Cambodia in recent years.

For illustration purpose only, the following Illustrative 2019-2025 Cashflow Table is self-explanatory; for sake of clarity, this illustration is purely hypothetical and does not reflect the expected performance of the Company in reality and hence should be interpreted as such:

	Actual	Illustrative cashflow							Total
US$'000 (if not specific)	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2019 to 2025**
At Revenue Growth of 10% p.a.:									
Net Cashflow after dividend payment	249,211	64,062	221,353	247,633	276,503	308,222	343,079	381,388	**1,842,240**
Company's Cash Balance at end of Period	392,977	457,039	678,392	926,025	1,202,528	1,510,750	1,853,829	2,235,217	

The above illustrations are based on key assumptions that during the period of 2019-2025:

(a) Revenue growth is expected to be maintained at growth rate of 10% per annum;

(b) Yearly increase of general and administrative expenses are expected to be computed based on 8% per annum;

(c) Maintenance capital expenditure is expected to be capped at US$50 million per annum;

(d) One time capital expenditure of US$150 million for the renovation of Naga 1 in the financial year of 2019;

(e) Dividend payout is computed and based on the past years at 60% of distributable net profits and for illustration purpose this percentage number is assumed to be the same every year during the period 2019-2025;

(f) Assume to maintain a constant debt amount of US$300 million per year at interest cost of 9.375% per annum; and

(g) Returns on investment on the cash amount of US$300 million borrowed is expected at 2.5% per annum.

The assumptions made herein from (a) to (g) are for illustration purpose and the Company makes no representations to the accuracy and completeness or reliability of these assumptions.

Subject to the assumptions set out above, the Company believes that the aggregate net cashflow ending 31 December 2025 can be achieved at US$1,842 million. As such, the Company believes that it is able to fund 50% of the Contract Sum by way of internally generated funds.

The Company will procure the Contractor to work together with all relevant Project Consultants and ensure the completion of the management of finance, manpower and construction materials, problem and progress and implements, all plans and things necessary for the proper carrying out and completion of the works with objective of the Naga 3 Project being within budget and within specified stipulated period of completion. The Company will have its own team of project managers and together with the Project Consultants to monitor the quality and specifications of the Naga 3 Project by way of periodic project status reports, and construction progress certificates issued by Project Architect on a timely basis.

As at the Latest Practicable Date, each of the Contractor, the Project Architect and the other Project Consultants 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 neither of them was interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group. The Company confirm that, to the Directors' best knowledge, information and belief, having made all reasonable enquiries, including taking into account the various letters of declaration dated 12 April 2019 issued by each of the Contractor, the Project Architect and the other Project Consultants, each of the Contractor, the Project Architect and the other Project Consultants and their respective ultimate beneficial owners are independent third parties of the Company and its Connected Persons.

ARTICLE 4 — REASONS FOR AND BENEFITS OF ENTERING INTO THE GUARANTEED MAXIMUM SUM DESIGN AND BUILD AGREEMENT

Limit exposure of financial commitment of investment of building an integrated resort with built up areas of 544,801 sq m

Under the Guaranteed Maximum Sum Design and Build Agreement, the Contractor undertakes together with its sub-contractors to develop and deliver a fully completed and operational Naga 3 within the Contract Period with the Contract Sum of a maximum amount of US$3,515,011,000 inclusive of all relevant Cambodian tax pursuant to the DBA. The Company considers that such structure of the Guaranteed Maximum Sum Design and Build Agreement allows the Company to have a sufficient and easy control of the process, time and financial management of the development of the Naga 3 Project.

Control of completion within specified time frame

The Employer believes that by virtue of the Contract Period has a definite time period from commencement on or before 30 September 2019 to completion on or before 30 September 2025 (and/or any such other extension period that may be mutually agreeable between the Employer and the Contractor), the Company can control a definitive specified time period to build and complete an integrated resort with built-up areas of 544,801 square metres. The Contractor is required to monitor its progress of works by following a Master Construction Programme. The Contractor is required to liaise with the Employer to ascertain the overall work programme and schedule the Works accordingly. The programme of Works submitted by the Contractor shall have sufficient and reasonable details including design activities to the reasonable satisfaction of the Employer and shall include indication of Critical Path. The Employer shall also reserve the right to demand for a revised programme or indication of the Critical Path.

Control of quality under specified Works programme

All materials used in the Works shall comply with the requirements of the latest British Standard issued by the British Standards Institution or the Malaysian Standards issued by the Standards and Industrial Research Institute of Malaysia (SIRIM), and the Contractor or sub-contractors shall produce all necessary certificates to substantiate this fact if so requested by the Project Architect. Materials shall be of the best quality. Where no standards are specified, the materials shall be in accordance with the relevant British Standards. Workmanship generally is to be of the highest standard obtainable and in all cases where either a British Standard Code of Practice or a Malaysian Standard exist and is applicable to any portion of the Works, the Contractor shall allow for complying with the recommended practice of either code unless such procedure would directly conflict with requirements stated elsewhere in these documents.

Confidence of completion with proven long-term trustworthy contractor

The Contractor and its group of companies have the necessary expertise, experiences and the financial resources to undertake the development of the Naga 3 Project and have been enjoying a proven, trustworthy and long-term relationship with the Group since 1994 when the Group started business on the floating barge. Since then, the Contractor and its group of companies have also successfully completed the development and construction of Naga 1, Naga 2 and the NagaCity Walk plus recent upgrade of Naga 1 with competitive pricing, good quality and timely completion. To the best of knowledge of the Group, the Contractor and its group of companies have also gained the trust of some of the Chinese state-owned companies who are operating in Cambodia and who have expressed keen interest to carry out the development of the Naga 3 Project as sub-contractors and can provide competitive and financing terms.

Ensuring and securing the long-term benefits of the casino license of the Company

The Company, through its wholly-owned subsidiary, is licensed to operate casinos in Cambodia for a period of 70 years, expiring in 2065. During this 70-year period, the Group has exclusive rights up to 2035 to operate casinos within a 200-kilometre radius (except the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville) of Phnom Penh, the capital city of Cambodia. The key features of the casino licence include: (i) no restrictions on the number of tables, electronic gaming machines (EGMs) and gaming space; and (ii) no restriction on gaming promoter's commissions and rebates. This allows the Company the flexibility to optimize the design and floor plan of Naga 3 in order to maximize its return on investment based on the Company's assessment of the gaming and non-gaming demand in the region.

The Company's reinvestment into Cambodian economy is an injection of confidence to the investment and tourism sector of the country, boosting confidence and enhancing foreign direct investments into the country thus further enhancing a supportive licensing environment for the Group.

Well positioned to capitalise on a fast-growing Cambodian economy with a favourable macro environment

Following more than two decades of strong economic growth, Cambodia has attained lower middle-income status with gross national income (GNI) per capita reaching US$1,230 in 2017 *(Source: The World Bank)*. Current estimates are for Cambodian GDP to grow by 7.2% between 2017-2022 compared with an average estimated GDP growth of other Southeast Asian markets of 5.0%. Growth is expected to remain robust over the medium term. A major driver of growth in the Cambodian economy is the tourism sector, which contributed US$2.8 billion, or 13%, to the overall GDP of Cambodia in 2017 *(Source: Global Market Advisors, April 2018)*. In 2018, there was an 11% growth in the number of visitors to Cambodia reaching 6.2 million visitors. Visitor arrivals via Phnom Penh International Airport increased by 37% during 2018 to 1.9 million visitors. The highest rate of growth was evident in visitors coming to Cambodia from China, which grew by 67% to over 2 million visitors and accounted for 33% of the total number of visitors to Cambodia in 2018 as compared to 22% in 2017. By 2025 it is expected that at least 5.5 million Chinese visitors will come to Cambodia. Cambodia currently benefits from 879 weekly scheduled in-bound international flights (an increase from 386 such flights in December 2013). Of these flights, 328 flights per week originate from Chinese cities such as Shanghai, Guangzhou and Shenzhen. The Ministry of Tourism of Cambodia estimates that by the end of 2025, Cambodia will receive 12 million annual international arrivals, of which 5.5 million will be arrivals originating from China and 3.9 million will be arrivals at Phnom

Penh International Airport *(Source: The Ministry of Tourism of Cambodia)*. Cambodia is a key country in China's "belt and road" initiative and visits by Chinese tourists to Cambodia increased to 33% of total international in-bound visits to Cambodia in 2018 as compared to 22% in 2017 *(Source: The Ministry of Tourism of Cambodia)*.

The gaming industry in Asia and Cambodia is expected to continue experiencing increasing growth where gross gaming revenue in Asia reached US$44.6 billion in 2017 and is further expected to grow at 16% CAGR to US$59.1 billion by 2020. Growth in Cambodia's gaming industry is expected to accelerate at a faster pace of 36% CAGR from a gross gaming revenue of US$0.9 billion in 2017 to US$2.3 billion by 2020 *(Source: Global Market Advisors, April 2018)*.

The Company believes that it is well-positioned to capture the aforementioned continued tourism and economic growth in Cambodia through the development of the Naga 3 Project.

Investment into the Cambodian economy to continue to generate "win-win" private public solutions

The Cambodian Government is committed to further growth in the tourism sector. One of the Cambodian Government's recent key policy goals relating to tourism, is to further boost the hotel supply in Cambodia. The Cambodian Minister of Tourism (His Excellency Thong Khon) is on record as estimating that Cambodia will require 100,000 extra hotel rooms by 2028, of which 60,000 is required for the luxury high-end segment *(Source: Khmer Times, 6 September 2018)*.

As one of the largest private sector employers and investors in Cambodia, the Company is well-positioned to provide "win-win" solutions to the Cambodian Government. As a result, the Company benefits from certain favourable policies such as, among others, the exclusive casino licence, no restrictions on the number of tables and a low gaming tax environment.

To further develop on this "win-win" solution, the Company intends to address the Cambodian Government's requirement of increasing hotel supply, by leading the private sector in reinvestment through the development of the Naga 3 Project. The Naga 3 Project is intended to add 4,720 hotel bays in total, representing 4.7% of the additional room capacity required by the Ministry of Tourism of Cambodia by 2028. Occupancy rates at NagaWorld have steadily increased since the opening of Naga 2 and stood at 86% by March 2019.

The Company believes that the reinvestment in the Cambodian tourism industry represented by the Naga 3 Project will be advantageous in strengthening the Group's unique licensing position with the Cambodian Government in the period after its current arrangements expire in 2035.

In support of the Naga 3 Project, the Royal Government of Cambodia has already granted approvals in principle for the Naga 3 Project and given the necessary government permits for construction on favourable terms, including the high plot ratio for construction. For further details, please see the section headed "Article 12 — Updated information about the Naga 3 Project" of this Circular.

Enhance the Group's competitive position and existing operations

The Group owns, manages and operates NagaWorld (comprising Naga 1, Naga 2 and NagaCity Walk), the largest integrated gaming and entertainment hotel complex in the Mekong Region in Southeast Asia, which is a one-stop leisure destination for visitors and tourists. Naga 3 will be located adjacent to and connected to the existing NagaWorld, which is located within the developed and centralised zone of Phnom Penh. The Group owns and operates the only casino of significant scale in the Mekong Region and has a long-term right of exclusivity within a 200-kilometre radius around in Phnom Penh (excluding the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville).

The development of the Naga 3 Project allows the Group to capitalise further on its favourable competitive position. Upon completion, Naga 3 is expected to comprise of two 66-storey hotels, two 45-storey hotels, one 48-storey condotel, one three-level basement and one eleven-level multi-entertainment podium. The Company expects that NagaWorld will be the largest riverine integrated resort in the Mekong Region, further enhancing the Company's position as an integrated gaming and entertainment resort powerhouse in Asia. The development of Naga 3 is expected to enhance growth at the existing NagaWorld complex, where the Company has also successfully ramped up Naga 2, its state-of-the-art hotel casino in Cambodia, and consolidated the operational strength of Naga 1, the first integrated hotel-casino in Cambodia, and NagaCity Walk, the first underground shopping centre in Cambodia.

Favourable location of Naga 3

The Company believes that Phnom Penh is a favourable location as a gaming destination, given that its geographic position and network of international flights enable it to service both South East Asian and North Asian (Chinese) markets. In addition, the Company believes that the strong earnings potential of NagaWorld as enhanced by the Naga 3 Project will deliver a favourable return on its investment.

Subject to the governmental approvals, it is expected that Naga 3 shall be connected to the existing NagaWorld, which is located within the developed and centralised zone of Phnom Penh. In particular, the property's strategic location provides patrons with convenient access because it is located approximately 12 kilometres away from the current international airport and will be approximately 24 kilometres away from the new international airport currently under development. Naga 3 is also surrounded by many landmarks including Wat Phnom, Royal Palace, Phnom Penh Independence Monument and places of interest in Phnom Penh, allowing it to be well positioned to capture international tourist arrivals.

The Company has a successful track record having developed Naga 1, the first integrated hotel-casino in Cambodia, NagaCity Walk, the first underground shopping centre in Cambodia, and Naga 2, a state-of-the-art hotel-casino in Cambodia. NagaWorld is strategically located in the capital city of Cambodia, Phnom Penh, which is centrally located in the midst of Asia, and it is the only casino located in Phnom Penh. The development of the Naga 3 Project allows the Group to capitalise further on its favourable competitive position created by the gaming licence held by the Group on an exclusive basis until 2035. Upon completion of the Naga 3 Project, the NagaWorld Complex are expected to comprise the largest riverine integrated resort in the world, further enhancing the Company's position as an integrated gaming and entertainment resort powerhouse in Asia.

Contribution to operational success and earnings growth

The Company believes in the long-term growth prospects of Naga 3 and the continuous operational success of the existing NagaWorld. It is worth noting that, between 2013 and 2018, as tourism in Cambodia grew significantly with an increasing number of visitations (particularly from Chinese visitors) and also an increased number of direct flights into Phnom Penh, NagaWorld was able to achieve a high EBITDA CAGR of 24.4%. The Company expects that it can build on the growth momentum in the revenues and cashflows of NagaWorld, through the development of Naga 3, by virtue of its exclusive gaming licence, win-win solutions, strong competitive position and favourable location, among other strengths. Naga 3 will greatly increase the gaming and non-gaming capacity of NagaWorld as a whole; NagaWorld has no restriction as to supply of gaming tables and gaming machines and is in a position to add up to 800 gaming tables (mass and VIP), 2,500 electronic gaming machines (EGMs), in addition to the already planned 4,720 hotel bays and eleven-storey multi-entertainment podium (including casinos, restaurant and KTV, an indoor Hi Tech Digital theme park, spa and MICE facilities). With the favourable market backdrop and our exclusive gaming licence, the expected growth in revenue and cashflow will also enable the Company to consistently deliver stable and growing dividends to its shareholders.

Financial Effects of the Guaranteed Maximum Sum Design and Build Agreement

(a) **Effect on Assets, Liabilities and Net Assets**

As disclosed in the annual report of the Company for the year ended 31 December 2018, the Group had a total assets of US$1,967 million and the liabilities of the Group was US$427 million. The Naga 3 Project is funded through equity by the Company and the Controlling Shareholder. As such, the Company expects no impact on the liabilities of the Group.

The total assets of the Company are expected to increase up to the Contract Sum of US$3,515 million upon the completion of the DBA and the Subscription Agreement. In the event of Costs Overrun, the Controlling Shareholder shall be responsible to pay all the Costs Overrun and in such event, it is expected that the total assets shall increase proportionally by the amount of increase of injection of cash by the Controlling Shareholder. In the event of Costs Underrun, the expected total assets are expected to dip the same amount as the amount of costs savings achieved below the US$3,515 million mark. The costs savings are towards the benefits of the Company; the amount of costs savings are equivalent to the amount of reduction of the Company's Contributions towards development and completion of the Naga 3 Project.

The Company expects that the net assets of the Company will be increased by approximately US$1,758 million on the completion of the DBA and the Subscription Agreement.

(b) **Effect on Earnings**

Upon completion of the Naga 3 Project, the Directors expect that Naga 3 will have material impact on the earnings of the Group. The Company believes in the long-term growth prospects of Naga 3 and the continuous operational success of the existing NagaWorld. It is worth noting that, between 2013 and 2018, as tourism in Cambodia grew significantly with an increasing number of visitations (particularly from Chinese visitors) and also an increased number of direct flights into Phnom Penh, NagaWorld was able to achieve a high EBITDA CAGR of 24.4%. The Company expects that it can build on the growth momentum in the revenues and cashflows of NagaWorld, through the development of Naga 3, by virtue of its exclusive gaming licence, win-win solutions, strong competitive position and favourable location, among other strengths. Naga 3 will greatly increase the gaming and non-gaming capacity of NagaWorld as a whole; NagaWorld has no restriction as to supply of gaming tables and gaming machines and is in a position to add up to 800 gaming tables (mass and VIP), 2,500 electronic gaming machines (EGMs), in addition to the already planned 4,720 hotel bays and eleven-storey multi-entertainment podium (including casinos, restaurant and KTV, an indoor Hi Tech Digital theme park, spa and MICE facilities). With the favourable market backdrop and our exclusive gaming licence, the expected growth in revenue and cashflow will also enable the Company to consistently deliver stable and growing dividends to its shareholders.

The Directors are satisfied that (i) the terms and conditions of the Guaranteed Maximum Sum Design and Build Agreement have been negotiated on an arm's length basis and are on normal commercial terms; (ii) the transaction(s) contemplated under the Guaranteed Maximum Sum Design and Build Agreement will be conducted in the ordinary and usual course of business of the Company; and (iii) the terms of such transaction(s) are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

ARTICLE 5 — INFORMATION ABOUT THE PARTIES IN RESPECT OF THE GUARANTEED MAXIMUM SUM DESIGN AND BUILD AGREEMENT

Information about the Employer

The Employer is a private limited company incorporated in Cambodia and wholly and beneficially owned by the Company.

The Company is an investment holding company incorporated in Cayman Islands with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange. The Group is principally engaged in the hospitality business and is the largest hotel, gaming and leisure operator in Cambodia.

The Company, through its wholly-owned subsidiary, is licensed to operate casinos in Cambodia for a period of 70 years, expiring in 2065. During this 70-year period, the Group has exclusive rights up to 2035 to operate casinos within a 200-kilometre radius (except the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville) of Phnom Penh, the capital city of Cambodia, the unique position of which has helped the Group to attain steady growth and to deliver impressive and consistently increasing financial performance. For the year ended 31 December 2018, the Group recorded Gross Gaming Revenue of US$1.4 billion, EBITDA of US$512 million and Net Profit of

US$391 million. The Group's EBITDA grew at a CAGR of 24.4% for the period 2013 to 2018 and for the 3 months ended 31 March 2019, the Group reported a 32% increase in Gross Gaming Revenue. Some of the key features of the casino licence are: no restrictions on the number of tables, electronic gaming machines (EGMs), gaming space, gaming promoter commissions and rebates, each of which allows the Company the flexibility to optimise its operations over time. The Company has a successful track record having developed Naga 1, the first integrated hotel-casino in Cambodia, NagaCity Walk, the first underground shopping centre in Cambodia, and Naga 2, a state-of-the-art hotel-casino in Cambodia. NagaWorld is strategically located in the capital city of Cambodia, Phnom Penh, which is centrally located in the midst of Asia, and it is the only casino located in Phnom Penh. The development of the Naga 3 Project allows the Group to capitalise further on its favourable competitive position created by the gaming license held by the Group on an exclusive basis until 2035. Upon completion of the Naga 3 Project, Naga 1, Naga 2 and Naga 3 are expected to be the largest riverine integrated resort in the world, further enhancing the Company's position as an integrated gaming and entertainment resort powerhouse in Asia.

Information about the Contractor

The Contractor is a company incorporated under the laws of the Kingdom of Cambodia principally engaged in the construction business as a main contractor. The Contractor and its group of companies have the necessary expertise, experiences and the financial resources to undertake the development of the Naga 3 Project. The Contractor has a proven track record and has a trustworthy and long-term relationship with the Group since 1994 when the Group started business on the floating barge. Since then, the Contractor and its group of companies have also successfully completed the developments and construction of Naga 1, Naga 2 and the NagaCity Walk plus recent upgrade of Naga 1 with competitive pricing, good quality and timely completion. In addition to the Contractor's undertakings, to the best of knowledge of the Group, the Contractor and its group of companies may also appoint Selected Sub-Contractors to complete the Works as the Contractor has gained the trust of some selected Chinese state-owned companies who are operating in Cambodia and who have expressed keen interest to carry out the development of the Naga 3 Project as sub-contractors and can provide competitive terms.

To the Directors' best knowledge, information and belief, having made all reasonable enquiries, including taking into account the letter of declaration dated 12 April 2019 issued by the Contractor, the Contractor, its group companies and its ultimate beneficial owner are independent third parties of the Company and its Connected Persons and up to the date of this Circular, the Contractor has not entered into any business contractual agreements with the Controlling Shareholder (other than carrying the construction works for the Company).

ARTICLE 6 — LISTING RULES IMPLICATIONS IN RESPECT OF THE GUARANTEED MAXIMUM SUM DESIGN AND BUILD AGREEMENT

In response to the Stock Exchange's enquiries and after further discussions with the Stock Exchange, the Board clarified in an announcement dated 24 April 2019 that since the Guaranteed

Maximum Sum Design and Build Agreement is a single contract and is in substance an acquisition of assets, the transaction(s) contemplated under the Guaranteed Maximum Sum Design and Build Agreement constitutes a very substantial acquisition of the Company under Rule 14.06(5) of the Listing Rules.

As one of the Applicable Percentage Ratios in respect of the transaction(s) contemplated under the Guaranteed Maximum Sum Design and Build Agreement is more than 100%, such transaction(s) constitutes a very substantial acquisition of the Company under Rule 14.06(5) of the Listing Rules. Accordingly, the Guaranteed Maximum Sum Design and Build Agreement and the transaction(s) contemplated thereunder are also subject to the Shareholders' approval at the EGM under Chapter 14 of the Listing Rules.

Since certain terms of the Subscription Agreement and the Guaranteed Maximum Sum Design and Build Agreement are linked with each other, the Board is of the view that the Guaranteed Maximum Sum Design and Build Agreement is conditional on the Independent Shareholders' approval of the Subscription Agreement. If the Subscription Agreement is voted down by the Independent Shareholders or cannot proceed due to any action whatsoever, the Board considers the Guaranteed Maximum Sum Design and Build Agreement shall not be proceeded.

To the best of knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the Guaranteed Maximum Sum Design and Build Agreement. But for good corporate governance purpose, the Controlling Shareholder and his associates elect to abstain from voting on the resolution approving the Guaranteed Maximum Sum Design and Build Agreement at the EGM.

Based on the assumptions as set out in the section headed "Funding of the Contract Sum" of this Circular, where the Company believes that it can achieve an aggregate net cash flow after dividend payout of the Company for each of the seven years ending 31 December 2025 shall be at US$1,842 million, the Company is confident that it is able to fund 50% of the Contract Sum by way of internally generated funds. In the past years, the Company's policy is to adhere to low debt to EBITDA ratio and hence has space to consider fundraising for other business opportunities. The Company believes that any fundraising is either for other business needs or for working capital limited to the purpose of bridging and filling in any potential gaps of the total financing requirements to develop and complete the Naga 3 Project, and not for the need of pursuing any other financing alternatives in so far as the Company can achieve a reasonable growth rate of 10% per annum against Cambodia's favourable GDP growth rate of 6-6.8% and tourism growth of receiving 5.5 million Chinese visitation by 2025.

ARTICLE 7 — FUNDING OPTIONS EVALUATED BY CREDIT SUISSE AND MORGAN STANLEY

The Company has already appointed Credit Suisse and Morgan Stanley as the Financial Advisers of the Company to explore and evaluate the funding options in connection with the development of the Naga 3 Project.

The Company has considered funding the Contract Sum by way of internally generated funds. However, having considered the need to (i) minimise uncertainty on project development funding, (ii) maximise cash reserves while maintaining the Company's level of dividend payout and (iii) share the development risk between the Group and the Controlling Shareholder, the Company has taken the view that only 50% of the funding for the Naga 3 Project should be funded from internally generated funds.

The Company also considered, among other options, issuing additional high-yield bonds or project-based financing, the raising of new equity through a placement or rights offering, or the issuance of convertible securities to fund part of the cost of the Naga 3 Project, currently estimated at around US$1.76 billion. A summary of the principal conclusions from the Company's review of external financing options, after consulting with the Financial Advisers, are provided below:

(a) The Company is of the view that the issuance of debt or project-based financing creates significant additional leverage for the Group, increases its default risk and negatively impacts the Company's credit rating. The size of the financing gap would be by far the largest financing conducted for a Cambodian-based issuer (with the Company's current US$300 million bond, the largest debt issuance by any Cambodia-based issuer) and there is significant likelihood that the total quantum of funding required would not be available to the Group. Moreover, the ability to obtain such debt financing(s) would be subject to market conditions and circumstances at the time the funds are raised, creating execution risks for the Naga 3 Project. Even assuming such financing were available, the Company would be saddled with relatively high cash interest costs before the Naga 3 Project was operational, significantly impacting the near term cashflow and the credit ratings of the Company.

(b) The Company believes that the issuance of new equity, whether through a placement or a rights offering, would have significant and immediate dilutive impact on the Shareholders. The raising of approximately US$1.76 billion would represent the issuance of approximately 1,472,453,588 Shares, or 33.9% of the Company's shares outstanding prior to such issuance, based on the Last Traded Price (i.e. HK$9.31). Moreover, based on precedent primary offerings in Hong Kong, there would expect to be an approximately 10-20% discount to recent trading price for any such issuance, were it even feasible given the large offering size and market conditions. The Company also considered a rights issue, but believes that the Shareholders who purchase the Company's share to obtain a steady dividend would not find such capital raising exercise attractive, and be faced with the unattractive prospect of a large dilution if they do not elect to subscribe for Shares from the rights issue. The Company also considered that a rights issue will result in either additional financial burden to the minority Shareholders to participate in the rights issue, or further dilution to the minority Shareholders in the event that they elect not to participate in the rights issue. In addition, the Shares to be issued under the rights issue will be at a discount to the current share price of the Company.

(c) The Company believes that convertible financing instruments, such as convertible notes, would inherit both sets of issues applicable to the raising debt and issuing equity (i.e. leverage and default risk, as well as dilution). There are some benefits to the Company to be expected from a conversion premium, which would reduce the level of dilution, and a lower cash interest rate, but these merely partially mitigate some of the issues with either debt or new equity.

The Company further believes that the current proposed funding from the Controlling Shareholder (1) has no maturity date and is not repayable or redeemable in cash, (2) ranks below all other debt of the Company, and (3) only contingent upon the completion of the Naga 3 Project.

On the above basis, the current proposed funding is not at all comparable to typical convertible bonds which provide investors with (i) the right to be repaid their principal in full and rank with the same priority as other debt and ahead of equity, (ii) charge cash interest during the period they are outstanding, and (iii) provide investor with an option to convert into equity. The current proposed funding is effectively a deferred and contingent share issuance at an agreed price with cash funding to be funded by the Controlling Shareholder ahead of any share issuance (which would only occur upon completion).

As a result, the example of an equity placement with common shares, not via the issuance of a convertible bond, is the most appropriate comparison. As outlined on page 42 of this Circular, paragraph (b), precedent primary equity offerings in Hong Kong are typically executed at a 10-20% discount to recent trading price.

In summary, the current funding arrangement is significantly better than funding via a convertible bond given (i) a convertible bond will constitute a financial liability for shareholders that ranks ahead of common equity, (ii) will have an associated cash interest expense, (iii) existing Shareholders will likely be diluted prior to completion of the Naga 3 Project regardless of the successful completion of the Project, assuming prevailing Company's share price is higher than the conversion price, and (iv) if, however, the prevailing Company's share price is lower than the conversion price, the Company will be required to repay the full principal amount which may cause financial burden during development of the Naga 3 Project.

(d) In each of the above cases other than project-based financing, it is unlikely (or even desirable) that the Company could obtain all such financing in a single transaction, and therefore there would remain a level of funding risk associated with the Naga 3 Project.

(e) Finally, in all the cases above, all project and development risk, including completion risk, construction risk, the risk of delay or cost overruns would be entirely borne by the Group, which significantly changes the risk profile of the Group relative to its current operations.

Below are illustrative examples of the debt related financing alternatives, whereby the debt financing is sourced externally. The assumptions on funding cost used in the illustrative examples below takes into consideration, i) the Company's proposed loan or bond issuance amount of US$1.76 billion, ii) current ratings by Moody's of B1 and ratings by S&P of B+, iii) pro forma leverage ratios, and iv) overall credit market conditions, amongst other factors.

If the Company were to obtain project-based financing with some forms of corporate guarantees, based on the foregoing considerations, the Company estimates that the annual funding cost will be in the range of 7-8%. Assuming 7-8% funding cost on the total principal outstanding amount of US$1.76 billion, the annual cash interest cost outlay for the Company will be approximately US$123-141 million plus upfront transactional related expenses. Although the drawdown of such loan financing will be gradual over the project construction period, it is expected that the cash interest cost outlay will still significantly impact the cashflow of the Company and its dividend paying ability. In addition, such amount of additional leverage may also impact the credit ratings of the Company, which may result in higher interest cost.

If the Company were to obtain an unsecured bond financing, based on the foregoing considerations, the Company estimates that it will require a yield of 8-9% for a 5-year bond financing. The annual cash interest cost outlay for the Company will be approximately US$141-158 million plus upfront transactional related expenses. The completion of such bond financing is uncertain and it will also result in the Company's leverage level to be significantly higher than its current level, which may impact credit ratings.

If the Company were to issue a convertible bond, based on the foregoing considerations, the Company estimates that it will require a cash coupon of 3-4% for a 5-year convertible bond (with investors' put at 3 year). The annual cash interest cost outlay for the Company will be approximately US$53-70 million plus upfront transactional related expenses. In addition, a convertible bond to external investors will likely result in dilution to the existing Shareholders prior to completion of the Naga 3 Project although the dilution will happen at a premium to current share price.

All of the above debt-related financing are subject to 1) credit market conditions; 2) uncertainty in respect of achieving the quantum of funding required and likelihood of the need to raise such funding in phases; and 3) refinancing risks at the time of maturity. In addition, it will inevitably result in the Company's leverage level being significantly higher than its current level, which creates unnecessary financial risks during the construction period as well as the initial opening period of the Naga 3 Project.

If the Company were to issue equity via an equity placement, it is highly unlikely that the total funding required can be achieved in one capital raising exercise given the size of the funding and taking into account of its current daily trading volume, and such multiple phases of equity capital raising will create an unnecessary overhang in the share price. In addition, a larger-sized equity share placement would typically require a higher level of discount to current market price, which will result in higher level of dilution to existing Shareholders.

The Company considered various alternatives for external financing for the Naga 3 Project, which management evaluated based on consistency with the following objectives:

(a) to maintain a prudent capital structure with limited additional leverage and minimal financial impact;

(b) to minimise the overall funding costs to the Group through obtaining the lowest cost of financing;

(c) to minimise uncertainty on project development funding;

(d) to maximise cash reserves of the Group;

(e) to minimise dilution to existing Shareholders; and

(f) to spread the development risk between the Group and the Controlling Shareholder.

ARTICLE 8 — REASONS FOR AND BENEFITS OF FUNDING BY THE CONTROLLING SHAREHOLDER

Given the limitations from external financing, development risk and based on the advice given by the Financial Advisers and in the best interest of minority Shareholders, the Company decided to approach and discuss with the Controlling Shareholder on the various method of financing as external capital funding will have its deficiencies.

The total estimated capital expenditure of US$3,515,011,000 for the Naga 3 Project represents a major commitment of financial resources for the Group. The Group's current free cash flow and earnings (US$512 million EBITDA and net income of US$391 million for the 12 months ended 31 December 2018) are insufficient to fund the Naga 3 Project entirely from internally generated cash flow. This can be illustrated by the Company's assumption of 10% annual revenue growth. As per the Illustrative 2019-2025 Cashflow Table set out in the section headed "Funding of the Contract Sum" of this Circular, the Company believes that it can maintain an aggregate net cashflow after dividend payout of the Company at the current rate for each of the seven years ending 31 December 2025 will only be at US$1,842 million. In doing so, the Company's ability to pay out dividends shall be impacted.

With the advices from the Company's Financial Advisers and the consent from the Controlling Shareholder, the Company believes that the most efficient method of funding for the development of Naga 3 is 50% funding to be provided by the Controlling Shareholder with the remaining balance to be funded from the Company's internally generated free cash flow.

The date of issuance of the Settlement Shares or the Adjusted Settlement Shares (whichever is relevant) (subject to any relevant statutory approval) shall coincide with the Completion of the

Guaranteed Maximum Sum Design and Build Agreement which falls on or before 30 September 2025 or such other extension period as may be mutually agreeable between the Employer and the Contractor. The issuance of the Settlement Shares or the Adjusted Settlement Shares (whichever is relevant) will be in one-lot.

The Company believes that the proposed funding from the Controlling Shareholder reflects, on the whole, terms that are better than it could obtain externally for the following reasons:

(a) **Certainty:** it significantly enhances certainty in terms of source of funding for the Naga 3 Project given the development nature and uncertainties associated with project development;

(b) **Zero interest on cash advances provided by the Controlling Shareholder:** The Company will incur zero interest/funding cost during the project construction period. The Company owns 100% effective ownership of the Naga 3 Project, while carrying only 50% of the associated project development and funding risk. Upon completion of the Naga 3 Project, the entire NagaWorld facilities (to be the largest riverine integrated resort in the world) is expected to enhance the competitiveness of the Company as one of the Asian gaming powerhouses;

(c) **Manageable funding risks:** The Company will benefit by way of owning 100% of a completed Naga 3 at 50% of development risk at nil funding costs;

(d) **Controlling Shareholder bears costs overrun:** In the event that the development costs exceed US$3,515,011,000, the Controlling Shareholder will bear and pay all Costs Overrun; The Guaranteed Maximum Sum Design and Build Agreement only mitigates the risk of cost overruns by the Contractor based on and subject to its terms, however, (i) there would be situations beyond the control of the Contractor where the liability would continue to accrue to the Company and (ii) it does not mitigate against a default by the relevant Contractor, which would be borne by the Company. As the Controlling Shareholder is funding 50% of the cost of the Naga 3 Project and also responsible for cost overruns on the remaining 50% of such cost, the Controlling Shareholder is effectively bearing all the associated risks relating to the Naga 3 Project;

(e) **Costs Underrun:** Where the Total Development Costs are below US$3,515,011,000; Costs Underrun are costs savings arising from when the Employer and the Project Architect giving an Instruction for any other changes of the Specifications and/or the Works (including labour, materials and equipment) which have not been expressly laid down in Third Schedule and Sixth Schedule of the DBA; the savings arising from these changes shall go towards the benefits and account of the Issuer and not the Controlling Shareholder. In such circumstances, the amount of savings shall be equivalent to the lesser amount of payments to be made by the Company towards the development of the Naga 3 Project;

(f) **Minimal financial impact to Minority Shareholders:** There is minimal financial impact to the minority shareholders of the Company during the construction period as the Settlement Shares or Adjusted Settlement Shares (whichever is relevant) are only issued on

Completion of the Subscription Agreement. Minority shareholders of the Company will continue to benefit from the Company's financial flexibility to maintain current dividend payout and growth trajectory, while able to enjoy the potential incremental earnings from the Naga 3 Project upon completion and ramp up. The Company expects incremental earnings from the Naga 3 Project will be able to mitigate any dilutive effect that will arise post Naga 3 completion;

(g) **Substantial incremental earnings to offset dilutive effect of new Share issuance:** The Settlement Shares of the Company will be issued only upon hand over of a fully completed and operational Naga 3 Project. The existing combined NagaWorld and Naga 2 property generated EBITDA of US$512 million for the year ended 31 December 2018. The Naga 3 Project is at least twice bigger and with various gaming and non-gaming products and services offerings, the Company expects incremental earnings and cash flow from Naga 3 Project will be able to mitigate any potential dilutive effect that will arise from the issuance of new shares. The Company is confident that the addition of Naga 3 Project will be earnings accretive in mid to long run;

(h) **Dividend payout:** Subject to the growth prospects illustrated in the Illustrative 2019-2025 Cashflow Table and the assumptions contained therein, the Company intends to declare a dividend payout ratio at around the numbers as declared by the Company in the past years of operation;

(i) **Opportunities to seize and develop new businesses because of minimal finance cost:** Given the Company does not need to pay any interest expense to the Controlling Shareholder, the Company expects that barring unforeseen circumstance (i) the current strong cash flows of the Company may be sustained, and (ii) given prudent, careful and well-planned balance sheet management by maintaining low debt to EBITDA ratio which is reflected in the current financial position, the Company still reserves the feasibility to embark on more business ventures and where necessary arrange for external financing options to seize and develop the opportunities available.

(j) **The Controlling Shareholder's commitment:** It reflects the Controlling Shareholder's strong commitment and confidence towards the successful and timely completion of the Naga 3 Project, and the prospects of the Company thereafter. Furthermore, the issue price of the Settlement Shares of HK$12.00 which represents a premium of approximately 36.0% over 240 trading days of VWAP of HK$8.83 and 29% over the Last Traded Price of HK$9.31, reflects the Controlling Shareholder's confidence in the Group's value growth.

(k) **Minority Shareholders' financial interests not impaired during the construction period:** The Directors are of the view that a prolonged settlement period is fair and reasonable because of following reasons:

i. The Settlement Shares or the Adjusted Settlement Shares (whichever is relevant) are only issued on the Completion of the Subscription Agreement, there would be minimal financial impact to the minority Shareholders.

ii. The Company believes that all minority Shareholders will continue to benefit from the Company's ability to maintain the current growth trajectory irrespective of the length of the tenure of development. Based on the International Monetary Fund's World Economic Report (April 2019), Cambodia's GDP will grow at least for the next 6 years at a rate of 6 to 6.8% per annum and the Cambodia's tourism will grow to 12 million visitation (5.5 million of Chinese visitation) till year 2025.

iii. Minority Shareholders will continue to enjoy the impact of the benefits of declaration of dividends in so far there is growth, irrespective of construction period of Naga 3.

iv. The Company still maintains a conservative gaming policy of growth of maintaining a prudent, well planned and careful balance sheet, hence maintaining a low debt to EBITDA ratio and retaining the flexibility to embark on more business ventures and where necessary arrange for external financing options to seize and develop the opportunities available.

v. The Company enjoys nil interest costs for the funding provided by the Controlling Shareholder and hence no burden of financing during the tenure of any prolonged construction period of Naga 3.

vi. Meanwhile the minority Shareholders just have to wait for the completion of the Naga 3 Project to enjoy the incremental earnings which are at least 2 times of the size of Naga 1 and Naga 2 combined together given the dilution impact only occurs upon issuance of the Settlement Shares or the Adjusted Settlement Shares (whichever is relevant) which will take place upon the completion of the Naga 3 Project.

Assuming that the external funding options described in paragraphs (a), (b) and (c) under the section headed "Article 7 — Funding Options Evaluated by Credit Suisse and Morgan Stanley" on pages 41 to 45 of this Circular will take place, such funding options will be raised in several tranches across the construction period of the Naga 3 Project in order to match the Progress Payment instalments due to the Contractor. As these funds are raised in several tranches, the Company will incur additional finance costs or the minority Shareholders will be diluted, or any less desirable combinations thereof.

Given the dilution impact only occurring upon issuance of the Settlement Shares or the Adjusted Settlement Shares (whichever is relevant) around the end of completion of the Naga 3 Project and given potential incremental earnings shall be generated from a fully completed and a fully operational Naga 3 Project, the Directors are of the view that a prolonged settlement period is fair and reasonable, as there is no little or nil impact to the financial position of the minority Shareholders during the construction period of Naga 3 compared to a situation when external funding is sourced and costs are incurred to the relative detriment of the Company.

ARTICLE 9 — KEY POINTS OF THE SUBSCRIPTION AGREEMENT

On 14 April 2019, the Company as the Issuer entered into the Subscription Agreement with a special purpose vehicle called ChenLipKeong Fund Limited as the Subscriber.

Amongst other things, the Settlement Shares are issued under a specific mandate to be approved by an ordinary resolution by the Independent Shareholders at the EGM.

With the exception of the independent non-executive Directors who will give their opinion on the terms of the Subscription Agreement after reviewing the advice from the Independent Financial Adviser and the Controlling Shareholder and Mr. Chen Yiy Fon (who is a son and an associate of the Controlling Shareholder), other Directors consider that the price of the Settlement Share of HK$12.00 per Share and the terms of the Subscription Agreement are fair and reasonable and is in the interests of the Company and the Shareholders as a whole. The Controlling Shareholder and his son Mr. Chen Yiy Fon have abstained from voting on the resolutions of the Board in respect of the Subscription Agreement.

The principal terms of the Subscription Agreement are summarized below:

The Subscription Agreement

Date

14 April 2019

Parties

Issuer	The Company
Subscriber	ChenLipKeong Fund Limited (a special purpose vehicle wholly owned by the Controlling Shareholder. The Controlling Shareholder is also the Chief Executive Officer and an executive Director of the Company and the founder of the Group. ChenLipKeong Fund Limited is hence a Connected Person of the Company under the Listing Rules.)

Conditions Precedent

The Subscriber's obligation to subscribe for the Settlement Shares or Adjusted Settlement Shares (whichever is relevant) shall be conditional upon the fulfilment or waiver of, among other things, the following conditions precedent:

(a) as per the terms of the Subscription Agreement prior to the Issue Date, (i) the representations and warranties of the Company being true, accurate and correct in all respects and not misleading in any respect at, and as if made on, such date; and (ii) the Company having performed all of its obligations under the Subscription Agreement;

(b) the Shares remaining listed and traded on the Stock Exchange at all times prior to and on the Issue Date;

(c) on or prior to the Subscription Payment, the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Settlement Shares or the Adjusted Settlement Shares (whichever is relevant); and

(d) the Company having obtained resolutions of its Independent Shareholders at the EGM approving (i) the Subscription Agreement and the transaction(s) contemplated thereunder; and (ii) the specific mandate for the allotment and issue of the Settlement Shares or the Adjusted Settlement Shares (whichever is relevant).

The Company intends to waive condition (c) above as it understands the listing approval will be given at the time when (i) the actual number of Settlement Shares (or Adjusted Settlement Shares) to be issued can be ascertained and (ii) all the conditions precedent to the issue of those shares are met.

The obligations of the Issuer to issue the Settlement Shares or the Adjusted Settlement Shares (whichever is relevant) are conditional upon the fulfilment or waiver of the following conditions:

(a) on the Issue Date, (i) the representations and warranties of the Subscriber in the transaction documents being true, accurate and correct in all respects and not misleading in any respect at, and as if made on, such date; and (ii) the Subscriber having performed all of its obligations under the transaction documents to be performed on or before such date; and

(b) the receipts or evidence of receipts by the Issuer of payment of the Subscription Sum paid by the Subscriber.

As at the Latest Practicable Date, none of the above conditions precedent has been met or waived as it has not come to the first date of payment of the Subscription Sum or the Issue Date.

Some Salient Subscription Terms

Subject to the satisfaction of certain conditions precedent, the Subscriber shall pay the Funding in stages as notified to the Subscriber by the Company, in the following manner:

(a) The Term of the Subscription Agreement commences from 14 April 2019 till the date of completion of the Guaranteed Maximum Sum Design and Build Agreement on or before 30 September 2025 and / or such other extension date that may be mutually agreeable between the Employer and the Contractor;

(b) Timing of payment of each Subscription Payment by the Controlling Shareholder shall be decided by each Progress Payment claimed by the Contractor and after independent certification by Project Architect;

(c) The Issuer shall, on receipt of a duly executed certificate of a Progress Payment, give not less than 15 Business Days' notice to the Subscriber thereof (each a "**Subscription Notice**") specifying the amount of Subscription Payment;

(d) Having been notified by the Company via the Subscription Notice, the Subscriber shall pay each Subscription Payment on a progressive basis to the Contractor and each payment shall be acknowledged by the Contractor and notified to the Company as response to the Subscription Notice as evidence of each particular aspect of Works completed in accordance with the terms of the Guaranteed Maximum Sum Design and Build Agreement;

(e) The periodic Subscription Payments made by the Subscriber and the Company's contribution of capital towards the financing of the Naga 3 Project shall be reported on a half yearly basis in the interim and annual reports after confirmation by the External Auditor;

(f) In the event of Costs Overrun, the Controlling Shareholder shall be responsible to pay all the Costs Overrun subject to no Settlement Shares shall be issued for this amount of Costs Overrun paid by the Controlling Shareholder;

(g) In the event of Costs Underrun where the Total Development Costs are below US$3,515,011,000 and these costs savings arise from when the Employer and the Project Architect giving an Instruction for any other changes of Specifications and/or the Works (including labour, materials and equipment) which have not been expressly laid down in Third Schedule and Sixth Schedule of the DBA; the savings arising from these changes shall go towards the benefits and account of the Issuer and not the Controlling Shareholder. In such circumstances, the amount of savings shall be equivalent to the lesser amount of payments to be made by the Company towards the development of the Naga 3 Project; and

(h) If the issue of the Settlement Shares upon the Completion of the Subscription Agreement would result in the Company failing to meet its obligation under the Listing Rules to maintain the minimum public float or such other lower percentage permitted by the Stock Exchange at its discretion, then the Company shall notify the Subscriber, the issue of the excess shares to the Subscriber shall be delayed until such time as their issue would not result in the Company failing to maintain such percentage or the Subscriber shall give instructions to the Company to issue and allot any excess shares to a person or persons that are not connected parties of the Subscriber. Failure to designate such person or persons on or prior to the Issue Date will result in the excess shares not being issued or allotted until such time as such designation is actually made.

Subject to the requirement to maintain the minimum public float, the Company expects the Settlement Shares or the Adjusted Settlement Shares (whichever is relevant) will be issued by one-lot. Upon the fulfilment or waiver of the relevant conditions precedent, on the Issue Date, the Issuer shall:

(a) allot and issue the Settlement Shares or the Adjusted Settlement Shares (whichever is relevant) to the Subscriber (or such other person as the Subscriber may direct);

(b) deliver the Subscriber a duly executed share certificate showing the Subscriber (or such other person as the Subscriber may direct) as the holder of the Settlement Shares or the Adjusted Settlement Shares (whichever is relevant);

(c) procure the entry in the register of members of the Company showing the Subscriber (or such other person as the Subscriber may direct) as the holder of the Settlement Shares or the Adjusted Settlement Shares (whichever is relevant).

Delivery of the executed share certificate and completion of the register of members of the Company shall constitute the issue and delivery of the Settlement Shares or the Adjusted Settlement Shares (whichever is relevant) issued on the Issue Date.

Adjustment of the Settlement Shares

The number of the Settlement Shares of 1,142,378,575 shall be adjusted in the following situations:

(a) **Reduction of the number of the Settlement Shares**

In situations of Project Resize where the Issuer issued Instruction to the Contractor for whatsoever reasons to vary the Total Built-Up Areas of the development of Naga 3 at below 544,801 square metres, the number of the Adjusted Settlement Shares shall be equal to:

50% (C x B) / A

Where:

A = reference price being HK$12.00 per Share, as set out in the Subscription Agreement
B = US$/HK$ exchange rate (being US$1.0 to HK$7.80)
C = final Contract Sum (as a result of the decrease of Total Built-Up Areas)

(b) **No change of number of the Settlement Shares**

For clarity, in situations where savings arising from when the Employer and the Project Architect give Instruction for any other changes of the Specifications and/or the Works (including the supply of labour, materials and equipment) which have not been expressly laid down in Third Schedule and Sixth Schedule of the DBA, the savings arising from these changes shall go towards the benefits and account of the Issuer and not the Controlling Shareholder. In such circumstances, the amount of savings shall be equivalent to the lesser amount of payments to be made by the Company towards the development of the Naga 3 Project. For illustration purpose, in respect of the savings resulting from this situation and assuming final development of Naga 3 is US$3 billion, the savings of US$515,011,000 shall be divided between the Controlling Shareholder having to pay US$1,757,505,500 and the balance of US$1,242,294,500 to be paid by the Issuer; in such circumstances, the Settlements Shares shall remain constant. In the event of the Costs Overrun, the Controlling Shareholder has to bear all costs above the maximum Contract Sum of US$3,515,011,000, the number of the Settlement Shares of 1,142,378,575 will remain the same and amount of cash injection is US$1,757,505,500 plus amount of costs overrun.

(c) **Capital Restructuring**

The Settlement Shares will be issued at HK$12.00 per Share and the total Settlement Shares issue shall be 1,142,378,575 as per the terms in the Subscription Agreement. In the event of the following Capital Restructuring with respect to the share capital of the Company, the issue price per Settlement Share will be adjusted, consistent with market practice, for the dilutive effects of such events:

(A) ***Consolidation, subdivision, redenomination or reclassification of Shares***

If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation, subdivision, re-denomination or re-classification, which alters the number of Shares in issue, the issue price per Settlement Share shall be adjusted by multiplying the issue price per Settlement Share in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

Where:

A is the nominal value of one Share immediately after such alteration; and

B is the nominal value of one Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

(B) ***Capitalisation of profits or reserves***

(i) If and whenever the Issuer shall issue any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including shares paid up out of distributable profits or reserves and/or share premium account (except any Scrip Dividend)) and which would not have constituted a Capital Distribution, the issue price per Settlement Share shall be adjusted by multiplying the issue price per Settlement Share in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

Where:

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

(ii) In the case of an issue of Shares by way of a Scrip Dividend where the aggregate value of such Shares issued by way of Scrip Dividend as determined by reference to the then current market price per Share on the date of announcement of the terms of the issue of such Shares exceeds the amount of the Relevant Cash Dividend or the relevant part thereof and which would not have constituted a Capital Distribution, the issue price per Settlement Share shall be adjusted by multiplying the issue price per Settlement Share in force immediately before the issue of such Shares by the following fraction:

$$\frac{A+B}{B+C}$$

Where:

A is the aggregate nominal amount of the issued Shares immediately before such issue;

B is the aggregate nominal amount of Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the Relevant Cash Dividend for which Shareholders have elected to receive as Shares issued by way of Scrip Dividend, and (ii) the denominator is the aggregate value of such Shares issued by way of Scrip Dividend as determined by reference to the then current market price per Share; and

C is the aggregate nominal amount of Shares issued by way of such Scrip Dividend.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

(C) ***Capital distributions***

(i) If and whenever the Issuer shall pay or make any Capital Distribution to the Shareholders (except to the extent that the issue price per Settlement Share falls to be adjusted under the paragraph of "(B) Capitalisation of profits or reserves" in this section), the issue price per Settlement Share shall be adjusted by multiplying the issue price per Settlement Share in force immediately before such Capital Distribution by the following fraction:

$$\frac{A-B}{A}$$

Where:

A is the then current market price per Share on the date on which the Capital Distribution is first publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the Capital Distribution attributable to one Share.

(ii) Such adjustment shall become effective on the date that such Capital Distribution is actually made or if a record date is fixed therefor, immediately after such record date. For the purpose of the above, Fair Market Value shall (subject as provided in the definition of "Fair Market Value") be determined as at the date on which the Capital Distribution is first publicly announced or, if later, the first date on which the Fair Market Value of the relevant Capital Distribution is capable of being determined as provided in the Subscription Agreement; and

(iii) In making any calculation pursuant to the paragraph of "(C) Capital distributions" in this section, such adjustments (if any) shall be made as the Independent Financial Adviser may consider appropriate to reflect (a) any consolidation or subdivision of the Shares, (b) issues of Shares by way of capitalisation of profits or reserves, or any like or similar event, (c) the modification of any rights to dividends of Shares or (d) any change in the fiscal year of the Issuer.

(D) ***Rights issues of Shares or options over Shares at less than 95% of the then current market price***

If and whenever the Issuer shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares, in each case at less than 95% of the then current market price per Share on the date of the first public announcement of the terms of the issue or grant, the issue price per Settlement Share shall be adjusted by multiplying the issue price per Settlement Share in force immediately before such issue or grant by the following fraction:

$$\frac{A+B}{A+C}$$

Where:

A is the aggregate number of Shares in issue immediately before such announcement;

B is the number of Shares which the aggregate consideration receivable for the Shares issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Shares comprised therein would subscribe for, purchase or otherwise acquire at such then current market price per Share; and

C is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be.

(E) ***Rights issue of other securities (other than those in (D) above)***

If and whenever the Issuer shall issue any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares) to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares), the issue price per Settlement Share shall be adjusted by multiplying the issue price per Settlement Share in force immediately before such issue or grant by the following fraction:

$$\frac{A-B}{A}$$

Where:

A is the then current market price per Share on the date on which such issue or grant is publicly announced; and

B is the Fair Market Value per Share on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or the issue or grant of such rights, options or warrants (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be. For the purpose of the above, Fair Market Value shall (subject as provided in the definition of "Fair Market Value") be determined as at the date on which the terms of such issue or grant are publicly announced, or if later, the first date on which the Fair Market Value of the aggregate rights attributable to the Shares in relation to such issue or grant is capable of being determined as provided in the Subscription Agreement.

(F) ***Issues at less than 95% of the then current market price***

If and whenever the Issuer shall issue (otherwise than as mentioned in the paragraph of "(D) Rights issues of Shares or options over Shares at less than 95% of the then current market price" in this section) any Shares (other than the Settlement Shares) or issue or grant (otherwise than as mentioned in the paragraph of "(D) Rights issues of Shares or options over Shares at less than 95% of the then current market price" in this section) options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares in each case at a price per Share which is less than 95% of the then current market price on the date of the first public announcement of the terms of such grant or issue, the issue price per Settlement Share shall be adjusted by multiplying the issue price per Settlement Share in force immediately before such issue by the following fraction:

$$\frac{A+B}{C}$$

Where:

A is the aggregate number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares;

B is the number of Shares which the aggregate consideration receivable for the issue of the maximum number of Shares to be issued or the exercise of such options, warrants or other rights would purchase at such then current market price per Share; and

C is the aggregate number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue by the Issuer of options, warrants or other rights to subscribe or purchase Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue or grant of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the issue or grant of such options, warrants or other rights.

(G) ***Other issues at less than 95% of the then current market price***

Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within the paragraph of "(G) Other issues at less than 95% of the then current market price" in this section, if and whenever the Issuer or any of its subsidiaries (otherwise than as mentioned in the paragraphs of "(D) Rights issues of Shares or options over Shares at less than 95% of the then current market price"; "(E) Rights issues of other securities (other than those in (D) above)" or "(F) Issues at less than 95% of the then current market price" in this section), or (at the direction or request of or pursuant to any arrangements with the Issuer or any of its subsidiaries) any other company, person or entity shall issue any securities (other than the Settlement Shares) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Issuer upon conversion, exchange or subscription at a consideration per Share which is less than 95% of the then current market price on the date of the first public announcement of the terms of issue of such securities, the issue price per Settlement Share shall be adjusted by multiplying the issue price per Settlement Share in force immediately before such issue by the following fraction:

$$\frac{A+B}{A+C}$$

Where:

A is the aggregate number of Shares in issue immediately before such issue;

B is the number of Shares which the aggregate consideration receivable by the Issuer for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such then current market price per Share; and

C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate on the issue date of such securities.

(H) ***Modification of rights of conversion, exchange and subscription***

If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in the paragraph of "(G) Other issues at less than 95% of the then current market price" in this section (other than in accordance with the terms of such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is reduced and is less than 95% of the then current market price on the date of announcement of the proposals for such modification, the issue price per Settlement Share shall be adjusted by multiplying the issue price per Settlement Share in force immediately before such modification by the following fraction:

$$\frac{A+B}{A+C}$$

Where:

A is the aggregate number of Shares in issue immediately before such modification;

B is the maximum number of Shares which the aggregate consideration receivable by the Issuer for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to the securities so modified would purchase at such then current market price per Share or, if lower, the existing conversion, exchange or subscription price of such securities; and

C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as the Independent Financial Adviser considers appropriate (if at all) for any previous adjustment under the paragraphs of "(H) Modification of rights of conversion, exchange or subscription" or "(G) Other issues at less than 95% of the then current market price" in this section.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

(I) ***Other offers to Shareholders***

If and whenever the Issuer or any of its subsidiaries or (at the direction or request of or pursuant to any arrangements with the Issuer or any of its subsidiaries) any other company, person or entity issues, sells or distributes any securities in connection with an offer pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the issue price per Settlement Share falls to be adjusted under the paragraphs of "(D) Rights issues of Shares or options over Shares at less than 95% of the then current market price"; "(E) Rights issues of other securities (other than those in (D) above)"; "(F) Issues at less than 95% of the then current market price"; and "(G) Other issues at less than 95% of the then current market price" in this section), the issue price per Settlement Share shall be adjusted by multiplying the issue price per Settlement Share in force immediately before such issue, sale or distribution by the following fraction:

$$\frac{A-B}{A}$$

Where:

A is the then current market price per Share on the date on which such issue, sale or distribution is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue, sale or distribution of the securities. For the purpose of the above, Fair Market Value shall (subject as provided in the definition of "Fair Market Value") be determined as at the date on which the terms of such issue, sale or distribution of securities are first publicly announced or, if later, the first date on which the Fair Market Value of the portion of the aggregate rights attributable to the Shares is capable of being determined as provided in the Subscription Agreement.

Adjusted Settlement Share Issue Price after the Capital Restructuring

As a result of each Capital Restructuring event as referred to under items from (A) to (I), the issue price per Settlement Share shall be adjusted and this adjustment of the issue price per Settlement Share as mentioned above is Adjusted Settlement Share Issue Price. Hence, the number of Settlement Shares will also be adjusted accordingly. In such circumstances, the final number of Adjusted Settlement Shares shall be determined by dividing the Subscription Sum by the Adjusted Settlement Share Issue Price. The number of such Adjusted Settlement Shares will be confirmed by the Company's external auditors.

The Company will make an announcement on, among others, the Adjusted Settlement Shares and impact to the Subscription Agreement as a result of any Capital Restructuring.

Fixing of Settlement Shares Issue Price

Subject to all relevant statutory approval, the date of the issuance of the Settlement Shares will take place as soon as practicable after the Completion of the Guaranteed Maximum Sum Design and Build Agreement. Subject to the requirement to maintain the minimum public float, the Company expects the Settlement Shares or the Adjusted Settlement Shares (whichever is relevant) will be issued by one-lot. Application will be made by the Company to the Stock Exchange for the listing of and permission to deal in the Settlement Shares. The Settlement Shares shall be allotted and issued under a specific mandate of the Company. The price of Settlement Share was determined after arm's length negotiation between the Company and the Subscriber with reference to the prevailing market price of the Shares.

The Settlement 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 Settlement Shares.

After taking into considerations of best interest of minority Shareholders, the Controlling Shareholder has decided and the Company agreed to set the issue price of each Settlement Share (i.e. Settlement Shares Issue Price) at HK$12.00 per Share which represents:

a) a premium of approximately 12.1% premium over the closing price of HK$10.70 per Share on the Last Practicable Date;

b) premium of approximately 29.0% over Last Traded Price of HK$9.31;

c) a premium of approximately 24.5% over 5 trading days of VWAP HK$9.64;

d) premium of approximately 24.9% over 120 trading days of VWAP HK$9.61; and

e) premium of approximately 36.0% over 240 trading days of VWAP HK$8.83.

Internal Control Mechanism — to avoid any potential conflict of interests between the Company and the Controlling Shareholder

The Company will adopt the following measures to avoid any potential conflict of interests between the Company and the Controlling Shareholder and his associates when the Company needs to make any material decision in relation to any material changes to the Naga 3 Project or Capital Restructuring subsequent to the approvals of the Guaranteed Maximum Sum Design and Build Agreement and the Subscription Agreement (as referred to in this Circular), the changes of which may affect the Subscription Agreement:

(a) any other relevant Shareholders' meeting, where necessary, to be held for considering any material decisions arising subsequent to the approval of the Subscription Agreement and the Guaranteed Maximum Sum Design and Build Agreement (as presently provided under this Circular), the Controlling Shareholder and his associates will not vote on the resolutions and shall not be counted in the quorum for the vote, except:

(i) where the Company needs to raise capital for the development of the Naga 3 Project and other business ventures in its ordinary course of business, which may lead to events of Capital Restructuring which has been provided in this Circular; or

(ii) any changes in the Naga 3 Project which has been explicitly provided under the Guaranteed Maximum Sum Design and Build Agreement or the Subscription Agreement;

(b) any other relevant Board meeting, where necessary, to be held for considering any material decisions arising subsequent to the approvals of the Subscription Agreement and the Guaranteed Maximum Sum Design and Build Agreement (as presently provided under this Circular), the Controlling Shareholder and his associates will not vote on the resolutions, will not be counted in the quorum and will abstain from voting on such matters, and additionally, the quorum for such matters must be at least the majority of the total number of non-conflicted Directors, except:

(i) where the Company needs to raise capital for the development of the Naga 3 Project and other business ventures in its ordinary course of business, which may lead to events of Capital Restructuring which has been provided in this Circular; or

(ii) any changes in the Naga 3 Project which has been explicitly provided under the Subscription Agreement or the Guaranteed Maximum Sum Design and Build Agreement; and

(c) where necessary, non-conflicted Directors may reasonably request the advice of independent professionals, the appointment of such independent professionals will be made by such non-conflicted Directors at the Company's expense.

ARTICLE 10 — SUBSCRIBER'S UNDERTAKING IN RELATION TO THE PUBLIC FLOAT REQUIREMENT

The Subscriber undertakes to the Company that, apart from the connected parties, it will also not designate any person to acquire the excess shares, if (a) such acquisition of excess shares has been financed directly or indirectly by a Connected Person of the Company, (b) such person is accustomed to take instructions from a Connected Person of the Company in relation to the acquisition, disposal, voting or other disposition of securities of the Company registered in his name or otherwise held by him, or (c) such person may become a Connected Person of the Company after acquisition of the excess shares.

Accounting treatments on the receipt of each Subscription Payment and the issue of Settlement Shares

Under the Subscription Agreement, the Company will issue the Settlement Shares or the Adjusted Settlement Shares (whichever is relevant) at the completion of the construction of Naga 3 Project and the Subscription Sum will be equal to 50% of the Total Development Costs of Naga 3 Project.

Under IFRS 2, the transaction is an equity-settled share-based payment transaction that, throughout the construction period, the Group will acquire 50% of the capital work in progress (recorded under property, plant and equipment) from the Controlling Shareholder through issue of the Settlement Shares or the Adjusted Settlement Shares (whichever is relevant) but they shall be only issued sometime in the future. Accordingly, as the Group receives each Subscription Payment, this amount shall be recorded as an increase in equity under share-based payment reserve.

Assuming that the fair value of the property, plant and equipment at the initial recognition approximates to the cost incurred during the construction period and assuming that the Settlement Shares or the Adjusted Settlement Shares (whichever is relevant) are issued at the completion of the construction of Naga 3 Project, part of the balance in the share-based payment reserve will be transferred to share capital for the total nominal amount of the Settlement Shares or the Adjusted Settlement Shares (whichever is relevant) issued and the rest of the balance will be transferred to share premium account.

ARTICLE 11 — CHANGES TO SHAREHOLDING STRUCTURE OF THE COMPANY AS A RESULT OF THE PROPOSED ISSUE OF THE SETTLEMENT SHARES

As at the Latest Practicable Date, the Company has 4,341,008,041 Shares in issue. The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon the issue of the Settlement Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Settlement Shares):

Shareholders	**As at the Latest Practicable Date**		**Immediately upon the issue of the Settlement Shares**	
	Number of Shares	*Approximate % of Shares in issue*	*Number of Shares*	*Approximate % of Shares in issue*
The Controlling Shareholder and parties acting in concert with him *(Note (1))*	2,869,602,463	66.10	4,011,981,038	73.17
Public Shareholders	1,471,405,578	33.90	1,471,405,578	26.83
Total	4,341,008,041	100.00	5,483,386,616	100.00

Note:

(1) As at the Latest Practicable Date, the Controlling Shareholder holds approximately 66.10% of the issued share capital of the Company through (i) a direct interest of 44.17%; and (ii) an indirectly interest of 21.93% held through ChenLa Foundation; which in turn indirectly holds such interest through LIPKCO ENTERPRISES LIMITED and LIPKCO Group Limited (formerly known as Fourth Star Finance Corp.).

ARTICLE 12 — UPDATED INFORMATION ABOUT THE NAGA 3 PROJECT

Conceptual Design by Steelman Partners

The Naga 3 Project will showcase a life-style product consisting of gaming and non-gaming spaces and comprise amenities and facilities which are not available at Naga 1 and Naga 2, notably hi-tech virtual reality interactive indoor theme parks, more shopping and MICE facilities and family recreational areas etc. to impart a more satisfying, penetrating and complete visitation experience.

Building the biggest riverine integrated resort in the world

Via Letter No. 441 Sor Chor Nor dated 2 April 2019 of the Office of the Council of Ministers, the Royal Government of Cambodia has granted approval in principle for Naga 3 Company Limited to build the Naga 3 integrated entertainment complex consisting of five blocks of buildings of maximum height of 66 storeys equaling 285.65 metres high on the combined land area of 16,837 square metres which consist of the lands having Title Deed of Immovable Property No.12010101-0057 and Title Deed of Immovable Property No.12010115-0003. It was decided that the Naga 3 Project shall consist of the following:

Description	**Construction Floor Area**	
	m^2	*sf*
Basement		
1. 3-storey Basement	46,443	499,912
Podium		
1. 11-storey Podium (Hotel Lobby, Retail, Gaming, Restaurant, Theme Park, SPA, Conference)	124,813	1,343,487
Tower 1 & 4 (45-storey inclusive of 11-storey podium)		
1. 1-storey M&E Room (Level 12)	3,936	42,367
2. 30-storey Hotel (Level 13 - Level 42)	118,080	1,271,013
3. 2-storey VIP Gaming / Restaurant / Clubs (Level 43 - Level 44)	7,872	84,734
4. 1-storey Roof Facilities Floor (Level 45)	4,515	48,599
Tower 2 & 3 (66-storey inclusive of 11-storey podium)		
1. 1-storey Lanai Suite with Swimming Pools and M&E Rooms (Level 12)	7,228	77,802
2. 1-storey M&E Room (Level 13)	2,642	28,438
3. 50-storey Hotel (Level 14 - Level 63)	119,600	1,287,374
4. 2-storey VIP Gaming / Restaurant / Clubs (Level 64 - Level 65)	4,784	51,495
5. 1-storey Sky Deck (Level 66)	2,962	31,883
Tower 5 (48-storey inclusive of ground floor)		
1. 14-storey Elevated Carpark (Level P1 - Level P14)	37,646	405,222
2. 2-storey M&E Service Floor (Level 8 - Level 9)	5,378	57,889
3. 30-storey Condotel (Level 10 - Level 39)	56,850	611,933
4. 1-storey Roof Facilities Floor (Level 40)	2,052	22,088
TOTAL GROSS FLOOR AREA	**544,801**	**5,864,236**

The concept architect planners, Steelman Partners, have designed Naga 3 with the intention and purpose that upon completion, the entire NagaWorld facilities shall suitably be referred to the "biggest Riverine Integrated Resort in the World" with total statistics indicated as follows:

1. Naga 1 Gross Floor Area (GFA) 113,307 square metres; 755 keys

2. Naga 2 Gross Floor Area (GFA) 108,764 square metres; 903 keys

3. Naga 3 Gross Floor Area (GFA) 544,801 square metres; 4,720 bays

For clarity, bays are more appropriately and precisely described by the Project Architect at this early stage of conceptual development of the Project. Depending on the market requirements, each suites or super-suites or penthouses may consist of one or more bays. Determination of the number of keys can be precisely determined as the number of suites or penthouses or deluxe rooms be accurately determined as the development proceeds.

The Naga 3 Project design features many activities and attractions for children and adults. Its 4,720 bays in five distinctive towers feature many different types of hotels. In addition to NagaWorld managed resorts, several of the hotels are intended to be managed by one or more well-known international hotel brands. The views of the park and the Mekong River, together with the management excellence of one or more international hotel brands will anchor and define this resort. The Company anticipates that these branded resorts will feature the finest quality of any hotels in Asia.

The hotels are designed for tourist travelers, business travelers, convention delegates, health spa connoisseurs and budget-oriented travelers. The hotel will feature affordable rooms and the most luxurious suites, penthouses and lanai pool suites. Several villas will be constructed within the towers to provide Phnom Penh with a standard of luxury among the best in South East Asia.

The condo-hotel is designed as luxury serviced suite living at a prime location adorned with magnificent views in the heart of Phnom Penh. The condo-hotel will create a semi-permanent community within NagaWorld Complex which allow units to access all the facilities in NagaWorld as well as the full range of NagaWorld's VIP services.

Material Legal And Regulatory Requirements

Via letter of legal opinions dated 10 May 2019 issued by HML Law Group & Consultants, the Cambodian lawyers of the Group opined the following:

(a) Title Deed of Immovable Property No. 12010101-0057 is duly recorded at Phnom Penh Land Office and Naga 3 Company Limited is registered as the owner.

(b) Title Deed of Immovable Property No. 12010115-0003 is duly recorded at Phnom Penh Land Office and Naga 3 Company Limited is registered as the owner.

(c) Sub-Decree No. 42 Or No Kror. Bor Kor dated 3 April 2015 on Urbanization of the Capital City, Towns and Urban Areas and Letter No. 655 Sor Cho Kho Sor dated 7 June 2018 of the Office of the Council of Ministers, the Royal Government of Cambodia granted approval in principle for Naga 3 Company Limited to build the Naga 3 integrated entertainment complex of four blocks of buildings of 42 storeys high on the land having Title Deed of Immovable Property No. 12010101-0057.

(d) Letter No. 441 Sor Chor Nor dated 2 April 2019 of the Office of the Council of Ministers, the Royal Government of Cambodia has granted approval in principle for Naga 3 Company Limited to build the Naga 3 integrated entertainment complex consisting of five blocks of buildings of maximum height of 66 storeys equaling 285.66 metres high on the combined land area of 16,837 square metres which consist of the lands having Title Deed of Immovable Property No. 12010101-0057 and Title Deed of Immovable Property No.12010115-0003.

(e) Letter No. 148 Dor No Sor/Or Dor No dated 8 May 2019 issued by MLMUPC of Cambodia, MLMUPC of Cambodia has approved the Construction Permit submitted by Naga 3 Company Limited to construct Naga 3 integrated entertainment complex, with maximum height of 66 storeys equaling 285.65 metres high, having total built-up area of 589,554 square metres on the land lot of size of 16,837 square metres having Title Deed of Immovable Property No. 12010101-0057 and Title Deed of Immovable Property No.12010115-0003 located on Street Sothearos, Village 15, Sangkat Tonle Bassac, Khan Chamkarmon, Phnom Penh.

Pursuant to the material relevant and applicable Cambodian laws and regulations governing commencement of development and construction of the Naga 3 Project, the Cambodian Lawyer of the Group opined that Naga 3 Company Limited has obtained all the necessary relevant legal approvals from the Royal Government of Cambodia to commence development and construction of the Naga 3 Project, including approvals from the highest governmental authority at the level of Council of Ministers, the Royal Government of Cambodia and the Construction Permit issued by MLMUPC, and there will be no further material legal and regulatory approvals required for the development of the Naga 3 Project. HML Law Group & Consultants further opined that the construction of Naga 3 could commence at any time within one year from the date of the Construction Permit on 8 May 2019 after obtaining the permit to start works from the MLMUPC pursuant to the terms and conditions as set out in Letter No.148 Dor No Sor/Or Dor No dated 8 May 2019 of the Ministry of Land Management, Urban Planning and Construction of Cambodia.

Approvals by the Royal Government of Cambodia

Naga 3 Company Limited, a private company incorporated in Cambodia and wholly and beneficially owned by the Company, is the beneficial owner of the following properties:

1. land parcel of 7,757 square metres with Title Deed of Immovable Property No.12010101-0057 Village 1, Sangkat Tonle Bassac, Khan Chamkar Morn, Phnom Penh (the "**former White Building land**"); and

2. land parcel of 9,080 square metres with Title Deed of Immovable Property No.12010115-0003 Village 15, Sangkat Tonle Bassac, Khan Chamkar Morn, Phnom Penh, sited boundary to boundary to the former White Building land.

Via Sub-Decree No. 42 Or No Kror. Bor Kor dated 3 April 2015 on Urbanization of the Capital City, Towns and Urban Areas and Letter No. 655 Sor Cho Kho Sor dated 7 June 2018 of the Office of the Council of Ministers, the Royal Government of Cambodia granted approval in principle for Naga 3 Company Limited to build the Naga 3 integrated entertainment complex of four blocks of buildings of 42 storeys high on the former White Building land.

Since the development approval in principle above, Naga 3 Company Limited has recently bought additional land of 9,080 square metres, sited boundary to boundary to the former White Building land and has submitted an application for approval for amendment of the plan of the Naga 3 Project by building five blocks of buildings of maximum height of 66 storeys equaling 285.66 metres high with functions, entertainment places, hotels, and apartments on the former White Building land and the additional land of 9,080 square metres, sited boundary to boundary to the former White Building land with a combined land area of 16,837 square metres.

Via Letter No. 441 Sor Chor Nor dated 2 April 2019 of the Office of the Council of Ministers, the Royal Government of Cambodia has granted approval in principle for Naga 3 Company Limited to build the Naga 3 integrated entertainment complex consisting of five blocks of buildings of maximum height of 66 storeys equaling 285.66 metres high on the combined land area of 16,837 square metres which consist of the lands having Title Deed of Immovable Property No.12010101-0057 and Title Deed of Immovable Property No. 12010115-0003.

Latest Updated Approvals by the Royal Government of Cambodia

Pursuant to Letter No. 148 Dor No Sor/Or Dor No dated 8 May 2019 issued by the MLMUPC, the MLMUPC has issued a Construction Permit submitted by Naga 3 Company Limited to construct Naga 3 integrated entertainment complex, with maximum height of 66 storeys equaling 285.65 metres high, having total built-up area of 589,554 square metres on the land lot of size of 16,837 square metres having Title Deed of Immovable Property No. 12010101-0057 and Title Deed of Immovable Property No. 12010115-0003 located on Street Sothearos, Village 15, Sangkat Tonle Bassac, Khan Chamkarmon, Phnom Penh. For further details, please refer to the section on "Material Legal And Regulatory Requirements" in this Circular.

ARTICLE 13 — DEVELOPMENT OF THE NAGA 3 PROJECT

The Company has appointed internationally reputable, technically competent and experienced Project Consultants all of whom are experts in their respective fields. This set of Project Consultants have successfully completed Naga 2 and have been re-engaged to ensure lessons learned from the operating environment of having successfully completed Naga 2 can be re-applied towards the development and further success of the Naga 3 Project.

Details of the team of Naga 3 Project Consultants are briefly summarised as follows:

Steelman Partners (design architect/planner, interior designer)

Steelman Partners is a Las Vegas, Nevada based international architectural firm specialising in entertainment architecture, interior design and master planning. The firm has designed casinos and integrated resorts around the world, and is well known within the gaming industry with a client list that includes MGM, Harrah's, Wynn, Venetian, Lady Luck, Swiss Casinos, Sheraton, Hyatt, Plaza/El-Ad, Crown SDJM, Melco, Caesar, NagaWorld and many others, with over 3,000 projects worldwide. The firm is consistently ranked as one of the top 300 largest architectural firms by Architectural Record Magazine and is on Engineering News-Record's Top 500 Design Firm list. The firm was the design architect and interior designer for Naga 2, including the interior designer for NagaWorld's continuous interior renovation.

DRTAN LM Architect (architect-of-record)

The Project Architect, DRTAN LM Architect is an award-winning architectural firm from Malaysia. The firm is the architect-of-record for the Naga 2 project, and leads a team of consultants (JACOBS, KWA, ELP and SP) who successfully completed the Naga 2 project within a tight schedule and strict budget. The firm's principal is Dr Tan Loke Mun, who is a prominent award winning architect and interior designer from Malaysia; his works are widely published and his firm is amongst the most awarded in Malaysia; he served as Pertubuhan Akitek Malaysia (PAM) President from 2005 to 2007, and is a current Board Member of Lembaga Arkitek Malaysia (LAM), and serves as adjunct professor of Architecture at University Putra Malaysia and on industry expert advisory panels of several local universities/colleges. He is a registered professional architect in Malaysia and Vietnam and has been in practice as a professional architect for more than three decades. 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 firm has extensive experience in township master planning, commercial and residential projects regionally.

JACOBS Engineering Services Sdn Bhd (civil and structural engineers)

JACOBS Engineering Services Sdn Bhd is a subsidiary of JACOBS Engineering Group Inc., an international technical professional services firm listed on the New York Stock Exchange with an annual revenue of approximately US$15 billion. JACOBS is ranked No. 1 on Engineering News-Record's 2018 Top 500 Design Firms with 70,000 employees worldwide. JACOBS was the civil and structural consultant for Naga 1, Naga 2 and NagaWorld FBO-Hangar, and has been serving NagaWorld since 2000 with extensive knowledge of construction works in Cambodia.

KWA Consult Sdn Bhd (mechanical & electrical engineers)

KWA Consult Sdn Bhd was the mechanical and electrical ("M&E") consultant for Naga 1, Naga 2, NagaWorld FBO-Hangar and other NagaWorld related projects since its founding in 2007. The partners (Ir. Koh and Ir. Lim) were the M&E consultants for Naga 1 prior to the firm's founding and have extensive knowledge of Cambodia construction and NagaWorld's M&E requirements. The firm also has experience in high-rise commercial/residential developments in Malaysia, including hospitality and power generation projects.

ELP Quantity Surveyors Sdn Bhd (quantity surveyor)

ELP Quantity Surveyors Sdn Bhd is a well-established professional quantity surveyor practice from Malaysia, with branch offices in Kuching (East Malaysia) and Ho Chi Minh City (Vietnam). ELP is part of the project consultant team that completed the Naga 2, NagaCity Walk, NEC Building and NagaWorld FBO-Hangar projects. The firm has excellent knowledge of construction works in Cambodia.

Shown below are the artist's impressions and computer-generated images of Naga 3

Please note that the artist's impressions and computer-generated images contained in this Circular are for illustration purposes only and are subject to change during the further planning or development stages.

Some of Steelman Partners' Design Concepts For Naga 3 ***(subject to change)***

1. **Lobby Zip Line Ride:** Above the Porte Cochere there will be a digital ceiling showing many types of artwork and fantasy scenes. High above the Porte Cochere which will be accessible through the indoor theme park, guests will be able to take a zip line ride through the fantasy video. The new digital street will be a first in Phnom Penh and in Asia. Steelman Partners envisage that this street will become one of the most "Instagrammed" sites in the region.

2. **Connecting Naga 1 and Naga 2 to Naga 3:** Subject to governmental approval, the plan is to connect the underground NagaCity Walk linking Naga 1 and Naga 2 to Naga 3. This underground linkway retail mall shall feature entertainment attractions and fashion shows.

3. **Casino Cell Concept:** The entire eleven-storey podium block is designed as a life-style product utilising the casino cell concept. From a design perspective, the Naga 3 entertainment complex will have more than 90% of non-gaming space interspersed with the gaming space, a life-style product which will feature many unique entertainment related features and attractions and shall carry the signature of the Founder and the Controlling Shareholder, Tan Sri Dr. Chen Lip Keong who has made the casino cell gaming concept a very financially successful innovation in the region. The Controlling Shareholder of the Company has pioneered a life-style product called the "cell" casino. Large casino spaces are broken down into smaller spaces, each with its own entertainment, food and beverage and other integrated services. It is envisioned that the Naga 3 Project shall take its place among other sought-after casino destinations in the world, such as Macau, Singapore, Las Vegas and Monte Carlo as a world-class integrated resort destination offering.

4. **Hi-Tech Digital Theme Park:** The hi-tech theme park is a very important addition to the entertainment offering in Phnom Penh. The design envisages three floors dedicated to a digital indoor family entertainment centre. This theme park is designed to occupy over 28,000 sq m over three levels. The design features 30 of the latest digital attractions, retail, food and beverage and "must-see" features. Expected attendance is over 1.65 million people per year. The attractions are to be focused on the digital future as well as showing a digital representation of the glorious past of Cambodia's Age of Angkor Wat. Several of the digital attractions like "fly over Cambodia or Angkor Wat" will also be showcased. The digital rides will be constantly updated enticing audiences to visit for new experiences several times per year.

5. **MICE Facilities:** at least two floors of the podium block will feature a comprehensive meeting and conference centre. The facility is designed to be capable of hosting four convention events simultaneously. The ballroom is also expected to hold entertainment events in excess of 2,000 people and will also be designed for events, production shows and product launches. This centre will be easily accessible to the 4,720 bays in Naga 3. All of the pre-function areas feature extensive views of the city and rivers beyond.

6. **Outlet Mall:** at least three floors will be dedicated to the promotion and sale of off-season high-end fashion products and the specialists operators shall be invited to manage the outlet mall.

7. **Pool Areas:** The design includes three pool areas, one pool on each of the 42-level towers. These sky pools will feature great views of the Mekong River and Phnom Penh. Each of the Sky Pools features food and beverage areas and will be a look-out point to see Phnom Penh and the Mekong River.

8. **Sky Lounges:** The two upper floors of each of the four hotel towers will be organised to include entertainment features such as nightclubs, restaurants, VIP gaming, hotel business clubs and conference centres. These penthouse public spaces will promote activities looking at the beautiful city and scenery. The design of these facilities aims to gain a reputation like the Rainbow Room in the Rockefeller Centre in New York or the Ozone Bar in Hong Kong. The Penthouse floors will become a "must see" in Phnom Penh.

It is expected that Naga 3 will be a fully integrated resort that can promote competition on a worldwide scale and increase tourists to visit Phnom Penh. The vision of the Group is to make Naga 3 as a "must see" destination in Asia and to contribute to the business growth and leisure tourism in Cambodia.

ARTICLE 14 — INFORMATION ABOUT THE FOUNDER AND HIS VISION FOR THE GROUP

Tan Sri Dr. Chen Lip Keong is the Founder, Chief Executive Officer, an executive Director and the Controlling Shareholder of the Company, and the father of Mr. Chen Yiy Fon, who is an executive Director of the Company.

The vision of the Group is to build the largest comprehensive, multi-entertainment riverine integrated resort in the world and position the Group as another gaming powerhouse in Asia Pacific, further securing its firm footing on the competitiveness of the Group. The Group operates the largest integrated resort in the Kingdom of Cambodia and in the Mekong Region.

Since its inception in 1994, NagaWorld has been growing steadily with its market capitalisation multiplying more than 12 times from US$441 million since the listing of the Company in October 2006 to approximately US$6 billion during the 3 months ended 31 March 2019. Since listing, the Company has paid out more than US$1 billion in dividends. The Group has raised the international economic profile, attracted foreign direct investment, enhanced tourism and contributed to the socio-economic development of Cambodia. In 2018, the Group contributed approximately 23% of local GDP tourism growth and approximately 1.3% of national GDP in Cambodia *(Source: MOEF classification of rooms and F&B compare with the Group's 2018 Annual Report)*.

Cambodia is expected to register 7% of GDP growth in 2019 *(Source: Macroeconomic and Banking Sector Development in 2018 and Outlook for 2019 prepared by the National Bank of Cambodia)*. "Following more than two decades of strong economic growth, Cambodia has attained lower middle-income status with gross national income (GNI) per capita reaching US$1,230 in 2017. Driven by garment exports and tourism, Cambodia sustained an average growth rate of 7.7% between

1995 and 2017, making the country the sixth fastest-growing economy in the world. As global demand peaks in 2018, economic growth is expected to reach 7%, compared to 6.9% in 2017. Growth is expected to remain robust over the medium term." *(Source: The World Bank)*. Cambodia is expected to attract at least 5.5 million Chinese visitors by 2025 with the current growth recording an impressive increase of 67% in 2018 (with 2,024,443 Chinese arrivals) as compared to 2017 (with 1,210,782 Chinese arrivals) *(Source: Ministry of Tourism of Cambodia)*. Close geopolitical relationship with China helps drive Cambodia's economic and tourism growth. China's "belt and road" policy drives a large number of business travellers resulting in the construction boom in the city of Phnom Penh and overall tourism and other business growth in Cambodia in recent years.

The smooth and official formation of a new government for another 5-year term from 6 September 2018 provides continued political stability, social security, tourism and economic development in the operating environment. It is expected that the much-anticipated casino law shall be promulgated in 2019, further strengthening the regulatory environment that has been improving in recent years.

The Company, through its wholly-owned subsidiary, is licensed to operate casinos in Cambodia for a period of 70 years, expiring in 2065. During this 70-year period, the Group has exclusive rights up to 2035 to operate casinos within a 200-kilometre radius (except the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville) of Phnom Penh, the capital city of Cambodia, the unique position of which has helped the Group to attain steady growth and to deliver impressive and consistently increasing financial performance. Some of the key features of the casino licence are: no restrictions on the number of tables, electronic gaming machines, gaming space, gaming promoter commissions and rebates, each of which allows the Company the flexibility to optimize its operations over time.

The Company believes that Phnom Penh is geographically located in the midst of an area which is a corridor of fast economic growth and tourism development. Its favourable location as a tourist destination and its good connectivity and network of international flights enable it to service both South East Asian and North Asian (especially Chinese) markets. In addition, NagaWorld is situated in the heart of the city, in proximity to places of interest such as the Royal Palace, gardens and eateries.

Having considered the uniqueness of a casino monopoly in the heart of a capital city and after having operated successfully for the past 24 years amidst a region with political stability, tourism and economic growth, the Group's vision of building the Naga 3 Project, a complex with 4,720 bays which only satisfy 4.7% of the total estimated additional hotel rooms of 100,000 as required by the Ministry of Tourism by 2028 paves the way for more success for the Group, greatly enhancing its competitiveness and its footing as an Asian gaming powerhouse. As stated in the unaudited operational highlights for the three months ended 31 March 2019 above, the hotel room occupancy of the combined existing NagaWorld complex has already increased to 86% by March 2019. The Company believes that the launch of Naga 3 is not only timely but certainly, also the answer to solve future capacity problems and the surer way to continue the journey of earnings growth, especially after recent rapid successful ramping up of Naga 2.

NagaWorld 1 (Naga 1), NagaWorld 2 (Naga 2) and NagaWorld 3 (Naga 3) being sited in the city of Phnom Penh next to one of Asia's biggest rivers, the romantic and mystic Mekong River inspires and encourages the Company to develop the biggest riverine integrated resort in the world and aims to enhance the competitiveness of the Group as one of the Asian gaming powerhouse.

ARTICLE 15 — INFORMATION ABOUT THE PARTIES IN RESPECT OF THE SUBSCRIPTION AGREEMENT

Information about the Company

Details of the Company, please see the section headed "Article 5 — Information about the parties in respect of the Guaranteed Maximum Sum Design and Build Agreement" in this Circular.

Information about the Subscriber

ChenLipKeong Fund Limited is an investment holding company incorporated in the Cayman Islands with limited liability and is wholly owned by the Controlling Shareholder. The Controlling Shareholder is also the Chief Executive Officer and an executive Director of the Company and the founder of the Group. The Controlling Shareholder has pioneered a life-style product called the "cell" casino which is a very financially successful innovation in the region. Large casino spaces are broken down into smaller spaces, each with its own entertainment, food and beverage and other integrated services.

ARTICLE 16 — PROPOSED USE OF PROCEEDS

The gross proceeds from the issue of the Settlement Shares will be equal to the Subscription Sum. It is intended that the Company shall utilise the net proceeds from the issue of the Settlement Shares to partially fund the development and construction cost of the Naga 3 Project.

ARTICLE 17 — FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

The Company has not raised fund on any issue of equity securities in the past 12 months immediately before the Latest Practicable Date. On 21 May 2018, the Company completed the issuance of an aggregate principal amount of US$300,000,000 9.375% senior notes (the "**Senior Notes**") due on 21 May 2021, to promote gaming business growth, particularly in the VIP gaming segment, and to refurbish the hotel rooms in Naga 1. These notes will not be convertible into Shares of the Company.

ARTICLE 18 — RISK FACTORS

In light of the change of the Company's risk profile, the followings risk factors associated with the DBA and the Subscription Agreement and the transaction(s) contemplated thereunder may be encountered by the Company:

(i) *Delay in completion of the Naga 3 Project*

The completion of the Naga 3 Project could be delayed due to development and construction risks, such that it would delay the opening or otherwise affect the commencement of business of Naga 3. As such, revenue and cashflow to be generated from the future operation and business of Naga 3 may become uncertain. In addition, delays in generating revenues could affect the financial and business performance of the Group.

(ii) *Additional operating costs*

With the expansion of business due to the Naga 3, the Company will incur more operating costs which may affect the profitability of the Company.

(iii) *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 the completion of the Naga 3 Project, the continued proliferation of gaming venues in Asia could significantly and adversely affect our financial condition, results of operations or cashflow.

(iv) *Material adverse impact caused by insufficient capital*

We require a significant amount of capital to fund the development of the Naga 3 Project. It is the Group's present intention to fund 50% of the Contract Sum by way of internally generated funds and the remaining 50% of the Contract Sum will be funded by the Controlling Shareholder. If our internally generated funds from operations are insufficient to fund the aforementioned 50% of the Contract Sum, we may be required to raise capital from external sources. If we cannot obtain sufficient capital on acceptable terms, our business, financial condition and prospects may be materially and adversely affected.

(v) *Assumptions for the Illustrative 2019-2025 Cashflow Table*

Assumptions made for the Illustrative 2019-2025 Cashflow Table are dependent upon several key factors including but not limited to no delay in casino project, capital sufficiency, competition from other casino operators in the region, other external operating environment and hence may not be materialized.

(vi) *Cambodia's GDP growth rate may not be sustained*

The Cambodian economy has been one of the South East Asia's fastest growing economies as measured by GDP in recent years. As projected by International Monetary Fund *(Source: IMF World Economic Outlook April 2019)*, Cambodia's GDP for the next 6 years can be maintained at 6-6.8%. However, there are risks that Cambodia may not be able to sustain such a growth rate and we could not predict whether changes in Cambodia's GDP growth rate will have any adverse effect on our current or future business or results of operations.

(vii) *Cambodia's tourism growth rate may not be sustained*

As forecasted by the Ministry of Tourism Cambodia, it is expected that the growth of Chinese visitation will be increased to 5.5 million by 2025. However, the tourist arrival growth is dependent upon several factors such as improvement and development of infrastructure and there are risks that Cambodia's tourism may not be able to sustain such a growth rate which may impact the revenue growth of the Company.

ARTICLE 19 — LISTING RULES IMPLICATIONS IN RESPECT OF THE SUBSCRIPTION AGREEMENT

The Subscriber is an entity wholly and beneficially owned by the Controlling Shareholder, who is in turn an executive Director and the Chief Executive Officer of the Company. As at the Latest Practicable Date, the Controlling Shareholder holds approximately 66.10% of the issued share capital of the Company through (i) a direct interest of approximately 44.17%; and (ii) an indirect interest of 21.93% held through ChenLa Foundation; which in turn indirectly holds such interest through LIPKCO ENTERPRISES LIMITED and LIPKCO Group Limited (formerly known as Fourth Star Finance Corp.). Accordingly, the Subscriber is a Connected Person of the Company as defined under the Listing Rules and the transaction(s) contemplated under the Subscription Agreement constitutes a connected transaction for the Company. The Controlling Shareholder is also considered to have material interest in the Subscription Agreement and the transaction(s) contemplated thereunder. As such, the Controlling Shareholder and his associates will be required to abstain from voting on the ordinary resolution(s) to approve the Subscription Agreement and the transaction(s) contemplated thereunder at the EGM, including the Settlement Shares to be issued by the Company under a specific mandate.

As each of the relevant Applicable Percentage Ratios in respect of the Subscription Agreement is more than 25%, therefore entering into the Subscription Agreement is subject to the reporting, announcement, annual review and Independent Shareholders' approval under Chapter 14A of the Listing Rules.

Voting at the EGM will be conducted by poll.

ARTICLE 20 — TEMPORARY SUSPENSION AND PERMANENT TERMINATION OF THE NAGA 3 PROJECT

It is the intention of the Company to complete the development of the Naga 3 Project within the Contract Period. Due to whatever reasons due to delay of the development of the Project as independently determined by the Project Architect, the internal control mechanism in place are as follows:

Development of the Naga 3 Project temporarily suspended

If the Company decides to temporarily suspend the Naga 3 Project on short-term or long-term basis or if the Naga 3 Project needs to be substantially changed, the following shall apply:

1. **Mutual discussion:** Irrespective of the period of delay, the Company shall enter into discussions with the Subscriber and the Contractor to analyse the reasons of the delay and if necessary shall make any reasonable arrangements to postpone the development of Naga 3 to such a time when both parties conclude to resume the development to reflect the spirit and determination of completion of the Naga 3 Project. In such event, where necessary, the Company shall make announcement(s) and shall seek the relevant requisite approvals including approval from the Shareholders;

2. **Cash advances kept in the books of the Company:** It is the intention of the Company and the Controlling Shareholder to complete the Guaranteed Maximum Sum Design and Build Agreement and the Subscription Agreement within the period as specified in this Circular. Irrespective of the period of delay, there shall be no cash refund and the partially completed Naga 3 Project shall continue to be kept as assets in the books of the Company until the delivery of a fully completed and fully operational Naga 3 Project;

3. **Costs Overrun:** In the event of temporary suspension and where the Costs Overrun occurs that the Total Development Costs exceed US$3,515,011,000 due to the prolonged suspension, the Controlling Shareholder shall bear the amount of the Costs Overrun; and

4. **Capital Restructuring**: It is the Company's policy to adhere to nil to low debt to EBITDA ratio and yet has room to consider fundraising for other business opportunities. But if fund is needed to develop Naga 3 due to any temporary delay, the Company may launch fundraising for working capital for bridging and filling in any potential gaps of the total financing requirements to develop and complete the Naga 3 Project. In the event of such fundraising leading to any Capital Restructuring with respect to the share capital of the Company, the issue price per Settlement Share will be adjusted, consistent with market practice, for the dilutive effects of such events by adhering to the various formula as detailed under paragraph (c) under the section headed " Capital Restructuring" in Article 9 of this Circular.

Development of Naga 3 Project permanently terminated due to force majeure

If the Company decides not to proceed with Naga 3 Project due to whatever reasons; or the Naga 3 Project cannot proceed due to force majeure events the following shall occur:

If Naga 3 Project is permanently terminated due to force majeure events or other reasons out of our control as independently determined by the Project Architect, all cash advances paid by the Subscriber shall not be refundable by the Company and shall be forfeited and the partially completed Naga 3 Project shall be kept as assets in the books of the Company.

ARTICLE 21 — INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Company has established the Independent Board Committee comprising all the independent non-executive Directors to advise the Independent Shareholders as to whether the terms of the Subscription Agreement and the transaction(s) contemplated thereunder are fair and reasonable and whether the Subscription Agreement and the transaction(s) contemplated thereunder are 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 this Circular.

ARTICLE 22 — EGM

The EGM will be held to consider and, if thought fit, pass the requisite resolutions to approve, among other things (i) the Guaranteed Maximum Sum Design and Build Agreement and the transaction(s) contemplated thereunder; (ii) the Subscription Agreement and the transaction(s) contemplated thereunder; and (iii) the granting of a specific mandate for the allotment and issue of the Settlement Shares or Adjusted Settlement Shares as defined in this Circular.

To the best knowledge, information and belief of the Directors after having made all reasonable enquires, no Shareholders are required to abstain from voting on the relevant resolution to be considered at the EGM to approve the Guaranteed Maximum Sum Design and Build Agreement and the transaction(s) contemplated thereunder; however for good corporate governance purpose, the Controlling Shareholder and his associates elect to abstain from voting.

Save for the Controlling Shareholder and his associates, no other Shareholders are required to abstain from voting on the relevant resolutions to be considered at the EGM to approve the Subscription Agreement and the transaction(s) contemplated thereunder as at the Latest Practicable Date.

A notice convening the EGM to be held at Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Thursday, 8 August 2019 at 10:00 a.m. or any adjournment thereof is set out on pages 158 to 160 of this Circular and a form of proxy for use at the EGM is enclosed with this Circular. If you are not able to attend the EGM in person, please complete the form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and, in any event, not less than 48 hours before the time fixed for holding of the EGM or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.

ARTICLE 23 — RECOMMENDATIONS

The Directors are of the opinion that the terms of the Guaranteed Maximum Sum Design and Build Agreement are normal commercial terms and are fair and reasonable and that the Guaranteed Maximum Sum Design and Build Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (save and except the Controlling Shareholder and his associates who elect to abstain from voting) recommend that the Shareholders should vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Guaranteed Maximum Sum Design and Build Agreement and the transaction(s) contemplated thereunder.

The Directors (excluding the independent non-executive Directors whose view will be included under the letter from the Independent Board Committee in this Circular and the Controlling Shareholder and his associate, Mr. Chen Yiy Fon who have to abstain from voting) are of the opinion that the terms of the Subscription Agreement are normal commercial terms and are fair and reasonable and that the Subscription Agreement and the transaction(s) contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (excluding the independent non-executive Directors whose view will be included under the letter from the Independent Board Committee in this Circular and the Controlling Shareholder and his associate, Mr. Chen Yiy Fon who have to abstain from voting) recommend that the Independent Shareholders should vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Subscription Agreement and the transaction(s) contemplated thereunder.

The Independent Board Committee, having taken into account of the advice of the Independent Financial Adviser, considers the Subscription Agreement and the transaction(s) contemplated thereunder are in the interests of the Company and its Shareholders as a whole and that the terms of the Subscription Agreement and the transaction(s) contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends that the Independent Shareholders should vote in favour of the ordinary resolution to be proposed at the EGM to approve the entering into of the Subscription Agreement and the transaction(s) contemplated thereunder.

ARTICLE 24 — ADDITIONAL INFORMATION

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

Investors, Shareholders and holders of securities of the Company should note that the Completion of the Guaranteed Maximum Sum Design and Build Agreement and the Completion of the Subscription Agreement and the transaction(s) contemplated thereunder are subject to the satisfaction (or, if applicable, waiver) of a number of conditions as set out in the Guaranteed Maximum Sum Design and Build Agreement and the Subscription Agreement and, accordingly, the Guaranteed Maximum Sum Design and Build Agreement and the Subscription Agreement may or may not proceed. The issue of this Circular does not in any way imply that the Guaranteed Maximum Sum Design and Build Agreement and Subscription Agreement will be implemented or completed. Accordingly, investors, Shareholders, holders of securities of the Company and potential investors are reminded to exercise caution when dealing in the Shares and other securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional adviser.

Yours faithfully,
For and on behalf of the Board of
NagaCorp Ltd.
Lam Yi Lin
Company Secretary

The following is the text of the letter from the Independent Board Committee setting out its recommendations to the Independent Shareholders in relation to the Subscription Agreement and the transaction(s) contemplated thereunder for inclusion in this Circular.

NAGACORP
金界控股有限公司

NAGACORP LTD.
金 界 控 股 有 限 公 司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 3918)

22 July 2019

To the Independent Shareholders

Dear Sir or Madam,

NAGA 3 FUNDING BY THE CONTROLLING SHAREHOLDER — CONNECTED TRANSACTION AND THE SETTLEMENT VIA SUBSCRIPTION AGREEMENT — UNDER A SPECIFIC MANDATE

We refer to the Circular of the Company dated 22 July 2019 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 Subscription Agreement and the transaction(s) contemplated thereunder (details of which are set out in the letter from the Board in this Circular). Anglo Chinese has been appointed as the Independent Financial Adviser to advise us in this regard. Details of the advice of the Independent Financial Adviser, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 81 to 113 of this Circular.

Having considered the terms of the Subscription Agreement and the transaction(s) contemplated thereunder, 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 Subscription Agreement and the transaction(s) contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and its Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the entering into of the Subscription Agreement and the transaction(s) contemplated thereunder.

Yours faithfully,
Independent Board Committee

Lim Mun Kee **Michael Lai Kai Jin** **Leong Choong Wah**
Independent non-executive Directors

ANGLO CHINESE
CORPORATE FINANCE, LIMITED
www.anglochinesegroup.com

40th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong

To the Independent Board Committee
and the Independent Shareholders

22 July 2019

Dear Sirs,

THE GUARANTEED MAXIMUM SUM DESIGN AND BUILD AGREEMENT — VERY SUBSTANTIAL ACQUISITION NAGA 3 FUNDING BY THE CONTROLLING SHAREHOLDER — CONNECTED TRANSACTION AND SETTLEMENT VIA SUBSCRIPTION AGREEMENT — UNDER A SPECIFIC MANDATE

1. INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders with respect to the Subscription Agreement, details of which are set out in the "Letter from the Board" ("**Letter from the Board**") in the circular dated 22 July 2019 issued by the Company ("**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

As at the Latest Practicable Date, Tan Sri Dr. Chen Lip Keong is an executive Director, the Chief Executive Officer, and the Controlling Shareholder and the Subscriber is a Connected Person (as defined in the Listing Rules) of the Company, therefore, the Subscription Agreement constitutes a non-exempt connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements.

As announced by the Board on 24 April 2019, the transaction contemplated under the Guaranteed Maximum Sum Design and Build Agreement constitutes a very substantial acquisition of the Company under the Listing Rules and is therefore subject to the Shareholders' approval at the EGM. To the best of knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the Guaranteed Maximum Sum Design and Build Agreement. But for good corporate governance purpose, the Controlling Shareholder and his associates elect to abstain from voting on the resolution approving the Guaranteed Maximum Sum Design and Build Agreement at the EGM.

The Independent Board Committee, comprising Mr. Lim Mun Kee, Mr. Michael Lai Kai Jin and Mr. Leong Choong Wah, being all the independent non-executive Directors of the Company, has been established to advise the Independent Shareholders as to whether the Subscription Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole and whether the terms of the Subscription Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

In formulating our opinion and recommendation, we have reviewed all the information we regard as relevant and sufficient supplied to us by the management of the Company. We have relied on the accuracy of the information, facts, representations and opinions expressed by the Board, referred to in the Circular. We have assumed that the information, representations and opinions were true at the time they were made and continue to be true as at the date of the Circular and will continue to be true up to the time the Independent Shareholders vote on the resolution(s) to approve the Subscription Agreement. We consider that we have reviewed sufficient information to reach the conclusions set out in this letter and have no reason to believe any of the information provided to us by the management of the Company is inaccurate or that any material information has been omitted or withheld from the information supplied or the opinions expressed in the Circular. We have also assumed that all statements of belief and opinion of the Board as set out in the Company's announcements on 14 April 2019 and 24 April 2019 and the Circular were reasonably made after due and careful inquiry. We have not, however, carried out any independent verification on the information provided to us by the Company, nor have we conducted any form of independent in-depth investigation into the business and affairs or prospects of the Group or its associates.

Apart from professional fees for our services to the Company in connection with the engagement described above, no arrangement exists whereby we will receive any fees or benefits from the Company, its subsidiaries, directors, chief executive, substantial shareholders or any associate of any of them. Within the past two years from the Latest Practicable Date, we were previously engaged as an independent financial adviser by the Company on two occasions, details of which were set out in the circulars of the Company dated 9 June 2017 and 19 July 2017, respectively. Given our independent role and normal professional fees received from the Company under these past engagements, we do not consider that they will affect our independence in relation to our present engagement to advise the Independent Board Committee and the Independent Shareholders.

2. PRINCIPAL FACTORS AND REASONS CONSIDERED

We have considered the following factors in arriving at our opinion on the Subscription Agreement:

A. Information about the Group

The Company is principally engaged in the management and operation of a hotel and casino complex in Cambodia. The Company operates its business through two segments. The Casino Operations segment is engaged in all gaming activities at NagaWorld. The Hotel and Entertainment Operations segment is engaged in the operations of leisure, hotel and entertainment activities.

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

The following table sets out a summary of the Group's audited consolidated financial results for each of the three financial years ended 31 December 2016, 2017 and 2018 as extracted from the Company's 2016, 2017 and 2018 annual reports:

Statement of Income

	For the year ended 31st December		
	2016	**2017**	**2018**
(US$' million)	**("FY2016")**	**("FY2017")**	**("FY2018")**
	(Audited)	*(Audited)*	*(Audited)*
Revenue	**531.6**	**956.3**	**1,474.3**
Cost of sales	(164.7)	(483.4)	(800.8)
Gross profit	**366.8**	**472.9**	**673.5**
Other income	5.7	7.8	10.3
Administrative expenses	(52.6)	(67.2)	(79.3)
Other operating expenses	(111.8)	(150.2)	(185.6)
Profit from operations	**208.2**	**263.3**	**418.9**

Revenue

The Group's principal activity is the operation of a hotel and entertainment complex, NagaWorld, in Cambodia. From FY2016 to FY2018, the Group's revenue increased by approximately US$942.7 million or close to 177.3%, representing a compound annual growth rate ("**CAGR**") of around 66.5%. The remarkable increase came largely from the (i) opening of Naga 2 in November 2017 which contributed to the increase in number of higher end VIP players from the region and rollings; (ii) signing of an incentive agreement between the Group and a notable Macau-based junket operator which commenced business on 1 March 2018; and (iii) increasing visitation at both Naga 1 and Naga 2 as a result of tourism growth into Cambodia.

Gross profit and gross profit margin

The Group's gross profit increased from approximately US$366.8 million for FY2016 to approximately US$673.5 million for FY2018, representing an absolute growth of 83.6% and a CAGR of some 35.5%. However, the Group's gross profit margin for the same period deteriorated from approximately 69.0% to approximately 45.7% as a result of the increased contribution from the VIP market which generally enjoyed a lower margin.

Profit from operations

As a result of the increase in revenue and gross profit, the Group's profit from operations grew by 101.2% from US$208.2 million for FY2016 to US$418.9 million for FY2018, representing a CAGR of some 41.9%.

Statement of financial position

	As at 31 December		
(US$' million)	**2016**	**2017**	**2018**
	(Audited)	*(Audited)*	*(Audited)*
Property, plant and equipment	810.1	1,121.7	1,275.6
Other non-current assets	195.6	184.5	179.5
Total non-current assets	**1,005.7**	**1,306.3**	**1,455.1**
Cash and cash equivalents	210.9	52.8	316.5
Other current assets	74.0	103.2	195.6
Total current assets	**284.9**	**156.0**	**512.2**
Contract liabilities	—	—	10.0
Other current liabilities	39.7	79.7	82.1
Current liabilities	**39.7**	**79.7**	**92.1**
Senior notes	—	—	291.1
Contract liabilities	—	—	44.1
Total non-current liabilities	**—**	**—**	**335.3**
Net assets	**1,251.0**	**1,382.5**	**1,539.9**

Property, plant and equipment

The Group's property, plant and equipment increased from approximately US$810.1 million as at 31 December 2016 to US$1,275.6 million as at 31 December 2018 mainly because of the acquisition of Naga 2 and the construction and enhancement of the Group's hotel and casino complex located in Cambodia and Russia.

Cash and cash equivalents

The Group's cash and cash equivalents increased from US$210.9 million as at 31 December 2016 to US$316.5 million as at 31 December 2018, mainly as a combined result of (i) the substantial cash outflows caused by the purchase of property, plant and equipment for and enhancement and construction cost on the Group's hotel and casino complex in Cambodia and Russia and (ii) proceeds received by the Company from the issue of the US$300 million 9.375% senior notes on 21 May 2018.

Statement of cash flows

(US$' million)	**FY2016** *(Audited)*	**FY2017** *(Audited)*	**FY2018** *(Audited)*
Net cash generated from operating activities	**201.7**	**322.2**	**476.7**
Payment for purchase of property, plant and equipment and for construction cost of property	(137.0)	(354.8)	(243.3)
Other cash flows in investing activities	1.3	0.2	(73.6)
Net cash used in investing activities	**(135.7)**	**(354.6)**	**(316.9)**
Net proceeds from issue of senior notes	—	—	288.8
Net proceeds from issue of shares under placement	119.9	—	—
Dividend paid	(118.1)	(125.8)	(170.8)
Interest paid	—	—	(14.1)
Net cash generated from/(used in) financing activities	**1.8**	**(125.8)**	**104.0**
Net increase/(decrease) in cash and cash equivalents	**67.8**	**(158.1)**	**263.7**

Note: Due to rounding, the figures presented above may not add up to the totals.

Net cash generated from operating activities increased from US$201.7 million for FY2016 to US$476.7 million for FY2018, which was in line with the increase of profit for the same period.

Net cash used in investing activities rose from US$135.7 million for FY2016 to US$316.9 million for FY2018 as a result of the capital expenditure on the Group's hotel and casino complex located in Cambodia and Russia.

The Group recorded a net cash used in financing activities for FY2017 which represented dividend payout in the period. For FY2016 and FY2018, the Group continued to pay dividends and also completed the issue of shares under placement (with net proceeds amounted to US$119.9 million) and the issue of senior notes (with net proceeds amounted to US$288.8 million), resulting in net cash generated from financing activities of US$1.8 million and US$104.0 million in the respective periods.

B. Information about the Controlling Shareholder and the Subscriber

Tan Sri Dr. Chen Lip Keong is the founder and controlling shareholder of the Company. As at the date of the Circular, he serves as the chief executive officer, an executive Director, and a member of the Remuneration Committee, the Nomination Committee and the AML Oversight Committee of the Company. Tan Sri Dr. Chen Lip Keong is also a director of several wholly-owned subsidiaries of the Company, and a director of LIPKCO Group Limited (formerly known as Fourth Star Finance Corp.), which is a substantial shareholder of the Company. The Controlling Shareholder is also the sole director and sole shareholder of ChenLipKeong Fund Limited, an investment holding company incorporated in the Cayman Islands with limited liability.

C. Information about the Naga 3 Project

Background of the Naga 3 Project

Naga 3 Company Limited, a private company incorporated in Cambodia and wholly and beneficially owned by the Company, is the beneficial owner of the following properties:

(i) land parcel of 7,757 square metres with Title Deed of Immovable Property No. 12010101-0057 Village 1, Sangkat Tonle Bassac, Khan Chamkar Morn, Phnom Penh (the "**former White Building land**"); and

(ii) land parcel of 9,080 square metres with Title Deed of Immovable Property No. 12010115-0003 Village 15, Sangkat Tonle Bassac, Khan Chamkar Morn, Phnom Penh, sited boundary to boundary to the former White Building land.

Via Sub-Decree No. 42 Or No Kror. Bor Kor dated 3 April 2015 on Urbanization of the Capital City, Towns and Urban Areas and Letter No. 655 Sor Cho Kho Sor dated 7 June 2018 of the Office of the Council of Ministers, the Royal Government of Cambodia granted approval in principle for Naga 3 Company Limited to build the Naga 3 integrated entertainment complex of four blocks of buildings of 42 storeys high on the former White Building land.

Since the development approval in principle above, Naga 3 Company Limited has recently bought additional land of 9,080 square metres, sited boundary to boundary to the former White Building land and has submitted an application for approval for amendment of the plan of the Naga 3 Project by building five blocks of buildings of maximum height of 66 storeys equaling 285.65 metres high with functions, entertainment places, hotels, and apartments on the former White Building land and the additional land of 9,080 square metres, sited boundary to boundary to the former White Building land with a combined land area of 16,837 square metres.

Further, pursuant to Letter No. 148 Dor No Sor/Or Dor No dated 8 May 2019 issued by the MLMUPC, the MLMUPC has issued a Construction Permit submitted by Naga 3 Company Limited to construct Naga 3 integrated entertainment complex, with maximum height of 66 storeys equaling 285.65 meters high, having total built-up area of 589,554 square metres on the land lot of size of 16,837 square metres having Title Deed of Immovable Property No. 12010101-0057 and Title Deed of Immovable Property No. 12010115-0003 located on Street Sothearos, Village 15, Sangkat Tonle Bassac, Khan Chamkarmon, Phnom Penh.

Conceptual Design by Steelman Partners

The Naga 3 Project will showcase a life-style product consisting of gaming and non-gaming spaces and comprise amenities and facilities which are not available at Naga 1 and Naga 2, notably hi-tech virtual reality interactive indoor theme parks, more shopping and MICE facilities and family recreational areas etc. to impart a more satisfying, penetrating and complete visitation experience.

Building the biggest riverine integrated resort in the world

Via Letter No. 441 Sor Chor Nor dated 2 April 2019 of the Office of the Council of Ministers, the Royal Government of Cambodia has granted approval in principle for Naga 3 Company Limited to build the Naga 3 integrated entertainment complex consisting of five blocks of buildings of maximum height of 66 storeys equaling 285.65 metres high on the combined land area of 16,837 square metres which consist of the lands having Title Deed of Immovable Property No. 12010101-0057 and Title Deed of Immovable Property No. 12010115-0003.

The concept architect planners, Steelman Partners, have designed Naga 3 with the intention and purpose that upon completion, the entire NagaWorld facilities shall suitably be referred to the "biggest Riverine Integrated Resort in the World" with total statistics indicated as follows:

1. Naga 1 Gross Floor Area (GFA) 113,307 square metres; 755 keys

2. Naga 2 Gross Floor Area (GFA) 108,764 square metres; 903 keys

3. Naga 3 Gross Floor Area (GFA) 544,801 square metres; 4,720 bays

The Naga 3 Project design features many activities and attractions for children and adults. Its 4,720 bays in five distinctive towers feature many different types of hotels. In addition to NagaWorld managed resorts, several of the hotels are intended to be managed by one or more well-known international hotel brands. The views of the park and the Mekong River, together with the management excellence of one or more international hotel brands will anchor and define this resort. The Company anticipates that these branded resorts will feature the finest quality of any hotels in Asia.

For details of the Naga 3 Project, please refer to sections entitled "Article 2 — Determination of development cost by Colliers", "Article 3 — Key points of the Guaranteed Maximum Sum Design and Build Agreement", "Article 12 — Updated Information about the Naga 3 Project" in the "Letter from the Board" of the Circular.

D. Reasons for and benefits of entering into the Subscription Agreement

The total estimated capital expenditure of US$3,515,011,000 for the Naga 3 Project represents a major commitment of financial resources for the Group. The Group's current free cash flow and earnings (US$512 million EBITDA and net income of US$391 million for the 12 months ended 31 December 2018) are insufficient to fund the Naga 3 Project entirely from internally generated cash flow, and doing so would in any event impact the Company's ability to pay dividends, which the Company is committed to maintaining at current levels. The Company believes that it can maintain an aggregate net cashflow after dividend payout of the Company at the current rate for each of the seven years ending 31 December 2025 at US$1,842 million.

As set out in the "Letter from the Board" of the Circular, the Company and its Financial Advisers had evaluated various funding options in connection with the development of the Naga 3 Project, and the Company considered that the provision of 50% of the required funding by the Controlling Shareholder with the remaining balance to be funded from the Company's internally generated free cash flow to be the most efficient method of funding for the development of Naga 3.

Pursuant to the Subscription Agreement, the Subscriber agrees to subscribe for 1,142,378,575 Settlement Shares or such Adjusted Settlement Shares (whichever is relevant), subject to the adjustments under the terms of the Subscription Agreement, at a sum equal to 50% of the total development costs of the Naga 3 Project (i.e. in an aggregate principal amount up to US$1,757,505,500). The Company intends to utilise the net proceeds from the issue of the Settlement Shares or Adjusted Settlement Shares (whichever is relevant) to partially fund the development and construction cost of the Naga 3 Project.

Considering the financial resources available to the Group and its funding requirement for the Naga 3 Project, we are of the view that the reasons for the Subscription are fair and reasonable.

E. Principle terms and conditions of the Subscription Agreement

On 14 April 2019, the Company as an issuer entered into the Subscription Agreement with ChenLipKeong Fund Limited as the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, the Settlement Shares at HK$12.00 per share.

The principal terms of the Subscription Agreement are summarised below:

Date

14 April 2019

Parties

(i) The Company, as an issuer; and

(ii) the Subscriber

Term of the Subscription Agreement

From 14 April 2019 to the date of completion of the Guaranteed Maximum Sum Design and Build Agreement on or before 30 September 2025 and/or such other extension date that may be mutually agreeable between the Employer and the Contractor.

Subscription Sum

(a) the sum of US$1,757,505,500 subject to the final Contract Sum;

(b) in the case of Project Resize, means a sum of less than US$1,757,505,500 subject to the final Contract Sum is less than US$3,515,011,000 and the Total Built-Up Areas are less than 544,801 square metres; in this case, the Subscription Sum shall be 50% of the final Contract Sum;

(c) in the event of Costs Underrun, a sum of US$1,757,505,500 subject to the final Contract Sum is less than US$3,515,011,000. The savings arising from these changes shall go towards the benefits and account of the Issuer and not the Controlling Shareholder. In such circumstances, the amount of savings shall be equivalent to the lesser amount of payments to be made by the Company towards the development and construction of the Naga 3 Project; or

(d) in the event of Costs Overrun when the final Contract Sum is more than US$3,515,011,000, any such cost overrun shall be borne by the Controlling Shareholder and the sum of US$1,757,505,500 shall remain the same.

Issue Price for the Settlement Shares

The Settlement Shares will be issued at HK$12.00 per Share ("**Subscription Price**").

The issue price will be adjusted for dilutive effects of (a) consolidation, subdivision, redenomination or reclassification of Shares; (b) capitalisation of profits or reserves; (c) capital distributions; (d) rights issues of Shares or options over Shares at less than 95% of the then current market price; (e) rights issue of other securities other than those in (d) above; (f) issues of Shares, or securities convertible or exchangeable for Shares, or modification of any conversion, exchange or subscription rights, in each case, at less than 95% of the then current market price; and (g) other offers to Shareholders. For details of the Subscription Price adjustment, please refer to **Appendix 1** attached in this letter.

Reduction of the number of the Settlement Shares

In the event of Project Resize the total development cost may fall below US$3,515,011,000. The number of Adjusted Settlement Shares under such situation will be calculated with reference to 50% of that reduced amount divided by the Subscription Price.

Number of Settlement Shares and Timing of Issue

The total number of Settlement Shares will be 1,142,378,575 (subject to adjustments of the number of Settlement Shares and/or the issue price as referred to above) representing approximately 26.32% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 20.83% of the issued share capital of the Company as enlarged by the Settlement Shares. The date of issue of the Settlement Shares shall coincide with the completion of the Naga 3 Project.

Timing of payment of Subscription Sum

The timing of payment shall be decided by the progress claims by the Contractor which has been certified by the Project Architect. The Subscriber shall pay 50% of each progress billings and the Group shall pay 50% of each progress billings issued by the Contractor and certified by the Project Architect throughout the construction period and up to the completion of the Naga 3 Project.

Costs Overrun and Underrun

In the event of Costs Overrun, the Controlling Shareholder shall pay all the costs overrun. The Company shall not issue Shares for the Cost Overrun Amount.

In the event of Costs Underrun, the number of Settlement Shares will not be adjusted downwards and the benefits of the costs savings will go towards account of the Company, i.e. the Company's 50% proportionate contribution of capital in cash towards the funding of the Naga 3 Project shall be reduced by the amount of Costs Underrun.

Interest

No interest will accrue on the payment tranches of the Subscription Sum during the period prior to the issue of the new Shares under the Subscription Agreement.

Conditions precedent

The Subscriber's obligation to subscribe for and pay for the Settlement Shares or Adjusted Settlement Shares (whichever is relevant) shall be conditional upon the fulfilment or waiver of, among other things, the following conditions:

(a) as per the terms of the Subscription Agreement prior to the Issue Date, (i) the representations and warranties of the Company being true, accurate and correct in all respects and not misleading in any respect at, and as if made on, such date; and (ii) the Company having performed all of its obligations under the Subscription Agreement;

(b) the Shares remaining listed and traded on the Stock Exchange at all times prior to and on the Issue Date;

(c) on or prior to the Subscription Payment, the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Settlement Shares or Adjusted Settlement Shares (whichever is relevant); and

(d) the Company having obtained resolutions of its Independent Shareholders at the EGM approving (i) the Subscription Agreement and the transactions contemplated thereunder; and (ii) the specific mandate for the allotment and issue of the Settlement Shares or Adjusted Settlement Shares (whichever is relevant).

The Company intends to waive condition (c) above as it understands the listing approval will be given at the time when (i) the actual number of Settlement Shares (or Adjusted Settlement Shares) to be issued can be ascertained and (ii) all the conditions precedent to the issue of those shares are met.

The Issuer's obligation to issue the Settlement Shares or Adjusted Settlement Shares (whichever is relevant) are conditional upon the fulfilment or waiver of the following conditions:

(a) on the Issue Date, (i) the representations and warranties of the Subscriber in the transaction documents being true, accurate and correct in all respects and not misleading in any respect at, and as if made on, such date; and (ii) the Subscriber having performed all of its obligations under the transaction documents to be performed on or before such date; and

(b) the receipt or evidence of receipts by the Issuer of payment of the Subscription Sum paid by the Subscriber.

Temporary suspension and permanent termination of the Naga 3 Project

If the Company decides to temporarily suspend the Naga 3 Project on short-term or long-term basis or if the Naga 3 Project needs to be substantially changed, the following shall apply:

(a) The Company shall enter into discussions with the Subscriber and the Contractor to analyse the reasons of the delay and if necessary shall make any reasonable arrangements to postpone the development of Naga 3 to such a time when both parties conclude to resume the development to reflect the spirit and determination of completion of the Naga 3 Project. In such event, where necessary, the Company shall make announcement(s) and shall seek the relevant requisite approvals including approval from the Shareholders;

(b) Irrespective of the period of delay, there shall be no cash refund and the partially completed Naga 3 Project shall continue to be kept as assets in the books of the Company until the delivery of a fully completed and fully operational Naga 3 Project;

(c) In the event of temporary suspension and where the Costs Overrun occurs that the Total Development Costs exceed US$3,515,011,000 due to the prolonged suspension, the Controlling Shareholder shall bear the amount of the Costs Overrun; and

(d) If fund is needed to develop Naga 3 due to any temporary delay, the Company may launch fundraising for working capital for bridging and filling in any potential gaps of the total financing requirements to develop and complete the Naga 3 Project.

If the Naga 3 Project is permanently terminated due to force majeure events or other reasons out of the Company's control as independently determined by the Project Architect, all cash advances paid by the Subscriber shall not be refundable by the Company and shall be forfeited and the partially completed Naga 3 Project shall be kept as assets in the books of the Company. We consider that this provision is an additional feature which favours the Company and Shareholders as a whole.

F. Analysis on the Subscription Price

The Subscription Price is fixed (subject to adjustment) now to provide certainty as to the prospective shareholding dilution. The Funding will be provided in tranches during the development project but the Settlement Shares or Adjusted Settlement Shares (whichever is relevant) will not be issued until the completion of the Naga 3 Project.

The number of Settlement Shares will not be adjusted downwards in the event of Costs Underrun as the Subscription Price and the minimum Subscription Sum are fixed. The benefit from such costs savings will go towards account of the Company, i.e. the Company's 50% proportionate contribution of capital in cash towards the funding of the Naga 3 Project shall be reduced by the amount of Costs Underrun. The same provision applies in the event of Costs Overrun where the Controlling Shareholder will bear 100% of the Cost Overrun Amount and receive no additional new shares.

The Subscription Price of HK$12.00 represents:

(a) a premium of approximately 29.0% over Last Traded Price of HK$9.31;

(b) a premium of approximately 25.2% to the average closing price of approximately HK$9.58 per Share for the last five (5) consecutive trading days up to and including the Last Trading Date;

(c) a premium of approximately 16.5% to the average closing price of approximately HK$10.30 per Share for the last ten (10) consecutive trading days up to and including the Last Trading Date;

(d) a premium of approximately 14.4% to the average closing price of approximately HK$10.49 per Share for the last thirty (30) consecutive trading days up to and including the Last Trading Date;

(e) a premium of approximately 24.5% over 5 trading days of VWAP of HK$9.64;

(f) a premium of approximately 24.9% over 120 trading days of VWAP of HK$9.61;

(g) a premium of approximately 36.0% over 240 trading days of VWAP of HK$8.83;

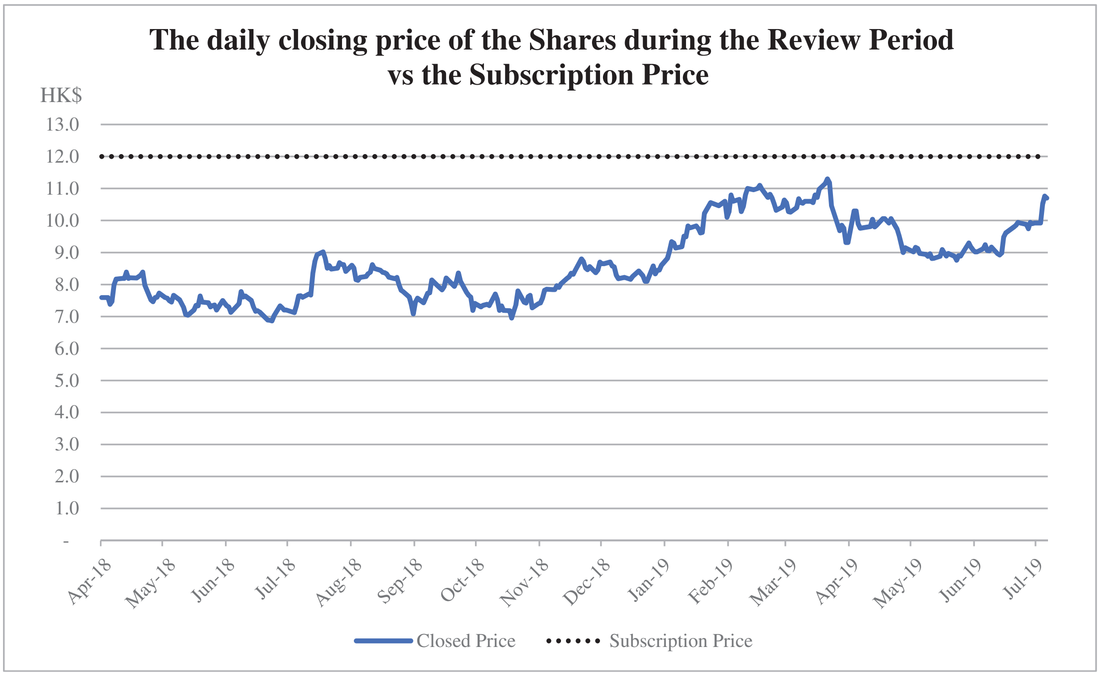
(h) a premium of approximately 333.7% over the Company's net assets value of HK$2.77 per Share as at 31 December 2018; and

(i) a premium of approximately 12.1% to the closing price of HK$10.7 per Share on the Latest Practicable Date.

The terms of the Subscription Price adjustment are attached as **Appendix 1**. These adjustment provisions in **Appendix 1** are the typical terms designed to ensure that the economic value represented by the subscription rights are preserved in the event of changes to the issued share capital. We consider these provisions are fair and reasonable.

Review of share prices

The diagram below shows the daily closing prices of the Shares as quoted on the Stock Exchange between 14 April 2018, being 12 months prior to the date of Subscription Agreement and the Latest Practicable Date ("**Review Period**").



During the Review Period, the highest and lowest closing price of the Shares were HK$11.30 and HK$6.86 respectively with an average closing price of approximately HK$8.66. We note that the Subscription Price represents: (i) a premium of approximately 38.6% to the average closing price; (ii) a premium of approximately 6.2% to the highest closing price; and (iii) a premium of approximately 74.9% to the lowest closing price.

We note that the Share price declined following the announcement of the DBA and the Subscription Agreement. The quoted closing price of the Shares on 15 April 2019, the trading date following the announcement of the entering into of the DBA and the Subscription Agreement was HK$10.3, compared with the closing price of the Shares of HK$11.18 on 3 April 2019, the date when the proposed development of the Naga 3 Project was first announced, representing a decline of 7.87%. The average closing price of the Shares since the announcement up to the Latest Practicable Date is HK$9.45. While this decline may be attributed to the market reaction to the DBA and the Subscription Agreement, for the reasons set out in this letter we consider the terms of the Subscription Agreement are fair and reasonable.

Comparison with recent issue of shares

We consider the overall structure of the Subscription and issue of Settlement Shares or Adjusted Settlement Shares (whichever is relevant) resembles a series of prepaid forward contracts for subscriptions of new Shares conditional upon completion of the Naga 3 Project. However, there is a lack of comparable transactions disclosed by other Hong Kong listed issuers for us to conduct a meaningful analysis. With an aim to assessing the fairness and reasonableness of the Subscription Price, we have referred to transactions involving placing/subscription of new shares under specific mandates which were approved by shareholders and have not lapsed as at the Latest Practicable Date during the last twelve calendar month prior to 14 April 2019, being the date of the Subscription Agreement ("**Comparable Issues**"). An exhaustive list of 28 Comparable Issues in total are identified based on our selection criteria.

We believe that a twelve months timespan covers sufficient comparable placing transactions and is able to reflect the latest investment sentiment of the market, irrespective of the issuers' varying business nature, operation size, prospect, profitability, financial condition, market capitalisation, size and purpose of fundraising.

The following table sets forth the relevant details of the Comparable Issues:

Date of circular	**Company name**	**Stock code**	**Issue price** *(HK$)*	**Premium / (discount) of issue price over/(to) the closing price of the last trading day** *(%)*	**Premium / (discount) of issue price over/(to) the average closing price for the last five trading days** *(%)*	**Premium / (discount) of issue price over/(to) the average closing price for the last ten trading days** *(%)*	**Issued to Connected Person(s)** *(Y/N)*
18-Mar-19	Yuexiu Property Company Limited	123	2.000	20.48	23.00	25.39	N
1-Mar-19	Green International Holdings Limited	2700	0.212	10.42	7.29	6.85	Y
1-Mar-19	Panda Green Energy Group Limited	686	0.300	(23.08)	(22.28)	(23.37)	N
18-Feb-19	Beijing Enterprises Water Group Limited	371	4.290	0.23	1.27	3.80	Y
13-Feb-19	National Investments Fund Limited	1227	0.018	(18.18)	(21.05)	(20.70)	N
31-Jan-19	Alibaba Pictures Group Limited	1060	1.250	1.63	1.13	1.63	Y
16-Jan-19	Shenwan Hongyuan (H.K.) Limited	218	2.068	29.25	30.39	28.53	Y
15-Jan-19	TUS International Limited	872	0.608	(13.09)	(10.00)	(9.06)	Y
31-Dec-18	Quali-Smart Holdings Limited	1348	0.350	(37.50)	(38.16)	(39.34)	N
13-Dec-18	Xinte Energy Co., Ltd	1799	8.800	15.79	21.95	22.77	Y
12-Dec-18	Zhuguang Holdings Group Company Limited	1176	1.300	(6.47)	(7.80)	(8.84)	Y
15-Nov-18	Xinyang Maojian Group Limited	362	0.315	(1.56)	(2.48)	(3.67)	Y
11-Oct-18	FDG Electric Vehicles Limited	729	0.090	(5.26)	(5.26)	(8.16)	N
5-Oct-18	Truly International Holdings Limited	732	1.180	(6.35)	(4.84)	(7.16)	Y

Date of circular	Company name	Stock code	Issue price *(HK$)*	Premium / (discount) of issue price over/(to) the closing price of the last trading day *(%)*	Premium / (discount) of issue price over/(to) the average closing price for the last five trading days *(%)*	Premium / (discount) of issue price over/(to) the average closing price for the last ten trading days *(%)*	Issued to Connected Person(s) *(Y/N)*
17-Sep-18	Ausnutria Dairy Corporation Ltd	1717	5.180	(20.67)	(17.86)	(15.53)	Y
11-Sep-18	China Putian Food Holding Limited	1699	0.140	(27.08)	(25.69)	(24.97)	Y
10-Sep-18	Jiangsu Nandasoft Technology Company Limited	8045	0.184	9.52	8.11	2.56	Y
7-Sep-18	Ban Loong Holdings Limited	30	0.180	—	(1.21)	(0.39)	Y
3-Sep-18	Sinofortune Financial Holdings Limited	8123	0.060	3.45	3.45	3.27	Y
3-Sep-18	CMBC Capital Holdings Limited	1141	0.363	(18.40)	(19.50)	(20.92)	Y
27-Aug-18	Shougang Concord International Enterprises Company Limited	697	0.250	28.87	30.21	33.05	Y
12-Jul-18	China Grand Pharmaceutical and Healthcare Holdings Limited	512	5.000	(20.89)	(20.20)	(18.19)	Y
26-Jun-18	China Baofeng (International) Limited	3966	2.600	(13.33)	(13.96)	(18.44)	Y
8-Jun-18	China Ocean Fishing Holdings Limited	8047	0.450	(21.05)	(20.77)	(19.93)	N
5-Jun-18	*Asia Resources Holdings Limited	899	0.250	180.90	175.94	171.74	Y
28-May-18	New Focus Auto Tech Holdings Limited	360	0.420	(40.00)	(36.75)	(32.91)	N
23-May-18	TUS International Limited	872	0.537	(11.97)	(9.90)	(7.09)	Y
10-May-18	Central China Real Estate Limited	832	3.650	7.04	8.24	7.38	Y
	28 Comparable Share Issues	**Maximum**		180.90	175.94	171.74	
		Minimum		(40.00)	(38.16)	(39.34)	
		Average		**10.81**	**1.19**	**1.01**	
		Median		(5.80)	(5.05)	(7.13)	
	27 Comparable Share Issues (*excluding outlier)	**Maximum**		29.25	30.39	33.05	
		Minimum		(40.00)	(38.16)	(39.34)	
		Average		**(5.86)**	**(5.28)**	**(5.31)**	
		Median		(6.35)	(5.26)	(7.16)	
	21 Comparable Share Issues Issued to Connected Person(s) (*excluding outlier)	**Maximum**		29.25	30.39	33.05	
		Minimum		(27.08)	(25.69)	(24.97)	
		Average		**(1.68)**	**(1.07)**	**(1.22)**	
		Median		(0.78)	(1.84)	(2.03)	
	The Subscription		**12.000**	**28.89**	**25.23**	**16.52**	

Source: Stock Exchange website

For each of the 28 Comparable Issues, we compared the premium/(discount) of its issue price over/(to): (i) the closing price on the last trading day, being the day immediately prior to the entering into of the respective subscription agreement; (ii) the average closing price for the last five consecutive trading days prior to the last trading days; and (iii) the average closing price for the last ten consecutive trading days prior to the last trading days.

We note that one out of the 28 Comparable Issues would appear to represent an extreme premium, namely Asia Resources Holdings Limited (stock code: 899), as the issue price was set at the nominal value of its share, which was substantially higher than its then trading price. By excluding this abnormal transactions, we note that the issue prices of the Comparable Issues as compared to their: (i) closing prices on their last trading days prior to their respective last trading days range from a discount of 40.0% to a premium of 29.25% with an average discount of 5.86%; (ii) average closing prices for the last five consecutive trading days prior to the last trading days range from a discount of 38.16% to a premium of 30.39% with an average discount of 5.28%; and (iii) average closing prices for the last ten consecutive trading days prior to the last trading days range from a discount of 39.34% to a premium of 33.05% with an average discount of 5.31%.

Further, we have singled out those Comparable Issues issued to the corresponding issuers' Connected Persons and note that their issue prices as compared to their: (i) closing prices on their last trading days prior to their respective last trading days range from a discount of 27.08% to a premium of 29.25% with an average discount of 1.68%; (ii) average closing prices for the last five consecutive trading days prior to the last trading days range from a discount of 25.69% to a premium of 30.39% with an average discount of 1.07%; and (iii) average closing prices for the last ten consecutive trading days prior to the last trading days range from a discount of 24.97% to a premium of 33.05% with an average discount of 1.22%.

Based on the above findings, we are of the view that the Subscription Price is fair and reasonable as it represents substantial premiums to the closing price on the last trading day, the average closing price for the last five consecutive trading days prior to the last trading days and the average closing price for the last ten consecutive trading days prior to the last trading days.

G. Financing alternatives

From our discussion with the management of the Company, we understand that they have considered the Financial Advisers' evaluation on alternative financing methods such as debt financing, placing of new shares, and rights issue or open offer, for the development of Naga 3. We also understand from the Company that it is preferable to carry out one rather than phases of fundraising for the development of Naga 3 so as to reduce the overall funding risk and thus the uncertainty on the project development. We consider that it is necessary to ascertain the financing terms before the commencement of the Project rather than rendering the sufficiency of fund for each phrase of development uncertain in the hope of expecting more favourable financing alternatives that may be available to the Group in the future because the latter arrangement can put the completion of the Project in a jeopardy should the financial market conditions deteriorate during the period of the development. The Company concluded that the Subscription provides more favourable terms on the whole than those of the alternative financings for the following reasons:

Debt financing

The Company believes that the issue of debt or project-based financing creates significant additional leverage for the Group, increases its default risk and negatively impacts the Company's credit rating. Also, the ability to obtain a debt financing of approximately US$1.76 billion would be subject to market conditions and circumstances that are beyond the Group's control.

We note that the Company completed an issue of US$300,000,000 senior notes on 21 May 2018 (New York City time) with a maturity date on 21 May 2021 bearing an interest rate of 9.375% per annum (payable semi-annually) ("**2021 Notes**"). According to Bloomberg's data sets, the 2021 Notes' yield-to-maturity was approximately 5.84% as at the Latest Practicable Date. If the Company were to issue additional debt in the form of bond instrument for the development of the Naga 3 Project, the term of such bond would need to match the contract period of the project which is estimated to be approximately six years. Assuming the additional leverage would not alter the Company's existing credit rating, the longer maturity of the bond would likely attract a higher required yield, meaning that the effective interest rate to be borne by the Group would possibly exceed the current yield of 5.84% of the 2021 Notes by a significant degree.

In addition, we have identified an exhaustive list of 60 trading bonds which are comparable to the credit profile of the 2021 Notes but with the term of the Naga 3 Project ("**Comparable Bonds**"). Set forth below are the selection criteria:

(i) the issuer is affirmed by Moody's with a B1 rating or Standard & Poor's with a B+ rating;

(ii) the bond is denominated in US dollars;

(iii) the bond matures between 30 June 2025 and 31 December 2025; and

(iv) there is no convertible element embedded in the bond.

Issuer Name	Maturity Date	Coupon (%)	Yield-to-maturity (%)
Turkcell Iletisim Hizmetleri AS	15/10/2025	5.75	6.49
Delphi Technologies PLC	01/10/2025	5	7.84
Mattel Inc	31/12/2025	6.75	6.10
Beacon Roofing Supply Inc	01/11/2025	4.875	5.11
Mattamy Group Corp	01/10/2025	6.5	5.53
Spectrum Brands Inc	15/07/2025	5.75	5.15
Delphi Technologies PLC	01/10/2025	5	7.22
Mattel Inc	31/12/2025	6.75	6.13
CenturyLink Inc	01/12/2025	7.2	6.80
Carrizo Oil & Gas Inc	15/07/2025	8.25	7.72
Fortress Transportation & Infrastructure Investors LLC	01/10/2025	6.5	5.83

Issuer Name	Maturity Date	Coupon (%)	Yield-to-maturity (%)
SRC Energy Inc	01/12/2025	6.25	8.25
Scientific Games International Inc	15/10/2025	5	4.67
Century Communities Inc	15/07/2025	5.875	5.74
Genesis Energy LP / Genesis Energy Finance Corp	01/10/2025	6.5	6.66
LPL Holdings Inc	15/09/2025	5.75	5.17
Encompass Health Corp	15/09/2025	5.75	4.98
First Quality Finance Co Inc	01/07/2025	5	4.66
Par Petroleum LLC / Par Petroleum Finance Corp	15/12/2025	7.75	7.75
M/I Homes Inc	01/08/2025	5.625	5.24
RBS Global Inc / Rexnord LLC	15/12/2025	4.875	4.51
Transocean Pontus Ltd	01/08/2025	6.125	5.47
Owens-Brockway Glass Container Inc	15/08/2025	6.375	4.63
JELD-WEN Inc	15/12/2025	4.625	4.92
Kratos Defense & Security Solutions Inc	30/11/2025	6.5	5.01
Parsley Energy LLC / Parsley Finance Corp	15/08/2025	5.25	4.91
Covanta Holding Corp	01/07/2025	5.875	4.98
Weekley Homes LLC / Weekley Finance Corp	15/08/2025	6.625	6.65
Wabash National Corp	01/10/2025	5.5	6.28
Allegheny Ludlum LLC	15/12/2025	6.95	6.20
Matthews International Corp	01/12/2025	5.25	5.58
Post Holdings Inc	15/07/2025	8	6.47
Qualitytech LP / QTS Finance Corp	15/11/2025	4.75	4.75
Vantiv LLC / Vantiv Issuer Corp	15/11/2025	4.375	3.59
Greystar Real Estate Partners LLC	01/12/2025	5.75	5.30
Owens-Brockway Glass Container Inc	15/08/2025	6.375	4.81
Turkcell Iletisim Hizmetleri AS	15/10/2025	5.75	6.48
Mattamy Group Corp	01/10/2025	6.5	5.85
Post Holdings Inc	15/07/2025	8	6.54
Beacon Roofing Supply Inc	01/11/2025	4.875	5.06
Matthews International Corp	01/12/2025	5.25	5.49
Transocean Pontus Ltd	01/08/2025	6.125	5.45
First Quality Finance Co Inc	01/07/2025	5	4.64
Fortress Transportation & Infrastructure Investors LLC	01/10/2025	6.5	5.84
Century Communities Inc	15/07/2025	5.875	5.75
Par Petroleum LLC / Par Petroleum Finance Corp	15/12/2025	7.75	7.78
Scientific Games International Inc	15/10/2025	5	4.68
RBS Global Inc / Rexnord LLC	15/12/2025	4.875	4.51
Fortress Transportation & Infrastructure Investors LLC	01/10/2025	6.5	5.84
Qualitytech LP / QTS Finance Corp	15/11/2025	4.75	4.81

Issuer Name	Maturity Date	Coupon (%)	Yield-to-maturity (%)
LPL Holdings Inc	15/09/2025	5.75	5.22
Vantiv LLC / Vantiv Issuer Corp	15/11/2025	4.375	3.62
Wabash National Corp	01/10/2025	5.5	6.35
Parsley Energy LLC / Parsley Finance Corp	15/08/2025	5.25	4.84
LPL Holdings Inc	15/09/2025	5.75	5.27
Greystar Real Estate Partners LLC	01/12/2025	5.75	5.28
JELD-WEN Inc	15/12/2025	4.625	4.89
Century Communities Inc	15/07/2025	5.875	5.75
Beacon Roofing Supply Inc	01/11/2025	4.875	5.10
Kratos Defense & Security Solutions Inc	30/11/2025	6.5	5.07
	Max		8.25
	Min		3.59
	Average		**5.62**
	Median		5.37

Source: Bloomberg

Without taking account of other factors which may influence a bond's required rate of return, such as seniority, availability of guarantors, collateral, and the like, results from the above table shows that the yield-to-maturity of the Comparable Bonds range from 3.59% to 8.25%, with an average of 5.62%. If the Company were to issue debt instruments to finance the Naga 3 Project and had its credit ratings negatively affected by the increase in gearing, the interest cost for these debt instruments would possibly be higher than the average yield-to-maturity of the Comparable Bonds.

Issue of new equity

The Company believes that issuing new shares through a placing or a rights issue would have significant and immediate dilutive impact on the Shareholders in terms of shareholding, earnings and costs. The Company also considered that a rights issue will result in either additional financial burden to the minority Shareholders to participate in the rights issue, or further dilution to the minority Shareholders in the event that they elect not to participate in the rights issue.

Based on our earlier analysis on Comparable Issues, we believe that to fund the Naga 3 Project through the issue of new Shares now would intensify the dilutive effect comparing to that of the Subscription because the new Shares would likely be issued at a discount to the prevailing trading price in order to attract adequate demand from potential investors.

On the other hand, although the principle of rights offering is to prevent dilution to existing shareholders by offering them an entitlement to take up new shares in proportion to their existing shareholdings, rights offer made at a discount to the market price would dilute the investments of shareholders who do not participate or fully participate. We have identified a list, which we believe is exhaustive, of 11 transactions involving rights issue which were approved by shareholders and have not lapsed as at the Latest Practicable Date during the last twelve calendar month prior to the date of the Subscription Agreement. As shown in the table below, it is not uncommon for issuers to offer rights shares at deep discounts in order to encourage shareholders' participation and the average discount of our findings is at 23.30%.

Date of circular	**Stock code**	**Company name**	**Subscription price for rights share** *(HK$)*	**Premium/ (Discount) of the subscription price over/(to) closing price per share on the respective last trading day in relation to the rights offering** *(%)*
08-Apr-19	1097	i-Cable Communications Limited	0.100	(13.00)
22-Mar-19	1026	Universal Technologies Holdings Limited	0.230	(33.33)
08-Mar-19	263	GT Group Holdings Limited	0.560	(27.27)
11-Dec-18	206	CMIC Ocean En-Tech Holding Co., Ltd. (formerly known as TSC Group Holdings Limited)	0.450	(6.30)
03-Aug-18	1194	Munsun Capital Group Limited	0.220	(26.67)
07-Jun-18	326	China Star Entertainment Limited	0.250	(36.71)
28-May-18	622	Oshidori International Holdings Limited (formerly known as Enerchina Holdings Limited)	0.450	(7.22)
25-May-18	1495	Jiyi Household International Holdings Limited	0.600	(14.29)
11-May-18	8201	PPS International (Holdings) Limited	0.18	(32.08)
08-May-18	1069	China Agroforestry Low-Carbon Holdings Limited	0.052	(29.73)
20-Apr-18	559	DeTai New Energy Group Limited	0.052	(29.73)
			Max	(6.30)
			Min	(36.71)
			Average	**(23.30)**
			Median	(27.27)

Source: Stock Exchange website

Convertible Financing

The Company believes that convertible financing instruments inherit the shortcomings of both debt and equity financing. We concur with that view as convertible securities are designed as hybrid securities with debt and equity (through conversion) elements.

To assess the prevailing interest rates and conversion prices of issued convertible securities, we have identified a list, which we believe to be exhaustive, of 24 transactions involving issue of convertible securities for cash which were approved by shareholders and have not lapsed as at the Latest Practicable Date during the last twelve calendar month prior to the date of the Subscription Agreement. Their relevant details are sets out in the below table:

Date of circular	**Company name**	**Stock code**	**Interest rate per annum** *(%)*	**Premium/ (discount) of the conversion price over/to closing price per share on the respective last trading day/latest practicable date/ agreement date** *(%)*
08-Apr-19	i-Cable Communications Limited	1097	2.00	8.70
25-Feb-19	Concord New Energy Group Limited *(Note 2)*	182	2.00 until the third anniversary and 5.00 thereafter	63.93 (Tranche 1) 80.33 (Tranche 2) 96.72 (Tranche 3)
21-Feb-19	Shifang Holding Limited	1831	3.00	9.09
04-Feb-19	Carnival Group International Holdings Limited	996	8.00	2.36
31-Jan-19	China Ruifeng Renewable Energy Holdings Limited	527	8.00	(13.39)
31-Jan-19	Huajun International Group Limited	377	1.50	100.00
24-Jan-19	Evershine Group Holdings Limited	8022	1.00	(18.00)
16-Jan-19	Hospital Corporation of China Limited	3869	0.00	13.12
15-Jan-19	TUS International Limited	872	0.00	(14.31)
11-Jan-19	Shougang Concord Century Holdings Limited	103	4.00	83.33
08-Jan-19	China Finance Investment Holdings Limited	875	5.00	3.41
06-Nov-18	Yanchang Petroleum International Limited	346	6.00	8.57

Date of circular	Company name	Stock code	Interest rate per annum (%)	Premium/(discount) of the conversion price over/to closing price per share on the respective last trading day/latest practicable date/agreement date (%)
30-Oct-18	China Healthwise Holdings Limited *(Note 3)*	348	6.00 / 8.00	69.49
23-Oct-18	South Sea Petroleum Holdings Limited	76	0.00	25.00
04-Oct-18	Ko Yo Chemical (Group) Limited	827	4.00	(21.20)
11-Sep-18	YiChang HEC ChangJiang Pharmaceutical Co., Ltd.	1558	3.00	4.70
17-Aug-18	Pa Shun International Holdings Limited	574	0.00	4.17
11-Jul-18	Prosper One International Holdings Company Limited	1470	0.80	(16.67)
27-Jul-18	Energy International Investments Holdings Limited	353	3.00	0.00
10-Jul-18	Green Leader Holdings Group Limited	61	1.50	0.00
09-Jul-18	Comtec Solar Systems Group Limited	712	10.00	0.00
29-Jun-18	Macrolink Capital Holdings Limited (formerly known as Junefield Department Store Group Limited)	758	5.00	(21.30)
23-May-18	Semiconductor Manufacturing International Corporation	981	2.00	23.60
23-May-18	TUS International Limited	872	0.00	(11.97)
	OVERALL	Max	10.00	100.00
		Min	0.00	(21.30)
		Average	**3.13**	**10.45**
		Median	3.00	2.89

Source: Stock Exchange website

Notes:

1. The interest rate per annum and premium/(discount) in the table above are extracted from the respective circulars of the companies.

2. The convertible loan has a term of five years and is comprised of three tranches with weighting of 4:3:3 and drawable in one disbursement. The weighted average of the conversion price and interest rate are used for this convertible loan for calculation of the overall premium/(discount) of the conversion price and interest rates.

3. The interest rate of this convertible bond is 6% if conditions precedent are fulfilled or 8% if conditions precedent are not fulfilled. The average interest rate of 7% is used for this convertible bond for calculation of the overall interest rates.

As shown in the above table, prevailing coupon rates range from 0% to 10%, with an average of approximately 3.13%, while the prevailing premium/discount of conversion price over/to closing price on the last trading day prior to agreement date range from a discount of 21.30% to a premium of 100.0%, with an average of a premium of 10.45%.

Based on all of the analysis set out above and the fact that the Funding bears no interest and the Settlement Shares will be issued (upon completion of the Naga 3 Project) at a premium of 28.89% to the closing price of the Shares as at the date of the Subscription Agreement, we are of the view that the terms of the Subscription are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

H. Costs Overrun and Underrun and Project Resize

Under the terms of the Subscription Agreement, the Controlling Shareholder will be responsible for 100 per cent of any costs of the Naga 3 Project in excess of US$3,515,011,000. The Guaranteed Maximum Sum Design and Build Agreement has also been fixed with a maximum cost of US$3,515,011,000. The Controlling Shareholder will, on completion of the project, be entitled to the issue of 1,142,378,575 Shares, but will not be compensated for any Costs Overrun.

Accordingly, the Group's cash exposure to the cost of the development is limited to US$1,757,505,500. In the event of Costs Underrun, all the benefits of the costs savings will go towards account of the Company to reduce the Company's progress payments for the Naga 3 Project. Accordingly, the proportion of the Total Development Costs borne by the Company will be reduced by the full amount of such Cost Underrun. The effect of this arrangement is that for every one percent reduction in the Total Development Costs, the Company will enjoy a two percent reduction in its contribution to the Total Development Costs. As the Controlling Shareholder will be bearing a minimum of US$1,757,505,500 out of the Total Development Costs the number of Shares (subject to adjustment) will remain fixed. There will be no adjustment to the number of Shares should the Controlling Shareholder's portion of the Total Development Costs fall below US$1,757,505,500, which could only occur if the Total Development Costs were less than 50% of the current amount of US$3,515,011,000.

The Company has retained the option to reduce the Total Built-Up Areas of the Naga 3 Project to less than the currently planned 544,801 sq. m. under the DBA. In such event the Guaranteed Maximum Sum shall be reduced and computed by the amount of reduction in square metres calculated on the basis of the development costs per sq. m. basis. In such an event the Total Development Costs currently to be US$3,515,011,000 will be reduced and the Subscriber's Contribution will be calculated by reference to 50% of this reduced amount. The Settlement Share Issue Price will be unchanged at HK$12.00 and the number of shares to be issued will be based on 50% of such revised Contract Sum. The provisions relating to Costs Overrun and Costs Underrun referred to above will apply in the same way.

As there will not be an upward adjustment to the number of Settlement Shares in the event that the Subscriber's Contributions exceed US$1,757,505,500 as a result of Costs Overrun, the risk of Cost Overrun will be borne by the Subscriber. Furthermore, Costs Underruns will result in lesser contribution to the Total Development Costs by the Company. We consider that the arrangements relating to Costs Overruns and Costs Underrun to be beneficial to the Company and Shareholders as a whole.

I. Possible effects of the Subscription Agreement

Earnings

Save for the relevant direct expenses and professional fees, the Subscription will not cause any material impact on the earnings of the Group.

Gearing

The presentation of the Group's gearing ratio is not applicable because based on the Company's 2018 annual report, the Group's cash and bank balances, certificates of deposit and other liquid funds (US$392,977,000) were more than its total debts (US$291,118,000).

Following the Subscription and the issue of Settlement Shares or Adjusted Settlement Shares (whichever is relevant), the Group's capital base and net asset would be enhanced. Assuming no change to its leverage level, the Group's gearing position would be further improved.

Net asset value

Based on the Company's 2018 annual report, the Group had total assets of US$1,967,241,000 and total liabilities of US$427,372,000 on 31 December 2018. The resultant net assets of US$1,539,869,000 is equivalent to net asset value per Share US$0.3547.

According to the unaudited pro forma financial information as set out in **Appendix II** of the Circular, on the basis that the Subscription and issue of Settlement Shares or Adjusted Settlement Shares (whichever is relevant) had been completed on 31 December 2018, the total net assets would have been US$3,297,374,500, equivalent to net asset value per Share of US$0.6013 (assuming the Subscription Sum is US$1,757,505,500), an increase of 69.52%.

Following the Subscription and the issue of Settlement Shares or Adjusted Settlement Shares (whichever is relevant), the Group's net asset value is expected to increase by the net amount of Subscription Sum.

Shareholding structure of the Company

The table below sets out the shareholding in the Company (i) as at the Latest Practicable Date; and (ii) immediately upon the issue of the Settlement Shares (assuming that there is no change in the share capital of the Company other than the issue of the Settlement Shares):

	As at the Latest Practicable Date		Immediately upon the issue of the Settlement Shares	
	No. of Shares	**%**	**No. of Shares**	**%**
The Controlling Shareholder and parties acting in concert with him *(Note (1))*	2,869,602,463	66.10	4,011,981,038	73.17
Public Shareholders	1,471,405,578	33.90	1,471,405,578	26.83
Total	**4,341,008,041**	**100.00**	**5,483,386,616**	**100.00**

Note:

(1) As at the Latest Practicable Date, the Controlling Shareholder holds approximately 66.10% of the issued share capital of the Company through (i) a direct interest of 44.17%; and (ii) an indirectly interest of 21.93% held through ChenLa Foundation; which in turn indirectly holds such interest through LIPKCO ENTERPRISES LIMITED and LIPKCO Group Limited (formerly known as Fourth Star Finance Corp.).

Upon allotment and issue of the Settlement Shares and assuming that there is no other change in the issued share capital of the Company, the shareholding interests of existing public Shareholders will be diluted from approximately 33.90% to approximately 26.83%. Although there will be dilutive effects to the public Shareholders' shareholding interests as a result of the issue of Settlement Shares, we consider such dilutive impact to be inevitable and in the interest of the Group and Shareholders as a whole having considered:

(i) the Settlement Shares will not be issued to the Controlling Shareholder until the Completion of the Guaranteed Maximum Sum Design and Build Agreement, that is, when the Contractor hands over a fully completed and fully operational Naga 3;

(ii) the Subscription Price is set at a substantial premium to the prevailing closing price of the Shares prior to the Subscription Agreement, which already mitigates the dilutive effect of the Settlement Shares; and

(iii) the fund raised from the Subscription will provide the Company with the financial resources required for the development of Naga 3 Project.

3. OPINION AND RECOMMENDATION

Taking into account the considerations and factors set out above, we are of the opinion that the terms of the Subscription Agreement are on normal commercial terms or better and are fair and reasonable so far as the Independent Shareholders are concerned. Although the Subscription Agreement may be considered not to be conducted under the ordinary and usual course of business of the Company, we consider it is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, to the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Subscription Agreement and the transaction(s) contemplated thereunder.

Yours faithfully,
For and on behalf of
Anglo Chinese Corporate Finance, Limited

Dennis Cassidy
Director-Head of Corporate Finance

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

Appendix 1 — Terms of the Subscription Price adjustment (excerpt from the Subscription Agreement)

2.4 Reference Price Adjustment

The Reference Price shall be HK$12 per New Share and will be subject to adjustment from the date hereof as follows:

(a) **Consolidation, Subdivision, Re-denomination or Re-classification**:

If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation, subdivision, re-denomination or re-classification, which alters the number of Shares in issue, the Reference Price shall be adjusted by multiplying the Reference Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

Where:

A is the nominal value of one Share immediately after such alteration; and

B is the nominal value of one Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

(b) **Capitalisation of Profits or Reserves:**

(i) If and whenever the Issuer shall issue any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including shares paid up out of distributable profits or reserves and/or share premium account (except any Scrip Dividend)) and which would not have constituted a Capital Distribution, the Reference Price shall be adjusted by multiplying the Reference Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

Where:

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

(ii) In the case of an issue of Shares by way of a Scrip Dividend where the aggregate value of such Shares issued by way of Scrip Dividend as determined by reference to the Current Market Price per Share on the date of announcement of the terms of the issue of such Shares exceeds the amount of the Relevant Cash Dividend or the relevant part thereof and which would not have constituted a Capital Distribution, the Reference Price shall be adjusted by multiplying the Reference Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

A is the aggregate nominal amount of the issued Shares immediately before such issue;

B is the aggregate nominal amount of Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the Relevant Cash Dividend for which Shareholders have elected to receive as Shares issued by way of Scrip Dividend, and (ii) the denominator is the aggregate value of such Shares issued by way of Scrip Dividend as determined by reference to the Current Market Price per Share; and

C is the aggregate nominal amount of Shares issued by way of such Scrip Dividend.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

(c) **Capital Distributions:**

(i) If and whenever the Issuer shall pay or make any Capital Distribution to the Shareholders (except to the extent that the Reference Price falls to be adjusted under Clause 2.4(b)), the Reference Price shall be adjusted by multiplying the Reference Price in force immediately before such Capital Distribution by the following fraction:

$$\frac{A - B}{A}$$

Where:

A is the Current Market Price per Share on the date on which the Capital Distribution is first publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the Capital Distribution attributable to one Share.

(ii) Such adjustment shall become effective on the date that such Capital Distribution is actually made or if a record date is fixed therefor, immediately after such record date. For the purpose of the above, Fair Market Value shall (subject as provided in the definition of "Fair Market Value") be determined as at the date on which the Capital Distribution is first publicly announced or, if later, the first date on which the Fair Market Value of the relevant Capital Distribution is capable of being determined as provided herein.

(iii) In making any calculation pursuant to this Clause 2.4(c), such adjustments (if any) shall be made as an Independent Financial Advisor may consider appropriate to reflect (a) any consolidation or subdivision of the Shares, (b) issues of Shares by way of capitalisation of profits or reserves, or any like or similar event, (c) the modification of any rights to dividends of Shares or (d) any change in the fiscal year of the Issuer.

(d) **Rights Issues of Shares or Options over Shares:**

If and whenever the Issuer shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares, in each case at less than 95% of the Current Market Price per Share on the date of the first public announcement of the terms of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

A is the aggregate number of Shares in issue immediately before such announcement;

B is the number of Shares which the aggregate consideration receivable for the Shares issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Shares comprised therein would subscribe for, purchase or otherwise acquire at such Current Market Price per Share; and

C is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be.

(e) **Rights Issues of Other Securities**:

If and whenever the Issuer shall issue any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares) to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares), the Reference Price shall be adjusted by multiplying the Reference Price in force immediately before such issue or grant by the following fraction

$$\frac{A - B}{A}$$

Where:

A is the Current Market Price per Share on the date on which such issue or grant is publicly announced; and

B is the Fair Market Value per Share on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or the issue or grant of such rights, options or warrants (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be. For the purpose of the above, Fair Market Value shall (subject as provided in the definition of "Fair Market Value") be determined as at the date on which the terms of such issue or grant are publicly announced, or if later, the first date on which the Fair Market Value of the aggregate rights attributable to the Shares in relation to such issue or grant is capable of being determined as provided herein.

(f) **Issues at less than Current Market Price:**

If and whenever the Issuer shall issue (otherwise than as mentioned in Clause 2.4(d)) any Shares (other than the Settlement Shares) or issue or grant (otherwise than as mentioned in Clause 2.4(d)) options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares in each case at a price per Share which is less than 95% of the Current Market Price on the date of the first public announcement of the terms of such grant or issue, the Reference Price shall be adjusted by multiplying the Reference Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{C}$$

Where:

A is the aggregate number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares;

B is the number of Shares which the aggregate consideration receivable for the issue of the maximum number of Shares to be issued or the exercise of such options, warrants or other rights would purchase at such Current Market Price per Share; and

C is the aggregate number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue by the Issuer of options, warrants or other rights to subscribe or purchase Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue or grant of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the issue or grant of such options, warrants or other rights.

(g) **Other Issues at less than Current Market Price:**

Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this Clause 2.4(g)), if and whenever the Issuer or any of its subsidiaries (otherwise than as mentioned in Clauses 2.4(d), (e) or (f)), or (at the direction or request of or pursuant to any arrangements with the Issuer or any of its subsidiaries) any other company, person or entity shall issue any securities (other than the Settlement Shares) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Issuer upon conversion, exchange or subscription at a consideration per Share which is less than 95% of the Current Market Price on the date of the first public announcement of the terms of issue of such securities, the Reference Price shall be adjusted by multiplying the Reference Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

A is the aggregate number of Shares in issue immediately before such issue;

B is the number of Shares which the aggregate consideration receivable by the Issuer for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Share; and

C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate on the issue date of such securities.

Such adjustment shall become effective on the date of issue of such securities.

(h) **Modification of Rights of Conversion, Exchange or Subscription**

If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in Clause 2.4(g) (other than in accordance with the terms of such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is reduced and is less than 95% of the Current Market Price on the date of announcement of the proposals for such modification, the Reference Price shall be adjusted by multiplying the Reference Price in force immediately before such modification by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

A is the aggregate number of Shares in issue immediately before such modification;

B is the maximum number of Shares which the aggregate consideration receivable by the Issuer for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to the securities so modified would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription price of such securities; and

C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as an Independent Financial Advisor considers appropriate (if at all) for any previous adjustment under this Clause 2.4(h) or Clause 2.4(g).

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

(i) **Other Offers to Shareholders**

If and whenever the Issuer or any of its subsidiaries or (at the direction or request of or pursuant to any arrangements with the Issuer or any of its Subsidiaries) any other company, person or entity issues, sells or distributes any securities in connection with an offer pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Reference Price falls to be adjusted under Clauses 2.4(d), (e), (f), and (g)), the Reference Price shall be adjusted by multiplying the Reference Price in force immediately before such issue, sale or distribution by the following fraction:

$$\frac{A - B}{A}$$

Where:

A is the Current Market Price per Share on the date on which such issue, sale or distribution is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue, sale or distribution of the securities. For the purpose of the above, Fair Market Value shall (subject as provided in the definition of “Fair Market Value”) be determined as at the date on which the terms of such issue, sale or distribution of securities are first publicly announced or, if later, the first date on which the Fair Market Value of the portion of the aggregate rights attributable to the Shares is capable of being determined as provided herein.

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 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 2018 has been set out in pages 108 to 196 of the 2018 annual report of the Company which was posted on 21 March 2019 on the Stock Exchange's website (http://www.hkexnews.hk). Please also see below quick link to the 2018 annual report:

http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0321/LTN20190321417.pdf
http://doc.irasia.com/listco/hk/nagacorp/annual/2018/ar2018.pdf

The audited consolidated financial statements of the Group for the year ended 31 December 2017 has been set out in pages 106 to 173 of the 2017 annual report of the Company which was posted on 15 March 2018 on the Stock Exchange's website (http://www.hkexnews.hk). Please also see below quick link to the 2017 annual report:

http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0315/LTN201803151168.pdf
http://doc.irasia.com/listco/hk/nagacorp/annual/2017/ar2017.pdf

The audited consolidated financial statements of the Group for the year ended 31 December 2016 has been set out in pages 104 to 171 of the 2016 annual report of the Company which was posted on 16 March 2017 on the Stock Exchange's website (http://www.hkexnews.hk). Please also see below quick link to the 2016 annual report:

http://www3.hkexnews.hk/listedco/listconews/SEHK/2017/0316/LTN20170316457.pdf
http://file.irasia.com/listco/hk/nagacorp/annual/2016/ar2016.pdf

2. INDEBTEDNESS STATEMENT

As at the close of business on 30 June 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Circular, the Group had the Senior Notes with aggregate outstanding principal amount of US$300 million and carrying amount of approximately US$293 million. The obligation under the Senior Notes are guaranteed by certain subsidiaries of the Company.

As at 30 June 2019, the Group had lease liabilities of US$53 million arising from non-cancellable operating lease commitments.

As at the close of business on 30 June 2019, being the latest practicable date for the purpose of preparing this indebtedness statement, the Group had the following contingent liabilities:

CEO performance incentive

Based on the formula stated in Clause 3.3 of the service agreement entered into between the Company and Tan Sri Dr. Chen Lip Keong ("**Dr. Chen**"), an executive director and the chief executive officer of the Company, both parties acknowledge and agree that Dr. Chen is entitled to a performance incentive of US$18,570,000 for the financial year ended 31 December 2018 (the "**2018 Performance Incentive Entitlement**").

Pursuant to a resolution passed by the Board on 22 July 2019, the Board considered the matter relating to the payment of the 2018 Performance Incentive Entitlement and resolved to appeal to the generosity and good judgement of Dr. Chen to defer such entitlement. The Company and Dr. Chen agreed that it was in the interests of the Company to defer the 2018 Performance Incentive Entitlement until the achievement of certain key performance indicators (the "**KPIs**") in 2019. The Company and Dr. Chen agreed that subject to the achievement of the KPIs, the deferral of the 2018 Performance Incentive Entitlement should be extended to 2019 or beyond at the sole election of Dr. Chen, and that the Company and Dr. Chen shall negotiate in good faith a reasonable timeframe which is in the best interests of the Company.

For record purposes, Dr. Chen has foregone total performance incentive entitlement of US$18.6 million from the financial years 2010 to 2014.

Additional obligation payment

During the six months ended 30 June 2019, the Group recognised an additional obligation payment to the Ministry of Economy and Finance of Cambodia of US$10,385,000. As at 30 June 2019, additional obligation payments (if any) are subject to future developments in this matter.

Save as aforesaid and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, and term loans, distinguishing between guaranteed, unguaranteed, secured (whether the security is provided by the Company or by third parties) and unsecured, outstanding bank borrowings or indebtedness, including bank overdrafts, liabilities under acceptances (other than normal trade bills), 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 June 2019.

3. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that after taking into account the available facilities, present internal resources of the Group and the effect of the Guaranteed Maximum Sum Design and Build Agreement, 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.

4. 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 2016, 2017 and 2018.

CONSOLIDATED STATEMENTS OF INCOME OF THE GROUP FOR THE YEARS ENDED 31 DECEMBER 2016, 2017 AND 2018

	Financial year ended 31 December					
	2016		**2017**		**2018**	
	Amount	*% of Change*	*Amount*	*% of Change*	*Amount*	*% of Change*
	(US$ millions)	%	(US$ millions)	%	(US$ millions)	%
Revenue	531.6	5.5	956.3	79.9	1,474.3	54.2
Cost of sales	(164.8)	(6.3)	(483.4)	>100	(800.8)	65.7
Gross Profit	**366.8**	**11.9**	**472.9**	**28.9**	**673.5**	**42.4**
Other income	5.8	2.4	7.8	34.5	10.3	32.1
Administrative expenses	(52.6)	11.5	(67.2)	27.8	(79.3)	18.0
Other operating expenses	(111.8)	14.9	(150.2)	34.3	(185.6)	23.6
Profit from operations	**208.2**	**10.2**	**263.3**	**26.5**	**418.9**	**59.1**
Finance cost	—	—	—	—	(19.5)	>100
Profit before taxation	**208.2**	**10.2**	**263.3**	**26.5**	**399.4**	**51.7**
Income tax	(24.0)	46.8	(8.1)	(66.3)	(8.8)	8.6
Profit for the year	184.2	6.7	255.2	38.5	390.6	53.1
Other comprehensive income for the year	(0.5)	(80.7)	2.1	>100	(0.8)	>(100)
Total comprehensive income for the year	**183.7**	**8.0**	**257.3**	**40.1**	**389.8**	**51.5**

FOR THE YEAR ENDED 31 DECEMBER 2016

BUSINESS OVERVIEW

The Cambodian economy continued to register stable growth. The International Monetary Fund projected real growth in Cambodia's Gross Domestic Product of 7.0% in 2016 and 6.9% in 2017 along with inflation of 3.1% and 2.7% respectively.

Visitation to Cambodia continued to grow with international arrivals increased by 5.0% in 2016 to 5.0 million visitors, with arrivals through Phnom Penh International Airport increased by 10%. Visitors from China increased by 20% year-on-year to 830,003 visitors in 2016 *(Source: Ministry of Tourism, Cambodia)*. Visitors growth continues to be one of the growth drivers of the Group's business.

The Company recorded GGR growth of 4% compared to a 3% decline for Macau. For the year ended 31 December 2016, the Company's net profit increased by 7% to US$184.2 million. The positive results were attributable to an increase in business volume across all business segments. In addition, the Company earned a fee of US$60 million from electronic gaming machines ("**EGMs**") in 2016 which was recorded as EGMs revenue in 2016 ("**EGM Fee 2016**").

Segmental information

Mass Market (Public Floor Tables and EGMs)

The Company continued to achieve growth in the Mass Market segment where public floor tables (the "**Public Floor Tables**") buy-ins and EGMs bills-in increased by 12% and 9%, respectively. This business volume growth is attributable to tourism growth into Cambodia, generating increased footfall into NagaWorld.

During the year, Public Floor Tables revenue grew by 7%, as a result of 12% increase in buy-ins. EGMs revenue grew by 6%, as a result of a 9% increase in bills-in and the receipt of the EGM Fee 2016.

The Company, via its Golden Edge Rewards Club loyalty programme, continues to understand its members' profile, create targeted marketing promotions and rollout player development initiatives to increase the number of visitors and the amount of gaming spending.

VIP Market

The Company's VIP Market comprises players brought in by junkets, who are either under a commission or incentive programme, and direct players without an intermediary. The overseas junket incentive programme introduced in March 2013 has since enabled the Company to increase existing table limits while managing volatility and credit risk.

VIP rollings increased by 11% to US$8.7 billion with a win rate of 2.6%. In January 2016, the Company revised its overseas junket incentive programme to improve its margins.

Non-Gaming

Non-Gaming revenue increased by 33% to US$30.7 million, primarily resulting from higher occupancy and average rates as well as better performance across all the food and beverage outlets.

Gross Profit

The Company recorded a gross profit increase of 12% to US$366.8 million for the year ended 31 December 2016. Overall gross profit margin increased to 69% (2015: 65%). VIP gross profit increased by 18% as VIP rollings increased by 11%. The increase in gross profit of the Mass Market by 9% to US$270.5 million was driven by higher Public Floors Tables buy-ins, EGMs bill-ins and the receipt of the EGM Fee 2016. The Mass Market continued to generate a high gross profit margin of 98%.

Administrative and Other Operating Expenses

Administrative and other operating expenses before impairment losses, depreciation and amortisation increased by 10% to US$114.4 million during the year. This increase in expenses is in line with higher business volume across all segments. The Company continued to hire experienced and qualified staff to facilitate regional marketing efforts and ongoing property enhancements at NagaWorld.

Finance Costs

The Company did not incur any finance cost during the financial year ended 31 December 2016.

Net Profit

Net profit attributable to the shareholders of the Company, increased by 7% to US$184.2 million. Net profit margin increased marginally to 35% attributed to better cost control and the EGM Fee 2016.

Basic earnings per Share were US cents 7.89 (HK cents 61.15) and US cents 7.58 (HK cents 58.75) (re-presented) for the years ended 31 December 2016 and 2015, respectively.

Diluted earnings per Share were US cents 7.04 (HK cents 54.56) and US cents 7.58 (HK cents 58.75) (re-presented) for the years ended 31 December 2016 and 2015, respectively.

FINANCIAL REVIEW

Pledge of Assets

In December 2014, in accordance with the terms of an investment agreement (the "**Investment Agreement**") in respect of the development of an integrated resort in Vladivostok, Russia, the Company's subsidiary remitted approximately US$8.9 million from its Hong Kong bank account to a

Russian bank account of the Company's Russian subsidiary Primorsky Entertainment Resorts City LLC ("**PERC**"). This amount was deposited in the same Russian bank as fixed deposits which are pledged against which promissory notes were subsequently issued to provide collateral for the issuance of a bank guarantee from the same bank as required under the Investment Agreement.

Contingent Liabilities

Based on the formula stated in clause 3.3 of the service agreement entered into between the Company and Dr. Chen, an executive Director, the Chief Executive Officer and the Controlling Shareholder, the parties acknowledge and agree that Dr. Chen would be entitled to a performance bonus of US$8,051,000 (the "**2015 Bonus Entitlement**") and US$9,011,037 (the "**2016 Bonus Entitlement**") for the financial years ended 31 December 2015 and 2016.

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

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

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

Exchange Rate Risk

The Company'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 Riel and Russian Ruble. 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

As disclosed in the Company's announcement dated 1 September 2016 (the "**2016 Announcement**") relating to the placing of existing Shares and top-up subscription of new Shares under the general mandate (the "**Top-up Placing and Subscription**") and another announcement dated 9 September 2016 concerning the completion of the Top-up Placing and Subscription, pursuant to the Placing and Subscription Agreement dated 1 September 2016 (the "**Placing and Subscription Agreement**"), the Company allotted and issued 190,000,000 new ordinary Shares (the "**New Subscription Shares**") of US$0.0125 each at a subscription price of HK$5.00 per Share to LIPKCO Group Limited (formerly known as Fourth Star Finance Corp.), a substantial shareholder of the Company, on 9 September 2016 following completion of the top up placing of an aggregate of 190,000,000 existing Shares (the "**Placing Shares**") to not less than six independent investors at a placing price of HK$5.00 each.

As disclosed in the 2016 Announcement, the subscription price for the New Subscription Shares, which was equal to the placing price for the Placing Shares, represented a discount of approximately 8.9% to the closing price of HK$5.49 per Share as quoted on the Stock Exchange on 31 August 2016, being the last trading day prior to the signing of the Placing and Subscription Agreement.

Pursuant to the terms and conditions of the Placing and Subscription Agreement, 190,000,000 Subscription Shares were allotted and issued under the general mandate granted to the Directors by its Shareholders at the annual general meeting of the Company held on 20 April 2016.

As disclosed in the 2016 Announcement, the Directors had considered various ways of raising funds and had considered that it would be in the interests of the Company to raise equity funding via the Top-up Placing and Subscription to broaden its shareholder base, strengthen the capital base and to enhance its financial position and net assets base for long term development and growth. The Directors (including the independent non-executive Directors) had also considered the terms of the Placing and Subscription Agreement to be fair and reasonable in light of the market conditions at that time, and the Top-up Placing and Subscription to be in the interests of the Company and the Shareholders as a whole.

As disclosed in the 2016 Announcement, the net proceeds from the Top-up Placing and Subscription amounting to approximately HK$930.0 million (or equivalent to US$120.0 million) (the "**Net Proceeds**") (equivalent to a net price of approximately HK$4.89 per Subscription Share) were intended to be used for the fit-out of the TSCLK Complex (also known as Naga 2), which was expected to be operational in 2017, and for general corporate purposes.

Issue of Convertible Bonds

On 17 May 2016, the Group acquired the Citywalk Group which is the owner of NagaCity Walk, an underground linkway connecting NagaWorld Hotel and TSCLK Complex (also known as Naga 2), at a consideration of US$94.0 million which was satisfied by the issuance of the NagaCity Walk convertible bonds (the "**NagaCity Walk Convertible Bonds**") by the Company in accordance with the terms of the share purchase agreement dated 13 June 2011, as supplemented by supplemental agreements dated 28 December 2011 and 28 December 2015, entered into between the Company and Dr. Chen (collectively referred to as the "**Share Purchase Agreement**").

On 30 December 2016, the Group acquired TanSriChen Inc. which is the owner of the TSCLK Complex (also known as Naga 2). The agreed consideration for the transaction of US$275.0 million was settled by way of issue of the TSCLK Complex convertible bonds (the "**TSCLK Complex Convertible Bonds**") by the Company in accordance with the terms of the Share Purchase Agreement. The TSCLK Complex Convertible Bonds constitute a separate series from the NagaCity Walk Convertible Bonds. Details of the TSCLK Complex Convertible Bonds, please refer to the announcement of the Company dated 8 August 2017.

Under the Share Purchase Agreement, the initial conversion price was HK$1.8376 per conversion share (the "**Conversion Shares**"). In the period since 13 June 2011 and up to 31 December 2016, the Company has completed two placing of new Shares (in March 2013 and September 2016) and effected on-market buy-backs of Shares (in December 2014 and January 2015, with all such Shares being cancelled in December 2015). Both the placings and buy-backs resulted in a change in the nominal value of the issued share capital of the Company and therefore each constitutes a capital restructuring. Pursuant to the terms of the Share Purchase Agreement, the conversion price of the NagaCity Walk Convertible Bonds and the TSCLK Complex Convertible Bonds, respectively has been adjusted to HK$1.5301 as a result of the various capital restructuring events since 13 June 2011, which would have resulted in an aggregate of 1,881,019,166 Conversion Shares being issued.

Liquidity, Financial Resources and Gearing

As at 31 December 2016, the Group had total cash and cash equivalents of US$210.9 million (31 December 2015: US$143.1 million).

As at 31 December 2016, the Group had net current assets of US$245.3 million (31 December 2015: US$153.9 million). The Group had net assets of US$1.3 billion as at 31 December 2016 (31 December 2015: US$686.6 million).

As at 31 December 2016 and 31 December 2015 respectively, the Group had no outstanding external borrowings. The Group has continued to remain ungeared.

Capital and Reserves

As at 31 December 2016, the capital and reserves attributable to owners of the Company was US$1.3 billion (31 December 2015: US$686.6 million)

Significant Investment Held and Material Acquisitions of Subsidiaries

On 17 May 2016, the Group acquired the Citywalk Group which is the owner of NagaCity Walk, an underground linkway connecting NagaWorld Hotel and Naga 2, at a consideration of US$94.0 million which was satisfied by the issuance of the NagaCity Walk Convertible Bonds by the Company in accordance with the terms of the Share Purchase Agreement. Details of NagaCity Walk Convertible Bonds, please refer to the announcement of the Company dated 8 August 2017.

On 30 December 2016, the Group acquired TanSriChen Inc. which is the owner of the TSCLK Complex (also known as Naga 2). The agreed consideration for the transaction of US$275.0 million was settled by way of issue of the TSCLK Complex Convertible Bonds by the Company in accordance with the terms of the Share Purchase Agreement. The TSCLK Complex Convertible Bonds constitute a separate series from the NagaCity Walk Convertible Bonds.

The conversion price of the NagaCity Walk Convertible Bonds and the TSCLK Complex Convertible Bonds, respectively had been adjusted to HK$1.5301, which would have resulted in an aggregate of 1,881,019,166 Conversion Shares being issued were these two separate series of the Convertible Bonds converted in full then.

Staff

As at 31 December 2016, the Group employed a total work force of 6,153 (31 December 2015: 5,763), stationed in Cambodia, China, Hong Kong, Macau, Malaysia, Singapore, Thailand, the United Kingdom, the United States, Vietnam and Russia. The remuneration and staff costs for the year ended 31 December 2016 were US$63.4 million (31 December 2015: US$56.8 million).

Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to a defined contribution retirement scheme and 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 of such would be material, these amounts are stated at their present value.

FOR THE YEAR ENDED 31 DECEMBER 2017

BUSINESS OVERVIEW

The Cambodian economy continued to register stable growth in 2017. The International Monetary Fund projected real growth in Cambodia's gross domestic product of 6.9% in 2017 and 6.8% in 2018, with an inflation rate of 3.7% and 3.5%, respectively. *(Source: International Monetary Fund - World Economic Outlook Database October 2017).*

In 2017, visitation to Cambodia continued to grow with international arrivals increasing by 12% to 5.6 million visitors and arrivals at Phnom Penh International Airport grew by 21% over the same period last year. Visitation from China grew by 46% to 1,210,782 visitors and is the leading source of visitation to Cambodia. China (22%), Vietnam (15%) and Laos (9%) are the top three sources of arrivals and collectively accounted for 46% of total visitation to Cambodia *(Source: Ministry of Tourism, Cambodia).* Overall visitation growth continues to be a key driver of growth for the Group.

NagaWorld, which is situated in the Cambodian capital city of Phnom Penh, continued to achieve impressive GGR growth of 85% in 2017. Net profit increased by 39% to US$255.2 million. The positive results were mainly attributable to robust business volume growth across all segments, especially from the VIP segment where rollings increased by 142%. In addition, the Group earned US$60.0 million for the year ended 31 December 2017 (2016: US$60.0 million) in respect of assigning part of the Group's licensing rights to certain investors to operate a number of EGMs for a period of 10 years. The EGMs are strategically located at certain areas of the newly completed Naga 2 that soft-opened in November 2017.

The growth in business volumes and GGR is attributable to a number of factors. First, continued confidence in the political climate and social order of Cambodia's operating environment, leading to favourable economic conditions and increasing visitation, especially from China. Second, confidence in the economic climate leads to increasing economic activity, resulting in increasing number of investors and a growing expat population in Phnom Penh; driving footfall to NagaWorld. Third, as a result of the completion of Naga 2 (soft-opened in November 2017), the Company's balance sheet has strengthened. In July 2017, the Group's property assets were valued at US$5.4 billion by Colliers, while the Group remained debt-free. As a consequence of the strengthening balance sheet, players are expressing more confidence, checking in more money, placing higher bets and generating a significant increase in business volume, especially in the VIP Market where rollings increased by 142%.

Management continued to run the Company with a conservative gaming policy and assumes less risk by offering better incentives to operators. Coupled with vigilance of monitoring, managing and discharging the fiduciary duties of all Board members, the Company continues to exercise rigorous financial discipline, especially in regards to cost control measures and greater risk awareness. In this respect, the Company has further reinforced risk management by engaging more human resources in the formulation of risk policies, compliance, auditing and the investigation of breaches (if any). Hence, as the Company grows, it continues to monitor and mitigate risks as part of day to day management.

Naga 2 Opening

The opening of Naga 2 in November 2017 provided a transformational product for the Group. Naga 2 significantly increases the quality and range of VIP, mass gaming and non-gaming offerings, providing the Group with a product comparable in quality to integrated resorts in more established gaming destinations. Naga 2 more than doubles capacity in terms of hotel rooms and gaming facilities. It also adds a state of the art 2,200 seat theatre and additional entertainment, food and beverage options alongside the NagaCity Walk duty-free shopping mall which opened in August 2016. Its opening has removed many of the constraints previously faced by the Group in the development of new markets and deeper penetration of its existing markets.

Segmental information

Mass Market (Public Floor Tables and EGMs)

The Group continued to achieve solid growth in the Mass Market segment where Public Floor Tables buy-ins and EGMs bills-in increased by 28% and 21%, respectively. This business volume growth is attributable to the improved headcount at NagaWorld as a result of visitation and tourism growth into Cambodia, particularly from China which recorded 46% growth in 2017.

The Golden Edge Rewards Club loyalty programme continues to enable the Group to understand its players' profile, create targeted marketing promotions and rollout player development initiatives to increase the frequency of visitation and gaming spend.

VIP Market

The Group's VIP Market comprises players brought in by junkets, who are either under a commission or incentive programme, and direct players without an intermediary. The competitive overseas junket incentive program introduced in March 2013 continues to enable the Group to balance the increase in table limits while managing volatility and credit risk.

The VIP Market continues to register robust growth, as a result of increasing market confidence in NagaWorld as an integrated gaming and entertainment destination, resulting in a 142% increase in rollings to US$21.1 billion with a win rate of 3.0%. This translated into a 177% increase in VIP Market revenue to US$625.3 million during the year ended 31 December 2017.

Gross Profit

The Group recorded a gross profit increase of 29% to US$472.9 million which was in line with the business volume growth across all segments. Overall gross profit margin decreased to 49% (2016: 69%) as a result of the increase contribution from the lower margin VIP Market. Mass Market continued to generate a high gross profit margin of 98%.

Administrative and Other Operating Expenses

Administrative and other operating expenses before impairment losses, depreciation and amortisation increased by 40% to US$159.9 million during the year ended 31 December 2017. This increase in expenses were required to support higher business volume across all segments, in addition to the hiring of experienced and qualified staff to facilitate regional marketing efforts, ongoing property enhancements at NagaWorld and the operation of Naga 2.

Finance Costs

The Group did not incur any finance costs during the year ended 31 December 2017.

Net Profit

Net profit attributable to the Shareholders increased by 39% to US$255.2 million for the year ended 31 December 2017. Net profit margin decreased to 27% (2016: 35%) as a result of the increase in contribution from VIP Market which has a lower margin.

Basic earnings per Share were US cents 7.94 (HK cents 61.54) and US cents 7.89 (HK cents 61.15) for the years ended 31 December 2017 and 2016, respectively.

Diluted earnings per Share were US cents 5.88 (HK cents 45.57) and US cents 7.04 (HK cents 54.56) for the years ended 31 December 2017 and 2016, respectively.

FINANCIAL REVIEW

Pledge of Assets

In December 2014, in accordance with the terms of the Investment Agreement in respect of the development of an integrated resort in Vladivostok, Russia, the Company's subsidiary remitted approximately US$8.9 million from its Hong Kong bank account to a Russian bank account of the Company's Russian subsidiary PERC. This amount was deposited in the same Russian bank as fixed deposits which are pledged against which promissory notes were subsequently issued to provide collateral for the issuance of a bank guarantee from the same bank as required under the Investment Agreement.

Contingent Liabilities

Based on the formula stated in Clause 3.3 of the service agreement entered into between the Company and Dr. Chen, an executive Director, the Chief Executive Officer and the Controlling Shareholder, the parties acknowledge and agree that Dr. Chen would be entitled to a performance bonus of US$11,765,321 (the "**2017 Performance Incentive Entitlement**") for the financial year ended 31 December 2017.

Pursuant to the resolution passed by the Board on 6 February 2018, the Board considered the matter relating to the 2017 Performance Incentive Entitlement and resolved to appeal to the generosity and good judgement of Dr. Chen to defer the 2017 Performance Incentive Entitlement. The Company and Dr. Chen agreed that it is in the interests of the Company to defer the 2017 Performance Incentive Entitlement to subsequent years until the achievement of certain KPIs set for the year ended 31 December 2018. The Company and Dr. Chen agreed that subject to the achievement of the 2018 KPIs, the deferral of the 2017 Performance Incentive Entitlement should be extended to the financial year ended 31 December 2018 or beyond at the sole election of Dr. Chen and that the parties should negotiate in good faith a reasonable timeframe which is in the best interests of the Company. For record purposes, Dr. Chen has foregone bonus of US$18,600,000 from the financial years 2010 to 2014.

Except for the above and other than the addition obligation payment, if any, there were no other contingent liabilities as at 31 December 2017.

Exchange Rate Risk

The Group's income is earned principally in US$. The Group's expenditure is paid principally in US$ and to a lesser extent in Cambodian Riel and Russian Ruble. 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 8 August 2017, the conversions of the TSCLK Complex Convertible Bonds and the NagaCity Walk Convertible Bonds in full were completed and the Company allotted and issued 1,881,019,166 Shares to Dr. Chen. Details of the TSCLK Complex Convertible Bonds and the NagaCity Walk Convertible Bonds, please see the announcement of the Company dated 8 August 2017.

Liquidity, Financial Resources and Gearing

As at 31 December 2017, the Group had total cash and cash equivalents of US$52.8 million (31 December 2016: US$210.9 million). The cash and cash equivalents were mainly denominated in US$.

As at 31 December 2017, the Group had net current assets of US$76.3 million (31 December 2016: US$245.3 million). The Group had net assets of US$1.4 billion as at 31 December 2017 (31 December 2016: US$1.3 billion).

As at 31 December 2017 and 31 December 2016 respectively, the Group had no outstanding external borrowings. The Group has continued to remain ungeared.

Capital and Reserves

As at 31 December 2017, the capital and reserves attributable to owners of the Company was US$1.4 billion (31 December 2016: US$1.3 billion).

Significant Investment Held and Material Acquisitions of Subsidiaries

There were no significant investments held, material acquisitions and disposals of subsidiaries, associates or joint ventures during the year ended 31 December 2017.

Staff

As at 31 December 2017, the Group employed a total work force of 8,618 (31 December 2016: 6,153), stationed in Cambodia, China, Hong Kong, Macau, Malaysia, Singapore, Thailand, the United Kingdom, the United States, Vietnam and Russia. The remuneration and staff costs for the year ended 31 December 2017 were US$93.1 million (2016: US$63.4 million).

Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to a defined contribution retirement scheme and 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 of such would be material, these amounts are stated at their present value.

FOR THE YEAR ENDED 31 DECEMBER 2018

BUSINESS OVERVIEW

The Cambodian economy continued to register stable growth in 2018. The International Monetary Fund projected real gross domestic product growth of 7.0% in 2018 and 6.8% in 2019, with an inflation rate of 3.3% in both years *(Source: International Monetary Fund - World Economic Outlook Database October 2018)*.

In 2018, visitation to Cambodia continued to grow with international arrivals increasing by 11% to 6.2 million visitors. China continued to be the leading source of visitation to Cambodia, growing by 67% to over 2 million visitors in 2018. China (33%), Vietnam (13%) and Laos (7%) were the top three sources of arrivals, collectively accounting for 53% of total visitation to Cambodia. Arrivals at Phnom Penh International Airport grew 37% over the same period *(Source: Ministry of Tourism, Cambodia)*. Overall visitation increase contributes to the growth of the Group.

The Group achieved an increase in GGR of 55% to US$1.4 billion and an increase in net profit of 53% to US$390.6 million for the year. For purposes of comparison, net profit for the year would have increased by 100%, excluding the impact of the US$60.0 million fee earned in 2017 in respect of the assignment of licensing right to certain investors to operate a number of EGMs. The Company has ready demand but did not opt for similar transaction in 2018.

Riding on the successful opening of Naga 2 in November 2017, the Group continued its supply driven growth trajectory. The strong business volume growth across all segments of the business can be explained by the following:

1. The conclusion of the Cambodia General Election held on 29 July 2018, and the official and smooth formation of the new Royal Government of Cambodia on 6 September 2018 has contributed to the continued political stability of the operating environment. Subsequently, S&P Global Ratings upgraded the Group's credit rating to B+ on reduced operating risk in Cambodia. The Group is confident that it would continue to enjoy long term win-win private public partnership initiatives to further fuel the growth of tourism to Cambodia.

2. Naga 2 significantly increased the appeal, capacity, quality, range and reach of VIP, mass gaming and non-gaming offerings, such as up-market gaming and complementary entertainment facilities and equally attractive non-gaming products/facilities including spa, theatre, shopping, competitive rooms and F&B offerings. Naga 2 has been transformative and provided the Group with a competitive integrated casino resort product comparable to integrated resorts in other established gaming destinations in Asia.

3. The increase in VIP business volume of the Group in 2018 was due to an increase of business at the combined NagaWorld complex, in particular at Naga 2 where there has been customer demand for higher table limits and increased rollings. In addition, the increasing investment related visitation to Phnom Penh also contributed to the increase in VIP business volume. Apart from Macau-based junket operators who were already operating with the Group, Suncity Group signed an incentive agreement with the Group to set up a fixed base

business operation with full-fledged office facilities, which commenced business on 1 March 2018 and contributed to increased number of players and rollings. To fuel further growth, the Suncity operations in Naga 2 has moved to a larger and more desirable location in the first quarter of 2019. The Group expected all top four Macau mega junkets would operate in Naga 2 by 2019. These junkets contributed 70% of Macau's total VIP rollings *(Source: CICC report, 16 January 2019)*. Despite the significant increase in VIP business volume, VIP customer composition remained well diversified between South East Asia and North Asia.

4. Visitation and tourism growth continued to underpin headcount growth at the combined NagaWorld complex. In particular, visitation from China increased substantially. China is the leading source of visitation to Cambodia, growing by 67% to over 2 million visitors in 2018. In addition, the Company have a strategic partnership with the Ministry of Tourism of Cambodia ("**MOT**"), Bassaka Air and China International Travel Services in promoting tourism in Cambodia. As a result, the average daily foot traffic of the combined NagaWorld complex has increased significantly and has also helped the Mass Market business.

5. In line with the increase in business volume, the Group also witnessed improvement in room and F&B revenue as a result of the increase in footfall. The 2,000-seat theatre in Naga 2 has attracted much local interest and the hosting of international shows is expected to increase both gaming and non-gaming business volumes.

6. Minimal cannibalisation has been observed between the two properties, with Naga 1 retaining most of its existing players while Naga 2 is attracting customers who are new to NagaWorld. This is reflected in the increase of average daily mass gaming table yield.

7. Despite the Group registering an increase of 903 rooms and other gaming and non-gaming facilities upon the opening of Naga 2, staff headcount decreased by 0.8% from 8,618 (as at 31 December 2017) to 8,551 (as at 31 December 2018). Staff costs also decreased by 0.8%, as a result of improved operational efficiencies and increased human resource output due to multi-tasking.

8. In May 2018, the Company issued Senior Notes of US$300 million for the purpose of boosting its VIP business and upgrading of existing NagaWorld property. These Senior Notes are rated "B1" by Moody's Investors Service and "B+" by S&P Global Ratings. The B1 rating by Moody's Investors Service is one notch above their Cambodia sovereign rating of B2 and reflects the Group's dominant market position, diversified business with exposure to mass-market players and VIP players across Asia, low labour cost and gaming tax environment support healthy EBITDA margins, track record of strong operating performance, solid financial metrics despite an increase in debt and excellent liquidity position over the next 12 months *(Source: Moody's Investors Service — Credit Opinion dated 30 April 2018)*. The proceeds of these Senior Notes increased the Group's cash float and led to increased confidence of both junket operators and players which in turn led to increased check-in and higher bets. VIP revenue increased by 71% on the back of a record US$35.7 billion in VIP rollings for the year. The Senior Notes received a positive response in the secondary market. Yield to maturity compressed significantly from 9.375% (on

issuance in May 2018) to 7.68% on 12 February 2019 *(Source: Bloomberg)*. The Senior Notes were one of the best performing debut offerings among high yield issuance in 2018 and honoured by FinanceAsia's Achievement Awards as "Best High-Yield Bond for Asia" & "Best Cambodia Deal", The Asset Triple A County Awards as "Best Bond in Cambodia" and IFR Asia Awards as "High-Yield Bond of the Year".

Management of the Group continues to adopt a conservative gaming policy, diluting the risks by offering more incentives to junket operators. With improvements in operating efficiencies and rigorous financial discipline, the Group has been able to keep its operating costs reasonably low. Despite the significant increase in gross floor areas (gaming and non-gaming) following the completion and opening of Naga 2, the increase in administrative and operating expenses was relatively low.

The Group is well-positioned and "China ready" to tap the vast potential of the wave of consumerism from China, from which outbound visitation is expected to reach 200 million by 2020 *(Source: CLSA, 19 July 2017)*. Chinese arrivals to Cambodia of over 2 million visitors in 2018 represents a small percentage of the opportunity. Based on Cambodia Prime Minister His Excellency Hun Sen, Cambodia is targeting to attract at least 5 million Chinese tourists by 2025 *(Source: The Commercial News, 15 January 2019)*. Given the close geopolitical relationship of Cambodia and China, the Group sees good prospects ahead and will continue to be well-positioned as a noted emerging integrated resort in Asia.

The strong growth trajectory and increased confidence in the future industry outlook have led to the Company being global best performing gaming stock in 2018 *(Source: Union Gaming)*. On 10 September 2018, the Group was included as a constituent of the Hang Seng Composite LargeCap & MidCap Index, which marked another key corporate milestone achieved.

Segmental information

Mass Market (Public Floor Tables and EGMs)

The Group continued to achieve solid growth in the Mass Market segment where Public Floor Tables buy-ins and EGMs bills-in increased by 57% and 22% respectively. This business volume growth is attributable to the increasing visitation at both Naga 1 and Naga 2 as a result of tourism growth into Cambodia, particularly from China which recorded 67% growth in 2018.

The Golden Edge Rewards Club loyalty programme continues to enable the Group to understand its players' profile, create targeted marketing promotions and rollout player development initiatives to increase the frequency of visitation and gaming spend.

VIP Market

The Group's VIP Market comprises players brought in by junkets, who are either under a commission or incentive programme, and direct players without an intermediary. The competitive overseas junket incentive programme introduced in March 2013 continues to enable the Group to balance the increase in table limits while managing volatility and credit risk.

VIP Market continued to register strong growth, as a result of increasing market acceptance of the combined NagaWorld complex as an integrated gaming and entertainment destination. During the year ended 31 December 2018, the Group also opened new fixed base VIP rooms at Naga 2, contributing to the increase in number of higher end VIP players from the region and rollings. Overall, the VIP Market segment has seen a 69% increase in rollings to US$35.7 billion with a win rate of 3.0%. This has translated into a 71% increase in VIP Market revenue to US$1.1 billion.

Non-Gaming — Hotel, F&B and Entertainment

Non-gaming revenue increased by 31% to US$39.9 million, primarily contributed by increase in room nights sold with the opening of Naga 2, as well as better performance across all the F&B outlets in line with the overall increase in visitation to the combined NagaWorld complex. The 2,000-seat theatre in Naga 2 has also attracted local interest and the hosting of international shows is expected to increase both gaming and non-gaming business volume.

Gross Profit

The Group recorded a gross profit increase of 42% to US$673.5 million for the year ended 31 December 2018 which was in line with the business volume growth across all segments. Overall gross profit margin decreased to 46% (2017: 49%) as a result of the increased contribution from the lower margin VIP Market, and no fee in respect of assignment of EGMs licensing rights was earned in 2018. Mass Market continued to generate a high gross profit margin of 97%.

Administrative and Other Operating Expenses

Administrative and other operating expenses before impairment losses, depreciation and amortisation increased by 6% to US$169.7 million during the year ended 31 December 2018. This increase in expenses was required to support higher business volume across all segments, in addition to the hiring of experienced and qualified staff to facilitate regional marketing efforts, ongoing property enhancements at NagaWorld and the operation of Naga 2.

Finance Costs

During the year ended 31 December 2018, the Group incurred finance costs of US$19.5 million (2017: Nil) for the interest expenses and transaction costs relating to the Senior Notes issued.

Net Profit

Net profit attributable to the Shareholders increased by 53% to US$390.6 million for the year ended 31 December 2018. Net profit margin remain consistent at 27% (2017: 27%) despite the increase in contribution from VIP Market which has a lower margin.

Basic earnings per Share were US cents 9.00 (HK cents 69.75) and US cents 7.94 (HK cents 61.54) for the years ended 31 December 2018 and 2017, respectively.

Diluted earnings per Share were US cents 9.00 (HK cents 69.75) and US cents 5.88 (HK cents 45.57) for the years ended 31 December 2018 and 2017, respectively.

FINANCIAL REVIEW

Pledge of Assets

In December 2014, in accordance with the terms of the Investment Agreement in respect of development of an integrated resort in Vladivostok, Russia, the Company's subsidiary remitted approximately US$8.9 million from its Hong Kong bank account to a Russian bank account of the Company's Russian subsidiary PERC. This amount was deposited in the same Russian bank as fixed deposits which are pledged against which promissory notes were subsequently issued to provide collateral for the issuance of a bank guarantee from the same bank required under the Investment Agreement.

Contingent Liabilities

Based on the formula stated in Clause 3.3 of the service agreement entered into between the Company and Dr. Chen, an executive Director, the Chief Executive Officer and the Controlling Shareholder, the parties acknowledge and agree that Dr. Chen would be entitled to the 2017 Performance Incentive Entitlement of US$11,765,321 and the 2018 Performance Incentive Entitlement of US$18,569,596 for the financial years ended 31 December 2017 and 2018 respectively.

Pursuant to a resolution passed by the Board on 13 February 2019, the Board considered the matter relating to the 2017 Performance Incentive Entitlement and resolved to appeal to the generosity and good judgement of Dr. Chen to defer such entitlement. The Company and Dr. Chen agreed that it was in the interests of the Company to defer the 2017 Performance Incentive Entitlement to subsequent years until the achievement of certain KPIs in 2019. The Company and Dr. Chen agreed that subject to the achievement of the KPIs, the deferral of the 2017 Performance Incentive Entitlement should be extended to 2019 or beyond at the sole election of Dr. Chen and that the Company and Dr. Chen shall negotiate in good faith a reasonable timeframe which is in the best interests of the Company.

Pursuant to a resolution passed by the Board on 13 February 2019, the Board considered the matter relating to the 2018 Performance Incentive Entitlement and resolved to appeal to the generosity and good judgement of Dr. Chen to defer such entitlement. The Company and Dr. Chen agreed that it was in the interests of the Company to defer the 2018 Performance Incentive Entitlement to subsequent years until the achievement of certain KPIs in 2019. The Company and Dr. Chen agreed that subject to the achievement of the KPIs, the deferral of the 2018 Performance Incentive Entitlement should be extended to 2019 or beyond at the sole election of Dr. Chen and that the Company and Dr. Chen shall negotiate in good faith a reasonable timeframe, which is in the best interest of the Company. For record purposes, Dr. Chen has foregone total performance incentive entitlement of US$18.6 million from the financial years 2010 to 2014.

Except for the above, there were no other contingent liabilities as at 31 December 2018 other than additional obligation payment, if any.

Exchange Rate Risk

The Group's income is earned principally in US$. The Group's expenditure is paid principally in US$ and to a lesser extent in Cambodian Riel and Russian Ruble. 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

No Shares were issued by the Company during the year ended 31 December 2018.

Issue of Senior Notes

On 14 May 2018, the Company entered into a purchase agreement with Credit Suisse (Hong Kong) Limited and Morgan Stanley & Co. International plc in connection with the issue of Senior Notes by the Company of an aggregate principal amount of US$300.0 million with maturity on 21 May 2021. The Senior Notes bear interest at a rate of 9.375% per annum, payable semi-annually in arrears on 21 May and 21 November of each year, commencing on 21 November 2018. These Senior Notes cannot be convertible into Shares.

The obligations under the Senior Notes are secured by guarantees given by certain subsidiaries of the Company. The Senior Notes mature in three years (May 2021) and are repayable at their nominal value of US$300.0 million. The Company may redeem all or a portion of the Senior Notes at the redemption prices specified in the offering memorandum, plus accrued and unpaid interest to the redemption date, subject to the terms and conditions specified in the offering memorandum.

The Senior Notes are listed on Singapore Exchange Securities Trading Limited.

Liquidity, Financial Resources and Gearing

As at 31 December 2018, the Group had total cash and bank balances, certificates of deposit and other liquid funds of US$393.0 million (31 December 2017: US$52.8 million). The cash and bank balances, certificates of deposit and other liquid funds were mainly denominated in US$.

As at 31 December 2018, the Group had net current assets of US$420.1 million (31 December 2017: US$76.3 million). The Group had net assets of US$1.5 billion as at 31 December 2018 (31 December 2017: US$1.4 billion).

As at 31 December 2018, the Group had outstanding Senior Notes with carrying amount of US$291.1 million (31 December 2017: Nil).

As at 31 December 2018, the presentation of the Group's gearing ratio calculated as total debts less cash and bank balances, certificates of deposit and other liquid funds divided by equity, is not applicable as the Group's cash and bank balances, certificates of deposit and other liquid funds were more than the Group's debt (31 December 2017: Not applicable).

Capital and Reserves

As at 31 December 2018, the capital and reserves attributable to owners of the Company was US$1.5 billion (31 December 2017: US$1.4 billion).

Significant Investment Held and Material Acquisitions of Subsidiaries

There were no significant investments held, material acquisitions and disposals of subsidiaries, associates or joint ventures during the year ended 31 December 2018.

Staff

As at 31 December 2018, the Group employed a total work force of 8,551 (31 December 2017: 8,618), stationed in Cambodia, China, Hong Kong, Macau, Malaysia, Singapore, Thailand, the United Kingdom, the United States and Russia. The remuneration and staff costs for the year ended 31 December 2018 were US$92.4 million (2017: US$93.1 million).

Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to a defined contribution retirement scheme and 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 of such would be material, these amounts are stated at their present value.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The continued growth of visitation to Cambodia is a reflection of the development of Cambodia as a prominent regional tourism and investment destination, brought about by continued political and social stability in the country. The expected introduction of a Casino Law in 2019 is another significant step forward in the investment and tourism prospects for Cambodia.

NagaWorld, a major attraction located in the city centre of Phnom Penh and the entertainment centre of the Mekong region, is poised to benefit from this growth. We benefit from a long duration casino licence (until 2065) and an effective monopoly within a 200-kilometre radius of Phnom Penh (except the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville) until 2035.

The Group is well-positioned and “China ready” to tap the vast potential of the wave of consumerism from China, from which outbound visitation is expected to reach 200 million by 2020 *(Source: CLSA, 19 July 2017)*. Chinese arrivals to Cambodia of about 1.8 million visitors in the first 11 months of 2018 represents a small percentage of the opportunity. Based on Cambodia Prime Minister His Excellency Hun Sen, Cambodia is targeting to attract at least 5 million Chinese tourists by 2025 *(Source: The Commercial News, 15 January 2019)*. Given the close geopolitical relationship of Cambodia and China, the Group sees good prospects ahead and continues to be well-positioned as a notable emerging integrated resort in Asia.

The continued solid and stable growth in the Mass Market segment has laid down a strong foundation for the Group to capture growth opportunities in the VIP Market segment. Our increasingly competitive VIP services are attracting an increasing number of junket operators, and we expect to open further junket rooms in 2019. As the Group continues its trajectory of asset and business growth, it is also gaining increasing prominence and confidence among the gaming and entertainment community in the region. This allows the Group to further penetrate into new markets, fuelling business growth and expansion.

To further enhance the quality and overall appeal of the combined NagaWorld complex, the Group has embarked on an upgrade of Naga 1, which is expected to be completed in 2019. Feedback from the players and junket operators is that Phnom Penh has come of age as an attractive location and preferred destination for junket operators and players coming from both South East Asia and East Asia, especially China.

In view of the success and fast ramp-up of Naga 2 and often times facing capacity constraints for both gaming and non-gaming areas, increasing inbound tourism especially from China and the stable political environment; the Group is in advanced stages of planning for the development of Naga 3. Based on feedback from stakeholders (including players, visitors, junket operators and investors), the Group is confident that additional capacity is necessary to further fuel business growth (both gaming and non-gaming) to position the Group as one of the most successful integrated resorts in Asia.

The Company has not acquired any other company since the issuance of 2018 Annual Report.

The information set out in this appendix does not form part of the financial information of the Group set out in Appendix I to this Circular and is included to herein for illustrative purpose only.

I. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

1. INTRODUCTION

The unaudited pro forma statement of assets and liabilities of the Group (the "**Unaudited Pro Forma Financial Information**"), has been prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") 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, for the purpose of illustrating the financial impact of i) the design and build agreement dated 12 April 2019 (the "**Guaranteed Maximum Sum Design and Build Agreement**") entered into between the Group and CCAG Asia Co., Ltd. for the proposed development and construction of a new casino and hotel complex of the Group in Phnom Penh, Cambodia ("**Naga 3 Project**") and ii) the subscription agreement dated 14 April 2019 (the "**Subscription Agreement**") entered into between the Company and ChenLipKeong Fund Limited (the "**Subscriber**") for the purpose of funding of the development costs of the Naga 3 Project under the Guaranteed Maximum Sum Design and Build Agreement (the Guaranteed Maximum Sum Design and Build Agreement, the Subscription Agreement and the construction of Naga 3 Project are collectively referred to as the "**Transactions**") on the assets and liabilities of Group as if the Transactions had been completed on 31 December 2018.

The basis of preparation of the Unaudited Pro Forma Financial Information of the Group is set out below:

(a) The unaudited pro forma statement of assets and liabilities of the Group has been prepared based on the consolidated statement of financial position of the Group as at 31 December 2018 as set out in the published annual report of the Company for the year ended 31 December 2018 where the auditor has issued an unqualified auditor's report dated 13 February 2019.

(b) After taking into account of the unaudited pro forma adjustments, which are directly attributable to the Transactions and factually supportable, as described in the notes thereto to demonstrate how the Transactions might have affected the assets and liabilities of the Group as if the Transactions had taken place on 31 December 2018.

The Unaudited Pro Forma Financial Information of the Group should be read in conjunction with the financial information of the Group contained in the annual report of the Company for the year ended 31 December 2018.

The Unaudited Pro Forma Financial Information of the Group has been prepared by the directors of the Company based on a number of assumptions, estimate, uncertainties, currently available information and are prepared for illustrative purpose only. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Group that would have been attained had the Transactions been completed on 31 December 2018 or any other date.

2. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

	The Group as at 31 December 2018 US$'000 *(Note 1)*	Pro forma adjustments US$'000 *(Note 2)*	Pro forma the Group as at 31 December 2018 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	1,275,596	3,515,011	4,790,607
Interest in leasehold land held for own use under operating lease	26,634		26,634
Intangible assets	59,107		59,107
Prepayments for acquisition, construction and fitting-out of property, plant and equipment	84,364		84,364
Promissory notes	9,372		9,372
Total non-current assets	1,455,073		4,970,084
CURRENT ASSETS			
Consumables	2,051		2,051
Trade and other receivables	117,140		117,140
Certificates of deposits, fixed deposits and other liquid funds	76,441		76,441
Cash and cash equivalents	316,536	(1,757,506)	(1,440,970)
Total current assets/(liabilities)	512,168		(1,245,338)
CURRENT LIABILITIES			
Trade and other payables	79,711		79,711
Contract liabilities	10,023		10,023
Current tax liability	2,374		2,374
Total current liabilities	92,108		92,108
NET CURRENT ASSETS/(LIABILITIES)	420,060		(1,337,446)
TOTAL ASSETS LESS CURRENT LIABILITIES	1,875,133		3,632,638
NON-CURRENT LIABILITIES			
Senior notes	291,118		291,118
Contract liabilities	44,146		44,146
Total non-current liabilities	335,264		335,264
Net assets	1,539,869		3,297,374

Notes to the Unaudited Pro Forma Financial Information:

1. The balances were extracted from the consolidated statement of financial position of the Group as at 31 December 2018 as set out in the published annual report of the Company for the year ended 31 December 2018.

2. Pursuant to the Guaranteed Maximum Sum Design and Build Agreement, the contractor guarantees the maximum amount of the total development costs up to US$3,515,011,000 to deliver a fully completed and fully operational Naga 3 Project (the "Completion"). Furthermore, pursuant to the Subscription Agreement, the Subscriber agrees to subscribe for 1,142,378,575 ordinary shares of the Company, subject to the adjustments under the terms of the Subscription Agreement (the "Settlement Shares").

   The subscription amount shall be paid to the Company on a progressive basis such that the Subscriber shall pay 50% of each progress billings and the Group shall pay 50% of each progress billings issued by the contractor and certified by project architect throughout the construction period and up to the completion of the Naga 3 Project. The date of issuance of the Settlement Shares shall coincide with the completion of the Naga 3 Project.

   Based on the cost-based valuation confirmation letter issued by a firm of independent professional valuers, the directors of the Company considers that the actual total development costs of the Naga 3 Project would be close to US$3,515,011,000 at the Completion and therefore the subscription amount would be close to US$1,757,505,500.

   Up to 50% of the contract sum of the Guaranteed Maximum Sum Design and Build Agreement, or US$1,757,505,500 will be paid by the Group throughout the contract period commencing on or before 30 September 2019 to the date of Completion on or before 30 September 2025 and/or such other extension period as may be mutually agreeable between the Group and the contractor. The Group intends to fund the progress payments from the Group's internally generated cash flows.

3. Apart from the Transactions, no other adjustments have been made to the Unaudited Pro Forma Financial Information of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2018.

4. No unaudited pro forma statement of income is presented as the Transactions have no financial impact on the Group's profit or loss.

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

II. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the directors of NagaCorp Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of NagaCorp Ltd. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities and related notes as set out on pages 136 to 138 of Appendix II to the Company's circular dated 22 July 2019 (the "**Circular**"), in connection with i) the design and build agreement dated 12 April 2019 (the "**Guaranteed Maximum Sum Design and Build Agreement**") entered into between the Group and CCAG Asia Co., Ltd. for the proposed development and construction of a new casino and hotel complex of the Group in Phnom Penh, Cambodia ("**Naga 3 Project**") and ii) the subscription agreement dated 14 April 2019 (the "**Subscription Agreement**") entered into between the Company and ChenLipKeong Fund Limited for the purpose of funding the development costs of the Naga 3 Project under the Guaranteed Maximum Sum Design and Build Agreement (the Guaranteed Maximum Sum Design and Build Agreement, the Subscription Agreement and the construction of Naga 3 Project are collectively referred to as the "**Transactions**"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are set out in Section I.1 of Appendix II of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Transactions on the Group's assets and liabilities as at 31 December 2018 as if the Transactions had taken place at 31 December 2018. As part of this process, information about the Group's assets and liabilities has been extracted by the directors of the Company from the Group's consolidated financial statements for the year ended 31 December 2018, on which an auditor's report with has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 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" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) 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.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transactions at 31 December 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited
Certified Public Accountants
Hong Kong
22 July 2019

Colliers International (Hong Kong) Ltd
Valuation & Advisory Services
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9 April 2019

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

Dear Sirs,

Re: **Proposed Naga 3 Integrated Resort Development (the "Property")**

We refer to the instruction from NagaCorp. Ltd (the "Client" or the "Company") dated 13 March 2019 for a cost-based valuation confirmation that the estimated development costs of the Property are reasonable based on the proposed development scheme. We have provided our initial comments on the appropriateness of the anticipated developments costs in our letter dated 28 March 2019. Following this, the Company has provided an update of the anticipated development costs obtained from its quantity surveyors and architects DRTAN LM Architect. This letter therefore updates our findings and opinion stated in the 28 March letter based on the additional information provided by the Company.

Located along Sothearos Road in Phnom Penh, Kingdom of Cambodia, Naga 3, upon completion, will be the largest integrated resort in the country. Set within five modern purpose-built towers, it will complement the existing facilities at Naga 1 and 2, with a quality standard set to rival that of the integrated resorts located in Macau. Proposed facilities will include gaming facilities (tables and slots), one three level basement, a 11-level multi-entertainment podium, two 66-storey hotel towers, two 45-storey hotel towers, and a 48-storey condotel. Preliminary plans provided by the Company indicate the following development:

Description	**Construction Floor Area**	
	m^2	*sf*
Basement		
1. 3-storey Basement	46,443	499,912
Podium		
1. 11-storey Podium (Hotel Lobby, Retail, Gaming, Restaurant, Theme Park, SPA, Conference)	124,813	1,343,487

Description	Construction Floor Area	
	m^2	*sf*
Tower 1 & 4 (45-storey inclusive of 11-storey podium)		
1. 1-storey M&E Room (Level 12)	3,936	42,367
2. 30-storey Hotel (Level 13 - Level 42)	118,080	1,271,013
3. 2-storey VIP Gaming / Restaurant / Clubs (Level 43 - Level 44)	7,872	84,734
4. 1-storey Roof Facilities Floor (Level 45)	4,515	48,599
Tower 2 & 3 (66-storey inclusive of 11-storey podium)		
1. 1-storey Lanai Suite with Swimming Pools and M&E Rooms (Level 12)	7,228	77,802
2 1-storey M&E Room (Level 13)	2,642	28,438
3. 50-storey Hotel (Level 14 - Level 63)	119,600	1,287,374
4. 2-storey VIP Gaming / Restaurant / Clubs (Level 64 - Level 65)	4,784	51,495
5. 1-storey Sky Deck (Level 66)	2,962	31,883
Tower 5 (48-storey inclusive of ground floor)		
1. 14-storey Elevated Carpark (Level P1 - P14)	37,646	405,222
2. 2-storey M&E Service Floor (Level 8 - Level 9)	5,378	57,889
3. 30-storey Condotel (Level 10 - Level 39)	56,850	611,933
4. 1-storey Roof Facilities Floor (Level 40)	2,052	22,088
TOTAL GROSS FLOOR AREA	**544,801**	**5,864,236**

We note that construction is yet to begin, with plans only at the preliminary stage as at the date of this letter.

We have been provided by the Company with two recent (2019) development cost estimates for the project (excluding land), prepared separately by reputable architects and cost consultants. These are set out in the following table:

Firm	Cost estimation (US$)	Cost per hotel bay (US$ m rounded)
DRTan LM Architect	3,515,011,000	0.74
Steelman Partners	3,291,685,200	0.70

Source: NagaCorp

We have independently undertaken benchmarking analysis of 'similar' integrated resort projects located in Asia. This information has been obtained from publicly available information and as shown in the following table:

Property	**Year Completed/ Projected Completion Date**	**CAPEX (US$ m)**	**# of rooms/ bays**	**Cost per room/bay (US$ m)**
Wynn Palace Macau[1]	2016	4,400	1,706	2.58
The Parisian Macau[2]	2016	2,700	3,000	0.90
MGM Cotai Macau[3]	2018	3,432	1,427	2.41
Grand Lisboa Palace Macau[4]	2019	4,645	2,000	2.32
Marina Bay Sands Singapore[5]	2010	5,714	2,560	2.23
Marina Bay Sands Phase II[6]	tbc	3,300	1,000	3.30
Resorts World Sentosa Singapore[7]	2010	6,590	1,840	3.58
Resorts World Sentosa Phase II[8]	tbc	3,300	1,100	3.30
City of Dreams Manila, Philippines[9]	2014	1,200	981	1.22
Solaire Resort & Casino Manila, Philippines[10]	2013	1,200	800	1.50
Corona Resort and Casino Phu Quoc, Vietnam[11]	2019	2,100	2,000	1.05
Ho Tram Resort Casino, Ho Tram, Vietnam[12]	2021 (est.)	4,200	2,085	2.01

1 *Source: Annual Report*

2 *Source: https://www.scmp.com/destination-macau/article/2014981/first-look-inside-us27-billion-parisian-macao*

3 *Source: Annual Report*

4 *Source: Annual Report*

5 *Source: https://www.safdiearchitects.com/projects/marina-bay-sands-integrated-resort*

6 *Source: Marina Bay Sands (estimate)*

7 *Source: https://www.rwsentosa.com/-/media/project/non-gaming/rwsentosa/press-release/pdf/en/2010/20100211-rws-casino.pdf*

8 *Source: Genting Singapore (estimate)*

9 *Source: https://business.inquirer.net/179553/1-2-b-city-of-dreams-manila-to-open-in-november*

10 *Source: https://www.reuters.com/article/philippines-ayala-land-bloomberry-idUSL3N0NZ0C020140513*

11 *Source: https://e.theleader.vn/vietnam-opens-first-casino-allowing-locals-to-gamble-1548088495596.htm*

12 *Source: https://www.forbes.com/sites/muhammadcohen/2015/12/11/philip-falcone-doubles-down-on-vietnam-casino-resort/#452645061772*

Property	Year Completed/ Projected Completion Date	CAPEX (US$ m)	# of rooms/ bays	Cost per room/bay (US$ m)
Naga 2, Phnom Penh, Kingdom of Cambodia[13]	2017	700$^{(1)}$	902	0.78
Naga 3, Phnom Penh, Kingdom of Cambodia[14]	Tbc	3,515	4,720$^{(2)}$	0.74

(1) 2012 contracted development cost

(2) hotel bays

[13] *Source: NagaCorp*

[14] *Source: NagaCorp*

As can be seen from the benchmarks, costs can vary depending on the size and nature of facilities including the extent of non-gaming amenities that is to be provided, the latter of which could be quite costly. Benchmark development costs has ranged from US$0.90m per room/bay (i.e. excluding Naga 2) to over US$3.5m. We note that at the higher end of the scale i.e. for properties in Macau and Singapore in particular, the requirement to provide significant non-gaming activities, particularly retail, entertainment and conferencing/exhibition facilities, as part of the integrated resort development has largely driven these substantial amounts. We note that Naga 3 may not include this scale of non-gaming facilities and would therefore expect anticipated development costs to be much lower.

We note that Naga 2 was completed in 2017 (soft opening) at a cost of US$700m (circa US$0.78m per room). We are aware this was a fixed fee contract awarded in 2012, and as such the amounts stated are in 2012 values. Considering consumer price inflation between 2012 and 2018 according to the International Monetary Fund, we note that this amount would increase to circa US$854m (circa US$0.95m per room). This may well be a conservative figure given that in our experience and given recent development activity in Phnom Penh, that construction price index may well be very much higher.

From the Development Cost Study Report prepared by DRTAN LM Architect dated April 2019, in summary the total estimated development cost for Naga 3 is as below:

Description	Amount
Gross floor area	544,801 sq m
Estimated all-in construction costs	US$2,081,011,000
All-in construction cost per sq m	US$3,819.76
Estimated all-in development costs	US$3,515,011,000
All-in development cost per sq m	**US$6,415.92**

Compared to Naga 2, which costed circa US$6,435 per sq m based on the actual amount spent in 2012, the all-in development cost per sq m would seem reasonable albeit excluding cost price inflation. In addition, given the paucity of data for Cambodia, using other key cities in Asia as a proxy, we are aware from the latest Arcadius Construction Cost Handbook (2019) that five-star hotels (using this as a proxy), can cost between US$2,120 (Ho Chi Minh City) to US$6,621 (Macau) per sq m. This only includes all-in construction costs. We are also aware of the total development costs for luxury hotels in Phnom Penh, and the estimated costs per sq m stated above are in line with those.

As such, given the above, overall market context, industry benchmarks, together with the intended market positioning from our discussions with the Company, we are of the opinion that the estimated costs excluding the land cost for Naga 3, are reasonable at US$3.5 billion (US$0.74 million per hotel bay). We note that the US$0.74 million is per hotel bay, and it is likely, depending on the operator requirements, that the number of rooms may well be lower than the number of bays thereby increasing the cost per room figure, thereby likely bringing it in line with recent benchmarks.

This letter is for your sole use and for the purpose indicated and no liability to any third party can be accepted for the whole or any part of the contents of the document. Neither the whole nor any part of this report nor any reference thereto may be included in any published documents, circular or statement, nor published in any way whatsoever without prior written approval of Colliers International (Hong Kong) Limited as to the form and context in which it may appear.

Should you have any queries, please feel free to contact us.

Yours faithfully,
Colliers International (Hong Kong) Ltd

David Faulkner
BSc (Hons) FRICS FHKIS RPS (GP) MAE
Managing Director
Valuation and Advisory Services I Asia

Govinda Singh
FCCA FCMA MRICS
Executive Director
Valuation and Advisory Services I Asia

Caveats and Major Assumptions

1. Our opinion has been made on the assumption that the property interest 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 interest.

2. No allowance has been made in our opinion for any charges, mortgages or amounts owing on the property interest valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

3. We have not inspected the property interest in its existing state. However, we have not carried out investigation to determine the suitability of ground conditions and services for any development thereon. Our opinion has been prepared on the assumption that these aspects are satisfactory.

4. We have relied on the information given by the Company and have accepted advice given to us on such matter as tenure, planning approvals, statutory notices, easements, proposed development and all other relevant matters.

5. In the course of our considerations of the property interest, we have relied on the legal opinions provided by the Company's advisors. All dimensions, measurements and areas are approximation. No on-site measurement has been conducted.

6. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We considered that we have been provided with sufficient information to arrive an informed view, and have no reason to suspect that any material information has been withheld.

1. RESPONSIBILITY STATEMENT

This Circular, for which the Directors 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 Company. 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.

This Circular contains the words “anticipate”, “believe”, “intend”, “estimate”, “expect”, “plan”, and words of similar meaning as well as projected financial illustrations are related to events of future years. All statements and the Illustrative 2019-2025 Cashflow Table include:

a) any financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the Group’s activities, projects and services); and

b) the Vision are not forward looking statements and should be interpreted as merely intended corporate intentions and plans which involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Group to be materially different from future results, performance or achievements expressed or implied by such non forward-looking statements. Such non-forward-looking statements stated herein in this Circular are based on numerous assumptions regarding the Group’s present and future business strategies and the environment in which the Group will operate in the future. The Group, including the Directors collectively and individually expressly disclaim any obligation or responsibilities to any unintended non forward-looking statements contained herein.

The information contained in this Circular does not constitute or form part of, and should not be construed as, an offer or invitation or inducement to subscribe for or purchase the Company’s securities. The Company including the Directors collectively and individually advise that information contained in this Circular which may be confidential, market sensitive and privileged and any unauthorized dissemination can affect the trading value of and interest for its securities listed on the Stock Exchange and is prohibited by law.

With respect to this Circular and all relevant appendices including but not limited to the Vision statements, architectural expressions, proposed delivery programs and implied financial projections contained in this Circular is subject to revision and further refinement in response to many factors and other unexpected and uncontrollable factors.

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:

Authorised:		*US$*
8,000,000,000	Shares	100,000,000.00
Issued and fully paid:		
4,341,008,041	Shares	54,262,600.51

The authorised and issued and fully paid up share capital of the Company upon the issue of the Settlement Shares will be as follows:

Authorised:		*US$*
8,000,000,000	Shares	100,000,000.00
Issued and fully paid:		
4,341,008,041	Shares in issue as at the Latest Practicable Date	54,262,600.51
1,142,378,575	Settlement Shares to be issued upon completion of the Naga 3 Project *(Note (1))*	14,279,732.19
5,483,386,616		68,542,332.70

Note:

(1) The information is solely for illustrative purposes and the number of Settlement Shares issued upon Completion of the Subscription Agreement is assumed at 1,142,378,575. For the avoidance of doubt, the number of the Settlement Shares may be revised as defined under this Circular.

3. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which were 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 the SFO); or are required, pursuant to Section 352 of the SFO, to be entered in the register of members of the Company; or are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Interests in Shares and Underlying Shares

Name of Director	Capacity	Number of ordinary Shares held	Approximate % of total issued ordinary Shares *(Note (1))*
Dr. Chen	Founder of a discretionary trust *(Note (2))*	951,795,297 (L)	21.93 (L)
Dr. Chen	Beneficial owner	1,917,807,166 (L)	44.17 (L)
Dr. Chen	Interest in controlled corporation *(Note (3))*	1,142,378,575 (L)	26.32 (L)

Notes:

(1) The Company's issued share capital as at the Latest Practicable Date is 4,341,008,041 Shares.

(2) Dr. Chen is the founder of ChenLa Foundation. ChenLa Foundation indirectly holds, through LIPKCO ENTERPRISES LIMITED and LIPKCO Group Limited (formerly known as Fourth Star Finance Corp.), a total of 951,795,297 Shares. As a founder of ChenLa Foundation, Dr. Chen is taken to be interested in the Shares held by ChenLa Foundation. Details of the interests in the Company held by ChenLa Foundation and LIPKCO Group Limited are set out in the section headed "Substantial Shareholders' Interests" below.

(3) Such interest is held by ChenLipKeong Fund Limited. By virtue of the 100% interest held by Dr. Chen in ChenLipKeong Fund Limited, Dr. Chen is deemed to be interested in the Shares held by ChenLipKeong Fund Limited. Details of the interest in the Shares held by ChenLipKeong Fund Limited is set out in paragraph headed "Substantial Shareholders' Interests" below.

(4) The letter "L" denotes the entity's long position in the Shares.

As at the Latest Practicable Date, Dr. Chen and Mr. Chen Yiy Fon are directors of LIPKCO Group Limited (formerly known as Fourth Star Finance Corp.), and Dr. Chen is the sole director of ChenLipKeong Fund Limited. Details of the shareholding of LIPKCO Group Limited and ChenLipKeong Fund Limited in the Company are set out in the section headed "Substantial Shareholders' Interests". Save as disclosed above, none of the Directors and the chief executive of the Company have any interests and short position in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO); or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange as at the Latest Practicable Date.

4. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, so far as known to the Directors and the chief executive of the Company, persons other than the Directors or the chief executive of the Company who have an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or 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 *(Note (1))*
ChenLa Foundation	Interest of controlled corporation *(Note 2)*	951,795,297 (L)	21.93 (L)
LIPKCO Group Limited (formerly known as Fourth Star Finance Corp.)	Beneficial owner	789,534,854 (L)	18.19 (L)
ChenLipKeong Fund Limited	Beneficial owner *(Note 3)*	1,142,378,575 (L)	26.32 (L)

Notes:

(1) Based on the Company's issued share capital of 4,341,008,041 Shares as at the Latest Practicable Date.

(2) These 951,795,297 Shares are held by LIPKCO Group Limited (formerly known as Fourth Star Finance Corp.) and LIPKCO ENTERPRISES LIMITED which in turn are controlled by ChenLa Foundation of which Dr. Chen is the founder.

(3) Upon Completion of the Subscription Agreement, the number of Settlement Shares is assumed at 1,142,378,575 to be issued to ChenLipKeong Fund Limited.

(4) The letter "L" denotes the entity's long position in the Shares.

Save as disclosed above, so far as known to the Directors and the chief executive of the Company, there are no other persons other than the Directors or the chief executive of the Company, who has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Division 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 meeting of any member of the Group.

The Directors confirmed that, save for Dr. Chen and Mr. Chen Yiy Fon as disclosed above, none of them is a director or employee of ChenLa Foundation, LIPKCO Group Limited (formerly known as Fourth Star Finance Corp.) and ChenLipKeong Fund Limited, each being a company which has an interest in Shares disclosable under the provisions of Divisions 2 and 3 of the Part XV of the SFO.

5. DIRECTORS' SERVICE CONTRACTS

Pursuant to the service agreement dated 16 May 2007 (as amended and renewed by the letters of appointment dated 24 May 2011, 5 April 2013 and 15 May 2019 and the supplemental letters dated 1 February 2016, 8 February 2017, 6 February 2018, 13 February 2019 and 22 July 2019, and with an expiry date of 15 May 2022) between Dr. Chen and the Company, Dr. Chen is entitled to a fixed remuneration of US$60,000 per month and an annual performance incentive based on the Group's consolidated profit before tax ("PBT") as reported in the Company's consolidated audited accounts and which shall be paid within one month of the approval of the consolidated audited accounts for the relevant financial year. The performance incentive is calculated in accordance with the following formula:

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

Based on the formula above, Dr. Chen would be entitled to the 2018 Performance Incentive Entitlement of US$18,569,596 for the financial years ended 31 December 2018. Pursuant to resolutions passed by the Board on 22 July 2019, the Board considered the matter relating to the payment of the 2018 Performance Incentive Entitlement and resolved to appeal to the generosity and good judgement of Dr. Chen to defer such entitlement. The Company and Dr. Chen agreed that it was in the interests of the Company to defer the 2018 Performance Incentive Entitlement until the achievement of certain key performance indicators (the "**KPIs**") in 2019. The Company and Dr. Chen agreed that subject to the achievement of the KPIs, the deferral of the 2018 Performance Incentive Entitlement should be extended to 2019 or beyond at the sole election of Dr. Chen, and that the Company and Dr. Chen shall negotiate in good faith a reasonable timeframe which is in the best interests of the Company.

For the avoidance of doubt, Dr. Chen has forgone total incentives of US$18,600,000 for the financial years ended 31 December 2010, 2011, 2012, 2013 and 2014.

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

6. DIRECTORS' INTEREST 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 business of the Group.

7. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

Save as disclosed in this Circular under the sections "Disclosure of Directors' Interests" and "Substantial Shareholders' Interests" and with regard to the Subscription Agreement 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 Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

Save as disclosed in this Circular under the sections "Disclosure of Directors' Interests" and "Substantial Shareholders' Interests" and with regard to the Subscription Agreement 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 Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2018, being the date to which the latest published audited consolidated accounts of the 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 of the Group since 31 December 2018, being the date to which the latest published audited accounts of the Group was made up.

9. LITIGATION

As at the Latest Practicable Date, as far as the Directors are aware, the 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 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 Group within two years immediately preceding the Latest Practicable Date and is or may be material:

(a) the Subscription Agreement;

(b) the Guaranteed Maximum Sum Design and Build Agreement;

(c) the purchase agreement dated 14 May 2018 entered into between the Company as the issuer, Credit Suisse (Hong Kong) Limited and Morgan Stanley & Co. International plc as the initial purchasers, and NagaCorp (HK) Limited, NAGAWORLD LIMITED, TanSriChen (Citywalk) Inc. and TanSriChen Inc., wholly-owned subsidiaries of the Company, collectively as the guarantors (the "**Guarantors**") in connection with the issue by the Company of an aggregate principal amount of US$300 million 9.375% Senior Notes due 2021; and

(d) the Indenture dated 21 May 2018 entered into between the Company as the issuer of the Senior Notes, the Guarantors and GLAS Trust Company LLC as trustee of the Senior Notes, pursuant to which the Senior Notes has been issued.

11. EXPERTS AND CONSENTS

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

Name	**Qualification**
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 Group & Consultants	Practising lawyer (in Cambodia)
DRTAN LM Architect	Registered professional architect in Malaysia

Each of Anglo Chinese, BDO Limited, Colliers, HML Law Group & Consultants and DRTAN LM Architect has given and has not withdrawn its written consent to the issue of this Circular with, if applicable, the inclusion herein of its opinion, letter or report and references to its name in the form and context in which they respectively appear.

The letters or reports from Anglo Chinese, BDO Limited and Colliers are set out on pages 81 to 113, pages 139 to 141, and pages 142 to 147, respectively, of this Circular and are given as at the date of this Circular for incorporation herein.

As at the Latest Practicable Date, each of Anglo Chinese, BDO Limited, Colliers, HML Law Group & Consultants and DRTAN 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 Group & Consultants and DRTAN LM Architect was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2018, being the date to which the latest published audited accounts of the Company were made up.

12. GENERAL INFORMATION

(a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal office of the Company in Hong Kong is at Suite 2806, 28th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

(b) The address of Dr. Chen is at Suite 2806, 28/F Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

(c) The company secretary of the Company is Ms. Lam Yi Lin, who is an associate member of The Hong Kong Institute of Chartered Secretaries.

(d) The address of the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited is at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(e) The external auditor of the Company is BDO Limited.

(f) The English text of this Circular shall prevail over the Chinese text in case of any inconsistency.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:30 a.m. to 12:30 p.m. and from 2:30 p.m. to 5:30 p.m. on any weekday, except Saturdays, Sundays and public holidays at the Company's principal place of business in Hong Kong at Suite 2806, 28/F Central Plaza, 18 Harbour Road, Wanchai, Hong Kong from the date of this Circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for each of the two years ended 31 December 2017 and 2018;

(c) the letter from the Board, the text of which is set out in this Circular;

(d) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" to 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" to this Circular;

(f) the report from the External Auditor on unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this Circular;

(g) the letter from Colliers, the text of which is set out in Appendix III to this Circular;

(h) the Development Cost Study Report from DRTAN LM Architect and all the Project Consultants;

(i) the legal opinion from HML Law Group & Consultants;

(j) the written consents referred to in the section under the heading "Experts and Consents" in Appendix IV to this Circular;

(k) the material contracts referred to in the section under the heading "Material Contracts" in Appendix IV to this Circular;

    (a) the Subscription Agreement;

    (b) the Guaranteed Maximum Sum Design and Build Agreement;

    (c) the purchase agreement dated 14 May 2018 entered into between the Company as the issuer, Credit Suisse (Hong Kong) Limited and Morgan Stanley & Co. International plc as the initial purchasers, and NagaCorp (HK) Limited, NAGAWORLD LIMITED, TanSriChen (Citywalk) Inc. and TanSriChen Inc., wholly-owned subsidiaries of the Company, collectively as the Guarantors in connection with the issue by the Company of an aggregate principal amount of US$300 million 9.375% Senior Notes due 2021; and

    (d) the Indenture dated 21 May 2018 entered into between the Company as the issuer of the Senior Notes, the Guarantors and GLAS Trust Company LLC as trustee of the Senior Notes, pursuant to which the Senior Notes has been issued.

(l) the service contracts referred to in the section under the heading "Directors' Service Contracts" in Appendix IV to this Circular; and

(m) this Circular.

NAGACORP
金界控股有限公司

NAGACORP LTD.
金界控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 3918)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**EGM**") of NagaCorp Ltd. (the "**Company**") will be held at Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Thursday, 8 August 2019 at 10:00 a.m., for the purpose of considering and, if thought fit, passing the following resolutions, with or without amendments, as the ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT:**

(a) the Guaranteed Maximum Sum Design and Build Agreement (as defined in the circular dated 22 July 2019 despatched to the shareholders of the Company (the "**Circular**")) entered into between Naga 3 Company Limited and CCAG Asia Co., Ltd. dated 12 April 2019 of the contract sum up to US$3,515,011,000 in relation to the development of the Naga 3 Project (as defined in the Circular), a copy of which has been produced to the EGM marked "A" and signed by the chairman of the EGM for the purpose of identification, and all the transaction(s) contemplated thereunder be and hereby approved, confirmed and ratified; and

(b) 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 may in his absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the Guaranteed Maximum Sum Design and Build Agreement and the transaction(s) contemplated thereunder and to agree to such variations of the terms of the Guaranteed Maximum Sum Design and Build Agreement and the transaction documents contemplated thereunder as he may in his absolute discretion consider necessary or desirable."

2. "**THAT:**

(a) the Subscription Agreement (as defined in the Circular) entered into between the Company as an issuer and ChenLipKeong Fund Limited as the subscriber (the "**Subscriber**") dated

14 April 2019 in relation to the subscription of such Settlement Shares or Adjusted Settlement Shares (as defined in the Circular) with par value of US$0.0125 each at the price of HK$12.00 per share (subject to adjustment as set out in the Subscription Agreement) for the Subscription Sum (as defined in the Circular), a copy of which has been produced to the EGM marked "B" and signed by the chairman of the EGM for the purpose of identification, and all the transaction(s) contemplated thereunder be and hereby approved, confirmed and ratified;

(b) the allotment and issue of such Settlement Shares or Adjusted Settlement Shares (as defined in the Circular) at the issue price of HK$12.00 per share (subject to adjustment as set out in the Subscription Agreement) to the Subscriber upon the relevant completion of the Naga 3 Project (as defined in the Circular) in accordance with the Subscription Agreement be and are hereby approved;

(c) conditional upon, among others, the specific mandate to the directors of the Company to exercise the powers of the Company for the allotment and issue of such Settlement Shares or Adjusted Settlement Shares (as defined in the Circular) be and is hereby approved; and

(d) 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 may in his absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the Subscription Agreement and the transaction(s) contemplated thereunder and to agree to such variations of the terms of the Subscription Agreement and the transaction documents contemplated thereunder as he may in his absolute discretion consider necessary or desirable."

By Order of the Board
NagaCorp Ltd.
Lam Yi Lin
Company Secretary

Hong Kong, 22 July 2019

Note:

1. A shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and, on a poll, vote in accordance with the articles of association of the Company. A proxy 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 of members 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 Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof.

4. The completion and return of the form of proxy shall not preclude shareholders of the Company from attending in person and voting at the EGM (or any adjournment thereof) if they so wish.

5. For ascertaining the shareholders' entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 5 August 2019 to Thursday, 8 August 2019, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the EGM, all completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 2 August 2019.

6. In accordance with Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the above resolutions will be put to vote at the EGM by way of poll. An explanation of the detailed procedures of voting by poll will be provided to the shareholders at the EGM.

7. (a) Subject to paragraph (b) below, if a tropical cyclone warning signal No. 8 or above is expected to be hoisted or a black rainstorm warning signal is expected to be in force at any time between 8:00 a.m. and 5:00 p.m. on the date of the above meeting, the above EGM will be postponed and Shareholders will be informed of the date, time and venue of the postponed of the EGM by a supplemental notice posted on the respective websites of the Company and Hong Kong Exchanges and Clearing Limited.

   (b) If a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is lowered or cancelled three hours before the time appointed for holding the EGM and where conditions permit, the above meeting will be held as scheduled.

   (c) The EGM will be held as scheduled when a tropical cyclone warning signal No. 3 or below or an amber or red rainstorm warning signal is in force.

   (d) After considering their own situations, Shareholders should decide on their own whether or not they would attend the EGM under any bad weather condition and if they do so, they are advised to exercise care and caution.

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

Executive Directors:
Tan Sri Dr. Chen Lip Keong (*Chief Executive Officer*)
Mr. Philip Lee Wai Tuck (*Executive Deputy Chairman*)
Mr. Chen Yiy Fon

Non-executive Director:
Mr. Timothy Patrick McNally (*Chairman*)

Independent Non-executive Directors:
Mr. Lim Mun Kee
Mr. Michael Lai Kai Jin
Mr. Leong Choong Wah

This notice is prepared in both English and Chinese. In the event of inconsistency, the English text of the notice shall prevail over the Chinese text.