

IMPORTANT NOTICE NOT FOR DISTRIBUTION IN THE UNITED STATES

IMPORTANT: You must read this disclaimer before continuing. This disclaimer applies to the attached Offering Memorandum. You are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached Offering Memorandum. In accessing the attached Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

Confirmation of your representation: By accepting and accessing the attached Offering Memorandum you are deemed to have represented to NagaCorp Ltd. (the “**Issuer**”), Credit Suisse (Hong Kong) Limited, Morgan Stanley & Co. International plc and UBS AG Hong Kong Branch (collectively, the “**Initial Purchasers**”) that (1) you are not resident in the United States as defined in Regulation S (“**Regulation S**”) under the U.S. Securities Act of 1933 (the “**Securities Act**”) and, to the extent you will purchase the securities described in the attached Offering Memorandum, you will be doing so pursuant to Regulation S, and (2) you consent to the delivery of the attached Offering Memorandum and any amendments or supplements thereto by electronic transmission.

The attached Offering Memorandum has been made available to you in electronic form. You are reminded that documents may be altered or changed when transmitted electronically and consequently none of the Issuer, its subsidiaries or the Initial Purchasers or any person controls any of them or any of their respective directors, employees, representatives, affiliates or agents accept any liability or responsibility whatsoever in respect of any discrepancies between the Offering Memorandum distributed to you electronically and the original version.

Restrictions: You are reminded that the information in the attached Offering Memorandum is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described therein. You are reminded that the information in the attached Offering Memorandum is not complete and may be changed. Any investment decision should be made on the basis of the information contained in a final offering memorandum that will be distributed to you prior to the closing date and not on the basis of this Offering Memorandum.

None of this electronic transmission, Offering Memorandum or anything contained in it or them shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. Neither the Initial Purchasers nor any of their respective affiliates nor any other person accepts any liability whatsoever for any loss howsoever arising from any use of this electronic transmission or the Offering Memorandum or their respective contents or otherwise arising in connection therewith.

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

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

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

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

Actions that you may not take: You should not reply by e-mail to this communication, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTION MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.



NAGACORP

金界控股有限公司

NagaCorp Ltd.*(established and existing in the Cayman Islands with limited liability)***US\$350,000,000 7.95% Senior Notes due 2024****Issue Price: 98.167%**

NagaCorp Ltd. (“we,” “us” or the “Company”) is offering (the “Offering”) US\$350,000,000 7.95% Senior Notes due 2024 (the “Notes”). The Notes will bear interest at the rate of 7.95% per year. Interest on the Notes is payable semi-annually in arrears on January 6 and July 6 of each year (each, an “Interest Payment Date”) commencing on January 6, 2021. The Notes will mature on July 6, 2024.

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

At any time on or after July 6, 2022, we may redeem some or all of the Notes at the redemption prices listed in “Description of the Notes – Optional Redemption.” Prior to July 6, 2022, we may redeem some or all of the Notes by paying a “make-whole” premium. Prior to July 6, 2022, we may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds from certain equity offerings. In addition, we may redeem the Notes in whole, but not in part, at any time at a price equal to their principal amount plus accrued interest, in the event of certain changes in withholding tax laws. We may also redeem Notes if a gaming authority requires holders of Notes to be licensed, qualified or found suitable under applicable law and such holder is not so licensed or qualified or is found unsuitable.

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

The Notes and the Note Guarantees have not been, and will not be, registered under the United States Securities Act of 1933 (the “Securities Act”) or the securities laws of any other jurisdiction and may not be offered or sold within the United States, except pursuant to an exemption from, or in transactions not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the Securities Act (“Regulation S”). For a description of these and certain further restrictions on offers, sales and transfers of the Notes and distribution of this Offering Memorandum, see “Plan of Distribution” and “Transfer Restrictions.”

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

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

The Notes will be evidenced by a global certificate (the “Global Certificate”) in registered form, which will be registered in the name of a nominee of, and deposited with a common depositary for, Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking, S.A. (“Clearstream, Luxembourg”). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg and their respective accountholders. Except in the limited circumstances set out herein, definitive certificates for the Notes will not be issued in exchange for beneficial interests in the Global Certificate. It is expected that delivery of the Global Certificate will be made on or about July 6, 2020 (the “Closing Date”).

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

Credit Suisse**Morgan Stanley****UBS**

Offering Memorandum dated June 24, 2020

CONTENTS

SECTION	PAGE
SUMMARY	1
RECENT DEVELOPMENTS	4
THE OFFERING	7
SUMMARY CONSOLIDATED FINANCIAL AND CERTAIN OPERATING DATA	12
RISK FACTORS	16
USE OF PROCEEDS	49
CAPITALIZATION AND INDEBTEDNESS	50
SELECTED CONSOLIDATED FINANCIAL DATA	51
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	54
INDUSTRY OVERVIEW	78
REGULATORY OVERVIEW OF THE CASINO BUSINESS IN CAMBODIA	97
BUSINESS	101
DESCRIPTION OF MATERIAL CONTRACTS	142
MANAGEMENT	146
PRINCIPAL SHAREHOLDERS	151
DESCRIPTION OF THE NOTES	152
TAXATION	203
PLAN OF DISTRIBUTION	204
TRANSFER RESTRICTIONS	210
LEGAL MATTERS	212
GENERAL INFORMATION	213
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS	F-1

NOTICE TO INVESTORS

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

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

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

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

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

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

The Notes which are being offered in the Offering have not been approved or disapproved by the U.S. Securities and Exchange Commission (the “SEC”), any U.S. state securities commission, any other U.S. regulatory authority or any foreign securities commission or regulatory authority. The foregoing authorities have not confirmed the accuracy or determined the adequacy of this Offering Memorandum, nor have they passed upon or endorsed the merits of the Offering. Any representation to the contrary is a criminal offense in the United States.

Notification under Section 309B of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “SFA”) – The Issuer has determined, and hereby notifies all persons (including relevant persons (as defined in Section 309A(1) of the SFA)) that the Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

This offering memorandum is not a prospectus for the purposes of the European Union’s Regulation (EU) 2017/1129 (and any amendments thereto) (the “**EU Prospectus Regulation**”). This offering memorandum has been prepared on the basis that all offers of the Notes made to persons in the European Economic Area (“**EEA**”) will be made pursuant to an exemption under the EU Prospectus Regulation from the requirement to produce a prospectus in connection with offers of the Notes.

MiFID II product governance/Professional investors and ECPs only target market: Solely for the purposes of the manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “**MiFID II**”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer’s target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer’s target market assessment) and determining appropriate distribution channels.

Prohibition of sales to EEA and UK retail investors: The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA or in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIPs Regulation.

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

In this Offering Memorandum, all references to:

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

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

ENFORCEABILITY OF CIVIL LIABILITIES

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

We have been advised by our Cayman Islands legal counsel, Maples and Calder (Hong Kong) LLP, that the courts of the Cayman Islands are unlikely (i) to recognize or enforce against the Company or our directors or officers judgements of courts of the United States predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States; or (ii) in original actions brought in the Cayman Islands, to impose liabilities against the Company or our directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States, so far as the liabilities imposed by those provisions are penal in nature. In those circumstances, although there is no statutory enforcement in the Cayman Islands of judgements obtained in the United States, the courts

of the Cayman Islands will recognize as a valid judgement, a final and conclusive judgment in personam obtained in any state or federal court located in the Borough of Manhattan, The City of New York, New York without retrial on the merits based on the principle that a judgement of a competent foreign court imposes on the debtor an obligation to pay the sum for which judgement has been given provided certain conditions are met (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) and would enforce such foreign judgement in the Cayman Islands provide that (a) such courts had proper jurisdiction over the parties subject to such judgement; (b) such courts did not contravene the rules of natural justice of the Cayman Islands; (c) such judgement was not obtained by fraud; (d) the enforcement of the judgement would not be contrary to the public policy of the Cayman Islands; (e) the judgement must be final and conclusive and for a liquidated sum; and (f) such judgement must not be inconsistent with a Cayman judgement in respect of the same matter. A Cayman Islands Court may stay enforcement proceedings if concurrent proceedings are brought elsewhere.

We have been advised by our Cambodian legal advisor, HML Law Group & Consultants, that a judgment obtained outside Cambodia is not directly enforceable in Cambodia Court. In order to execute a judgment of a foreign court, that judgment shall be valid and fulfil all conditions as stated in the Code of Civil Procedure of the Kingdom of Cambodia. For instance, a foreign judgment would be recognized if, among other things, there is a guarantee of reciprocity between Cambodia and the foreign country in which the court is based. As of 2019, Cambodia has not established any treaty or such reciprocity with a foreign country apart from the Mutual Judicial Assistance Agreement in Civil Matters with Vietnam. Therefore, there can be no assurance that a foreign judgment will be enforced by the courts of Cambodia. A foreign court judgment could be offered and accepted into evidence in a proceeding on the underlying claim in a Cambodian court and may be given such evidentiary weight as the Cambodian court may deem appropriate in its sole discretion. A claimant may be required to pursue claims in Cambodian courts on the basis of Cambodian law. A purchaser of the Notes may not be able to enforce judgments against us obtained in the United States based upon certain of the civil liability provisions of the securities laws of the United States or any states thereof in Cambodian courts, and Cambodian courts may not enter judgments in original actions brought in Cambodian courts based solely upon the civil liability provision of the securities laws of the United States or any state thereof. Re-examination of the underlying claim would be required before the Cambodian court. There can be no assurance that the claims or remedies available under Cambodian law will be the same, or as extensive as those available in other jurisdictions.

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

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this Offering Memorandum, references to “2017,” “2018” and “2019” refer to our financial years ended December 31, 2017, 2018 and 2019, respectively. Our consolidated financial statements as of and for the years ending December 31, 2017 and 2018 (the “**2018 Financial Statements**”) and as of and for the year ending December 31, 2019 (the “**2019 Financial Statements**”) were audited by BDO Limited, independent public accountants, in accordance with International Financial Reporting Standards (“**IFRS**”), as stated in their reports included elsewhere in this Offering Memorandum. The 2018 Financial Statements and the 2019 Financial Statements (together, the “**Financial Statements**”) are included elsewhere in this Offering Memorandum. The Group adopted IFRS 16 (Leases) from 1 January 2019 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. As a result, from 1 January 2019 the Group, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor. The comparative information for 2017 and 2018 was not restated and is presented under IAS 17 and related interpretations. See *“Management’s Discussion and Analysis of Financial Condition – Critical Accounting Policies”* and note 2 to the 2019 Financial Statements. Unless otherwise stated, all our financial information is stated in accordance with IFRS and our financial statements are presented on a consolidated basis. Our reporting currency is the U.S. Dollar, and accordingly our Financial Statements are presented in U.S. Dollars.

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

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

INDUSTRY AND MARKET DATA

This Offering Memorandum includes certain market share, statistical and industry data and third-party projections and forecasts regarding growth and performance of the industry we operate and invest in that we have obtained from industry publications and surveys, publicly available documents and government publications, Global Market Advisors (“GMA”), and from internal sources. Industry publications and surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but except for any data we provided to GMA in connection with the preparation of their report dated June 2020 (the “GMA Report”), we cannot assure you that such data is complete or accurate. Information, including estimates, expectations and forecasts relating to, in particular, the Cambodian gaming industry, that appear under the section headed “*Industry Overview*” in this Offering Memorandum, was derived from the GMA Report. GMA is an independent gaming industry consultant in the gaming industry and has been commissioned by us to provide the GMA Report. While reasonable actions have been taken to ensure that information from the GMA Report is extracted accurately and in its proper context, we (except with respect to any data we provided to GMA in connection with the preparation of the GMA Report), the Initial Purchasers nor any of our or their respective affiliates has independently verified any of the data or ascertained the underlying economic assumptions relied upon therein. Similarly, third-party projections cited in this Offering Memorandum are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. The industry and market data contained in this Offering Memorandum, including under “*Industry Overview*” and “*Business*” which are derived from the GMA Report, has not been updated since the date of such report. No assurances are or can be given that any estimated figures will be achieved. In addition, financial and other data with respect to Cambodia and other countries provided in this Offering Memorandum may be subsequently revised in accordance with those countries ongoing maintenance of its economic and other data, and such revised data will not be distributed by us to any holder of the Notes. As a result, you are cautioned against undue reliance on such information.

CAYMAN ISLANDS DATA PROTECTION

The Company has certain duties under the Data Protection Law, 2017 of the Cayman Islands (the “DPL”) based on internationally accepted principles of data privacy.

Prospective investors should note that, by virtue of making investments in the Notes and the associated interactions with the Company and its affiliates and/or delegates, or by virtue of providing the Company with personal information on individuals connected with the investor (for example directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners or agents) such individuals will be providing the Company and its affiliates and/or delegates with certain personal information which constitutes personal data within the meaning of the DPL. The Company shall act as a data controller in respect of this personal data and its affiliates and/or delegates may act as data processors (or data controllers in their own right in some circumstances).

By investing in the Notes, the holders of the Notes (the “**Noteholders**”) shall be deemed to acknowledge that they have read in detail and understood the Privacy Notice set out below and that such Privacy Notice provides an outline of their data protection rights and obligations as they relate to the investment in the Notes.

Oversight of the DPL is the responsibility of the Ombudsman’s office of the Cayman Islands. Breach of the DPL by the Company could lead to enforcement action by the Ombudsman, including the imposition of remediation orders, monetary penalties or referral for criminal prosecution.

Privacy Notice

Introduction

The purpose of this notice is to provide Noteholders with information on the Company's use of their personal data in accordance with the DPL.

In the following discussion, "Company" refers to the Company and its affiliates and/or delegates, except where the context requires otherwise.

Investor Data

By virtue of making an investment in the Company and a Noteholder's associated interactions with the Company (including any subscription (whether past, present or future), including the recording of electronic communications or phone calls where applicable) or by virtue of a Noteholder otherwise providing the Company with personal information on individuals connected with the Noteholder as an investor (for example directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners or agents), the Noteholder will provide the Company with certain personal information which constitutes personal data within the meaning of the DPL ("**Investor Data**"). The Company may also obtain Investor Data from other public sources. Investor Data includes, without limitation, the following information relating to a Noteholder and/or any individuals connected with a Noteholder as an investor: name, residential address, email address, contact details, corporate contact information, signature, nationality, place of birth, date of birth, tax identification, credit history, correspondence records, passport number, bank account details, source of funds details and details relating to the Noteholder's investment activity.

In the Company's use of Investor Data, the Company will be characterised as a "data controller" for the purposes of the DPL. The Company's affiliates and delegates may act as "data processors" for the purposes of the DPL.

Who this Affects

If a Noteholder is a natural person, this will affect such Noteholder directly. If a Noteholder is a corporate investor (including, for these purposes, legal arrangements such as trusts or exempted limited partnerships) that provides the Company with Investor Data on individuals connected to such Noteholder for any reason in relation to such Noteholder's investment with the Company, this will be relevant for those individuals and such Noteholder should transmit the content of this Privacy Notice to such individuals or otherwise advise them of its content.

How the Company May Use a Noteholder's Personal Data

The Company, as the data controller, may collect, store and use Investor Data for lawful purposes, including, in particular:

- (i) where this is necessary for the performance of the Company's rights and obligations under any subscription agreements or purchase agreements;
- (ii) where this is necessary for compliance with a legal and regulatory obligation to which the Company is subject (such as compliance with anti-money laundering and FATCA/CRS requirements); and/or
- (iii) where this is necessary for the purposes of the Company's legitimate interests and such interests are not overridden by the Noteholder's interests, fundamental rights or freedoms.

Should the Company wish to use Investor Data for other specific purposes (including, if applicable, any purpose that requires a Noteholder's consent), the Company will contact the applicable Noteholders.

Why the Company May Transfer a Noteholder's Personal Data

In certain circumstances the Company and/or its authorised affiliates or delegates may be legally obliged to share Investor Data and other information with respect to a Noteholder's interest in the Company with the relevant regulatory authorities such as the Cayman Islands Monetary Authority or the Tax Information Authority. They, in turn, may exchange this information with foreign authorities, including tax authorities.

The Company anticipates disclosing Investor Data to others who provide services to the Company and their respective affiliates (which may include certain entities located outside the Cayman Islands or the European Economic Area), who will process a Noteholder's personal data on the Company's behalf.

The Data Protection Measures the Company Takes

Any transfer of Investor Data by the Company or its duly authorised affiliates and/or delegates outside of the Cayman Islands shall be in accordance with the requirements of the DPL.

The Company and its duly authorised affiliates and/or delegates shall apply appropriate technical and organisational information security measures designed to protect against unauthorised or unlawful processing of Investor Data, and against accidental loss or destruction of, or damage to, Investor Data.

The Company shall notify a Noteholder of any Investor Data breach that is reasonably likely to result in a risk to the interests, fundamental rights or freedoms of either such Noteholder or those data subjects to whom the relevant Investor Data relates.

FORWARD-LOOKING STATEMENTS

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

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

- estimated financial information and projections regarding the Group, and our future development and economic performance;
- future earnings, cash flow and liquidity;
- potential growth opportunities;
- our cost of capital and financing plans;
- our investment strategy;
- our relationship with the Government;
- the competitive position and the effects of competition on our business;
- development of additional revenue sources;
- the amount and nature of future capital expenditures;
- delays or changes in the development of our businesses;
- the condition of and changes in the local, Cambodian, Asian or global economies;
- the performance of third parties under material agreements; and
- regulatory changes and future Government policy relating to the gaming industry in Cambodia, including with respect to the adoption of a casino law.

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

- number of visitors and volume of gaming;
- the quality of service and scope of facilities offered by our facilities;
- termination of any agreements with supplier or customers, or regulatory licenses or permits;

- competition from other companies in the gaming industry, in Cambodia and regionally;
- risks associated with changes in customers' preferences and the relative prices of alternative gaming options;
- win rates in the gaming business which are subject to luck and fluctuation;
- compliance by third parties with their obligations under agreements to which we or our subsidiaries are parties;
- ability to obtain capital for anticipated expansion plans;
- changes in interest rates;
- fluctuations in occupancy rates and average room rates in Phnom Penh and Cambodia generally;
- acts of international or domestic terrorism;
- changes in tourism demand in Cambodia;
- changes in general economic, business and political conditions in Cambodia and surrounding countries;
- changes in the laws, regulations, taxation, accounting standards or practices, or policies of the Government which apply to us;
- labor unrest or other similar situations;
- our ability to obtain and retain skilled personnel;
- the availability of insurance coverage at commercially acceptable premiums;
- accidents, public disorder, natural disasters, severe weather or outbreaks (or fear of outbreaks) of infectious diseases, including the COVID-19 outbreak or any other global pandemic or crisis;
- our management's success at managing the above-described risks and factors; and
- other factors not yet known to us.

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

SUMMARY

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

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

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

Overview

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

- a casino and hotel resort spread over a total floor area of approximately 113,307 square meters which opened in December 2006 (“**Naga 1**”),
- a casino and luxury hotel resort spread over a total floor area of approximately 108,764 square meters which opened in November 2017 which is adjacent to Naga 1 (“**Naga 2**”), and
- an underground walkway which links Naga 1 and Naga 2 (“**NagaCity Walk**”) which opened in August 2016. NagaCity Walk is Phnom Penh’s first underground shopping center and offers duty-free shopping operated by China Duty Free Group – one of the largest duty-free operators in China.

Our license to operate NagaWorld (the “**Casino License**”) is valid until 2065. Significantly, pursuant to the Casino License, we have an exclusive right to operate casinos in Cambodia within a 200 kilometer radius of Phnom Penh (except the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville) (the “**Designated Area**”) until the end of 2045. See “*Business – NagaWorld Development Agreements and Casino License – NagaWorld’s Casino License.*”

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

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

Cambodia is benefitting from increasing international arrivals in the long-term driven by improved flight connectivity which allows it to capture the growing tourism from China, although we expect short-term decrease in all visitors, including from China, due to the outbreak of COVID-19 and the travel restrictions imposed by relevant countries.

We have a strong network of gaming promoters who bring VIP players to NagaWorld from around Asia, particularly Southeast Asia, Greater China and East Asia through their networking, marketing and promotional efforts. In addition, we have entered into collaborations with the Ministry of Tourism of Cambodia and Bassaka Air Limited, a Cambodian registered commercial airline to bring travellers to visit Cambodia generally. Our own private jets also enable us to provide flights to certain of our VIP players to Phnom Penh.

We are developing Naga 3, a multi-entertainment, comprehensive and integrated resort complex set within three modern purpose-built towers, which is expected to comprise one 75-story tower and two 61-story towers linked by an “Upper Podium” that has a recreational area overlooking the Mekong River and the city below. Three towers rest atop a mixed-use, resort “Lower Podium”, all connected by a system of horizontal and vertical “streets” (elevated amenity bridges and gaming facilities) that are accessible via a network of Naga Capsule exterior elevators. Naga 3 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 to impart a more satisfying, penetrating and complete visitation experience. In addition, the Government has also provided approval-in-principle for the construction of a garden in front of the Naga 3 property, which will allow us to build a 3-story underground car park together with a garden through which Naga 3 will be connected to NagaCity Walk, Naga 1 and Naga 2. Naga 3 is expected to be completed in or around 2025. As of December 31, 2019, we had invested a total of approximately US\$89 million in Naga 3 and we expect to invest a further US\$50 million for construction in 2020 subject to the payment terms with our third party contractor, although we have the option to defer this investment if we believe it is prudent to do so to preserve liquidity. See “*Business – Naga 3.*”

We are also developing an integrated casino and hotel resort in Vladivostok, Russia (“**Naga Vladivostok**”). Naga Vladivostok is expected to open in 2022. As of December 31, 2019, we had invested a total of approximately US\$228.4 million in Naga Vladivostok and we expect to invest approximately a further US\$100 million for construction in 2021 and 2022 subject to the payment terms with our third party contractor. As a result of the lockdown measures currently imposed in Russia to combat COVID-19, we do not expect to incur significant capital expenditure in 2020 for Naga Vladivostok. See “*Business – Naga Vladivostok.*”

Our long-term vision is to be an international gaming and tourism-related group, which we intend to achieve by adopting a conservative gaming policy and adhering to an optimum gearing ratio by utilizing our existing resources, experience and financial success attained in over 20 years of operations in Cambodia.

Competitive Strengths

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

Strategies

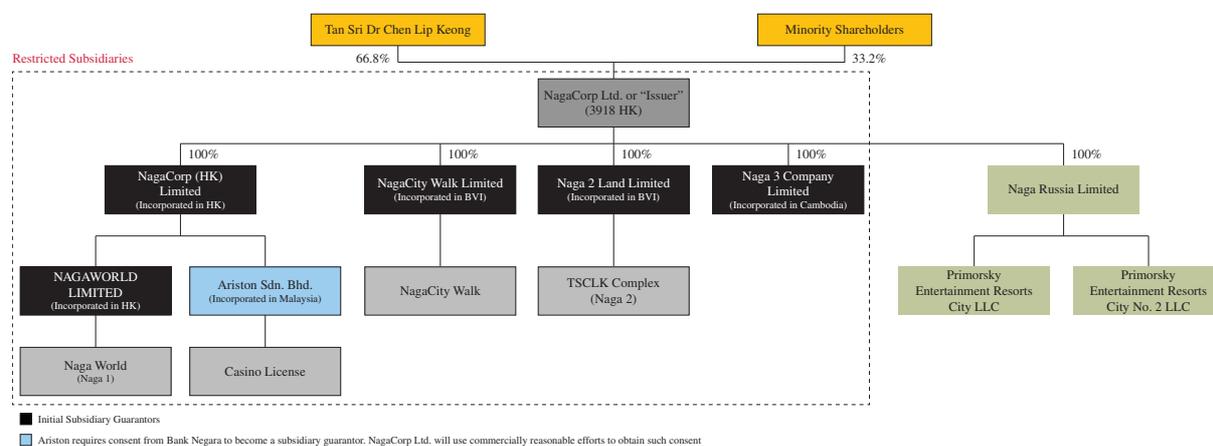
- Continue to focus on growing the attractive mass market segment
- Expand and support our VIP gaming segment with competitive VIP programs and services
- Build a world-class hospitality brand under “NagaHotels”
- Pursue strategic and opportunistic expansion initiatives with a measured approach to expansion
- Maintain a strong balance sheet and a prudent capital structure

Corporate Information

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

Summary Corporate Structure⁽¹⁾⁽²⁾⁽³⁾

The following chart sets out our summary corporate structure as of June 19, 2020. The entities under and including Naga Russia Limited are not “Restricted Subsidiaries” (as defined in “*Description of the Notes*”) and therefore are not generally subject to the covenants contained in the Notes.



Notes:

- (1) NAGAWORLD LIMITED (“**NWL**”) (formerly known as Naga Resorts & Casinos Limited), a company incorporated in Hong Kong, through its two Cambodian branches, is engaged in hotel and entertainment business with casino operations. On May 8, 1995, NAGAWORLD LIMITED entered into a casino license agreement (“**CLA**”) with Ariston, under which Ariston granted and NWL accepted an irrevocable casino license to operate the casino facilities in Phnom Penh for a period of 70 years starting from January 2, 1995. Under the Supplemental Casino License Agreement to the CLA dated February 2, 2000 NAGAWORLD LIMITED agrees to pay the casino tax, but is not required to pay the casino premium and casino license fee as referred to under the Sihanoukville Development Agreement (dated January 2, 1995) (“**SDA**”).
- (2) NagaCorp Ltd. owns 100% of its subsidiaries.
- (3) Naga Russia Limited and its subsidiaries are Unrestricted Subsidiaries and comprised 10.7% of the Company’s consolidated total assets as of December 31, 2019.

RECENT DEVELOPMENTS

Labor Dispute

Between September 2019 and January 2020, a small number of our employees who are members of the Labor Rights Supported Union of Khmer Employees of NagaWorld (the “**NagaWorld Union**”) participated in strike actions. The Group obtained court injunctions on September 27, 2019, November 08, 2019 and on January 8, 2020 that variously ruled that the strikes constituted illegal strikes and ordering the striking employees to return to work. Pursuant to the court orders, all the employees who participated in the strike returned to work on January 12, 2020 without any wage increase. The NagaWorld Union filed an objection against the injunction dated January 8, 2020. However, the Group obtained a court decision to uphold the injunction on May 12, 2020. The NagaWorld Union may appeal this decision, but has not done so as of the date of this Offering Memorandum.

COVID-19 Pandemic and Temporary Closure of Our Casinos

COVID-19, an infectious disease caused by the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) was first identified in December 2019 and subsequently began spreading globally. On March 11, 2020, the World Health Organization (“**WHO**”) declared COVID-19 outbreak a pandemic. As of the date of this Offering Memorandum, COVID-19 is still spreading globally and has infected over 8.5 million people and resulted in over 450,000 deaths worldwide. Many countries across the world have imposed travel restrictions and lockdown measures in an effort to curb the spread of the highly infectious COVID-19. In response to the spread of the COVID-19 outbreak, the Cambodian Ministry of Economy and Finance (“**MOEF**”) ordered all casinos in Cambodia to temporarily stop their business activities starting from 24:00 on April 1, 2020 until further notice. The Government will waive the monthly tax obligation payments of all casinos in Cambodia from April 1, 2020 until the casinos are permitted to resume business operations.

Since January 2020, we have implemented a series of precautionary measures, including health and sanitation programs adhering to the guidelines of the Ministry of Health of Cambodia and the WHO. In our casinos, all employees and visitors are required to wear surgical face masks. All employees and visitors are also required to have their body temperatures checked before entering the property, and we have installed infrared body temperature sensors machines at the entrances of the casinos similar to the ones installed at international airports. Sanitizers are available at every corner of the casinos, and also made them available at every gaming table for dealers and guests. Scheduled disinfection is carried out in all public areas within the property. Social distancing is also practised in our casinos to ensure reasonable distancing for employees and visitors. Tables in restaurants are placed at reasonable distances apart from each other, and such arrangements includes staff dining areas. Buffets have been replaced with ala-carte orders.

In compliance with an order from the MOEF, our casino operations have been temporarily suspended since 24:00 on April 1, 2020 and they remain suspended until further notice from the MOEF. In addition, in March 2020 the Cambodian government announced an entry ban on foreign travellers from certain countries and the suspension of the issuance of tourist visas. Certain of these restrictions were eased in May 2020 but the Cambodian government continues to require international visitors to possess a medical certificate and medical insurance, and undergo mandatory COVID-19 tests and a 14-day quarantine or self-isolation upon arrival in Cambodia. To minimize operational costs until such time when the temporary suspension of casino operations is lifted, we are currently operating our Naga 1 Hotel with reduced occupancy rates, and limited food and beverage facilities. Our Naga 2 Hotel is currently closed. Duty free operations at NagaCity Walk remain in operation.

While our casino operations remain suspended, we are not generating any revenues from our casino operations, and our revenues from the Naga 1 Hotel, our food and beverage operations and rent from China Duty Free Group are minimal. Prior to the temporary suspension of our casino operations, our average monthly expenditures, based on the three months ended March 31, 2020, were US\$18.4 million. These expenditures included run-rate operating costs of US\$13.9 million, maintenance and capital expenditures of US\$1.3 million and interest expense of US\$3.2 million. In addition, the Company incurred monthly gaming obligation and non-gaming obligation payment of US\$0.9 million. We have undertaken, and expect to

continue undertaking a series of actions to minimize our cash expenditures, including (i) scaling back of hotel and food and beverages operations, (ii) reducing payroll expenses by limiting staff on site and reducing employee pay since April 2020 and (iii) the closure of facilities to reduce utilities expenditure. After giving effect to these initiatives, we expect that our monthly run-rate operating costs will be US\$3.9 million. Pursuant to the terms of our design and build agreement with CCAG Asia Co., Ltd, we have the option to delay certain aspects of the Naga 3 project, which we may choose to do if we believe that it would be prudent to defer some capital expenditure. We also have the flexibility to resize the Naga 3 project to preserve liquidity if required. In light of COVID-19's impacts, the Government has granted gaming and non-gaming tax exemptions and allowed deferral of certain expenses (such as postponement of staff seniority payments applicable to employees under unfixed duration contracts for 2020 to 2021) during the temporary closure period. We expect to continue to incur cash expenditures in excess of revenue until we are able to recommence our casino operations and demand levels rise to a sufficient extent.

As of March 31, 2020 and May 31, 2020, we had cash and deposits of US\$464.9 million and US\$527.1 million, respectively. The Company approved the 2019 final dividend at the annual general meeting held in April 2020, and US\$221 million was paid to shareholders in June 2020. Although we have no other existing facilities to provide further liquidity, we believe that, after giving effect to the application of proceeds of this offering as described under "Use of Proceeds," our liquidity could support approximately 18 months of operating expenditure and interest expenses, with minimal revenue. Our actual level of cash operating expenses in coming periods could be impacted by unanticipated developments of events beyond our control.

On April 7, 2020, Moody's affirmed the "B1" corporate family rating of the Company with a negative outlook. On May 4, 2020, S&P affirmed the "B+" issuer credit rating of the Company with stable outlook. There can be no assurance that we will not experience downgrades as the COVID-19 pandemic continues and thereafter as the global economy and gaming and tourist demand begin to recover.

The COVID-19 outbreak poses risks to our business operation and financial condition. Given the uncertainties as to the development of the COVID-19 outbreak at the moment, and there are no comparable recent events that provide guidance as to the effect the spread of COVID-19 as a global pandemic may have, it is difficult to predict how long these conditions will persist and to what extent to which we may be affected. See "Risk Factors – Risks relating to our Business – An outbreak of contagious disease may have an adverse effect on the global economies and may adversely affect us" and "Risk Factors – Risks relating to our Business – All of our casino operations are currently suspended, and we are unable to predict when all, or any of, such operations will re-open to the public, or the period of time required for the ramp-up of operations upon reopening."

Operational Highlights for the three months ended March 31, 2020

Set forth below are certain unaudited operational highlights of the Group's gaming branch for the three months ended March 31, 2020:

	Three months ended March 31,		Change	
	2019	2020	Amount	%
	(US\$ millions)		(US\$ millions)	(%)
Gross Gaming Revenue.....	321.2	369.1	47.9	15%
Net Gaming Revenue	160.7	167.6	6.9	4%
Mass Market Table Buy-ins ⁽¹⁾	344.4	342.4	(2.0)	(1%)
Mass Market Table Gross Gaming Revenue..	68.7	68.1	(0.6)	(1%)
Mass Market Table Net Gaming Revenue	68.4	67.7	(0.7)	(1%)
EGM Bill-ins ⁽²⁾	665.8	502.7	163.1	(24%)
VIP Rollings ⁽³⁾	8,187.0	9,693.2	1,506.2	18%
VIP Market Gross Gaming Revenue	216.5	270.2	53.7	25%
VIP Market Net Gaming Revenue.....	56.4	69.2	12.8	23%

Notes:

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

During the three months ended March 31, 2020, gross gaming revenue for the Group’s gaming branch increased by 15% as compared to the three months ended March 31, 2019 due to a 25% increase in VIP market gross gaming revenue, offset by a 1% decrease in mass market table gross gaming revenue and a 13% decrease in mass market electronic gaming machines (“EGM”) gross revenue.

Our revenues in the three months ended March 31, 2020 were mainly driven by our VIP market segment and were generated mainly from players originating in North Asia and Southeast Asia. The increase in revenue is partly as a result of junket operators who have fixed-based operations in Naga 2 and who brought in VIP players while casinos were closed in Macau, the Philippines and Malaysia.

Our mass market table gross gaming revenues in the three months ended March 31, 2020 remained relatively steady and flat despite the outbreak of COVID-19, due to the wealth and sizable number of expatriates in Phnom Penh, where we enjoy monopolistic privileges in the casino business as a result of the exclusivity privileges afforded to us until the end of 2045 under the terms of the Casino License.

The 13% decrease in mass market EGM gross revenue was as a result of the EGM segment registering a lower credit in of 24% in the same period, primarily due to the effect of COVID-19, which resulted in lower hotel occupancies due to lower international leisure tourist arrivals and conducted tours.

In connection with our process for reporting our half-year results, we will undertake an impairment analysis of our assets to determine if any impairment charges are appropriate in light of the operational issues presented by COVID-19. We cannot determine at this time whether any such charges will be necessary.

Potential Subscription of Notes by our Controlling Shareholder

In connection with the offering of the Notes, Tan Sri Dr. Chen Lip Keong, who is the founder, an executive director, the Chief Executive Officer and the controlling shareholder of the Company, is purchasing US\$45 million in principal amount of the Notes (via his wholly-owned company ChenLipKeong Capital Limited), at the same price and on the same terms as other investors who purchase Notes.

THE OFFERING

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

Issuer	NagaCorp Ltd.
Notes Offered	US\$350,000,000 aggregate principal amount of 7.95% Senior Notes due 2024.
Issue Price	98.167% of the principal amount of the Notes.
Issue Date	July 6, 2020.
Maturity Date.....	July 6, 2024.
Interest.....	The Notes will bear interest at a rate of 7.95% per annum, payable semi-annually in arrears on January 6 and July 6 of each year, commencing January 6, 2021.
Ranking of the Notes	The Notes will: <ul style="list-style-type: none">• rank equally in right of payment with all existing and future obligations of the Issuer that are not subordinated in right of payment to the Notes, including the Existing Notes;• rank senior in right of payment to any existing and future obligations of the Issuer that are subordinated in right of payment to the Notes;• be effectively subordinated in right of payment to any existing and future obligations of the Issuer that are secured by property or assets that do not secure the Notes, to the extent of the value of the property and assets securing such obligations;• be structurally subordinated to all existing and future obligations of the Issuer’s Subsidiaries that do not guarantee the Notes; and• be unconditionally guaranteed by the Guarantors.

Guarantees The Notes will be guaranteed on the Issue Date by NagaCorp (HK) Limited, NAGAWORLD LIMITED, NagaCity Walk Limited (formerly known as TanSriChen (Citywalk) Inc.), Naga 2 Land Limited (formerly known as TanSriChen Inc.) and Naga 3 Company Limited. The Indenture will require that certain of the Issuer’s future Restricted Subsidiaries guarantee the Notes, subject to certain exceptions. See “*Description of the Notes – Additional Note Guarantees.*” Each of the Guarantors will, jointly and severally, guarantee on a senior basis the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under the Notes. A Note Guarantee may be released or replaced in certain circumstances. See “*Risk Factors – Risks Relating to the Notes and the Note Guarantees*” and “*Description of the Notes – Note Guarantees.*”

Ranking of the Note Guarantees The Note Guarantee of each Guarantor will:

- rank equally in right of payment with all existing and future obligations of such Guarantor that are not subordinated in right of payment to such Note Guarantee, including the Existing Notes;
- rank senior in right of payment to any existing and future obligations of such Guarantor that are subordinated in right of payment to such Note Guarantee; and
- be effectively subordinated in right of payment to any existing and future obligations of such Guarantor that are secured by property or assets that do not secure such Note Guarantee, to the extent of the value of the property and assets securing such obligations.

Use of Proceeds We intend to use the net proceeds of the offering of the Notes to redeem some or all of the outstanding US\$300,000,000 9.375% Senior Notes due 2021 (the “**2021 Notes**”) (and any accrued interest, costs, charges, premiums and expenses and other amounts incidental to repayment of the 2021 Notes) on or prior to maturity in 2021. Any remaining amount will be used for general corporate purposes of the Company and the Restricted Subsidiaries. See “*Use of Proceeds.*”

Optional Redemption Prior to July 6, 2022, the Issuer at its option may redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes plus the applicable “make-whole” premium described in this Offering Memorandum plus accrued and unpaid interest, if any, to the redemption date.

At any time on or after July 6, 2022, the Issuer at its option may redeem the Notes, in whole or in part, at the redemption prices set forth in “*Description of the Notes – Optional Redemption*” plus accrued and unpaid interest, if any, to the redemption date.

At any time prior to July 6, 2022, the Issuer may redeem up to 35% of the aggregate principal amount of the Notes, with the net cash proceeds of one or more Equity Offerings at a redemption price of 107.95% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to the redemption date. See “*Description of the Notes – Optional Redemption.*”

Repurchase of Notes upon a Change of Control..... Upon the occurrence of a Change in Control, the Issuer will make an offer to repurchase all outstanding Notes at a purchase price in cash equal to 101% of their principal amount plus accrued and unpaid interest and Additional Amounts, if any, to the repurchase date. See “*Description of the Notes – Repurchase at the Option of Holders – Change of Control.*”

Redemption for Taxation Reasons... Subject to certain exceptions and as more fully described herein, the Issuer may redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to the redemption date, if the Issuer or a Guarantor would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws. See “*Description of the Notes – Redemption for Taxation Reasons.*”

Additional Amounts All payments by or on behalf of the Issuer under the Notes and Note Guarantees will be made without withholding or deduction for, or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within a “Relevant Jurisdiction” (as defined in “*Description of the Notes – Additional Amounts*”) unless such withholding or deduction is required by law. In such event, the Issuer or the applicable Guarantor will, subject to certain customary limitations, pay such additional amounts as will result in receipt of such amounts as would have been received had no such withholding or deduction been required. “See *Description of the Notes – Additional Amounts.*”

Gaming Redemption. The Indenture will grant the Issuer the power to redeem the Notes if the gaming authority of any jurisdiction in which the Issuer or any of its subsidiaries conducts or proposes to conduct gaming requires that a person who is a holder or the beneficial owner of Notes be licensed, qualified or found suitable under applicable gaming laws and such holder or beneficial owner, as the case may be, fails to apply or become licensed or qualified within the required time period or is found unsuitable. See “*Description of the Notes – Gaming Redemption.*”

Covenants The Indenture will limit the ability of the Issuer and the Restricted Subsidiaries to, among other things:

- incur or guarantee additional indebtedness;
- make specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;

- sell assets;
- create liens;
- enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

These covenants are subject to important qualifications and exceptions described in "*Descriptions of the Notes – Certain Covenants.*"

Not all of the Issuer's Subsidiaries will be Restricted Subsidiaries. The Unrestricted Subsidiaries will not be restricted by these covenants and will not guarantee the Notes. See "*Description of the Notes – Brief Description of the Notes and the Note Guarantees – General.*"

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

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

Form, Denomination and Registration The Notes will be issued only in fully registered form, without coupons, in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof and will be initially represented by one or more global notes registered in the name of a nominee of the common depository for Euroclear and Clearstream.

Book-Entry Only The Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream. For a description of certain factors relating to clearance and settlement, see "*Description of the Notes – Book-Entry, Delivery and Form.*"

Delivery	The Issuer expects to deliver the Notes against payment in same-day funds on or about July 6, 2020, which is the fifth business day after the date of this Offering Memorandum (such settlement being referred to as “T+5”). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to a trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing or the next two succeeding business days will be required, by virtue of the fact that the Notes initially will settle T+5, to specify alternative settlement arrangements to prevent a failed settlement. See “ <i>Plan of Distribution.</i> ”
No Prior Market.....	The Notes will be new securities for which there is no existing market. Although the Initial Purchasers have advised us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market making at any time at their sole discretion without notice. Accordingly, there is no assurance that an active trading market will develop for the Notes.
Trustee, Principal Paying Agent, Transfer Agent and Registrar.....	GLAS Trust Company LLC.
Listing.....	Approval in-principle has been received for the listing of the Notes on the SGX-ST. The Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for so long as the Notes are listed on the SGX-ST.
Governing Law	The Notes, the Note Guarantees and the Indenture will be governed by, and will be construed in accordance with, the laws of the State of New York.
Security Codes.....	ISIN: XS2197693265 Common Code: 219769326

SUMMARY CONSOLIDATED FINANCIAL AND CERTAIN OPERATING DATA

The following tables set forth our summary financial and certain operating data as of the dates and for each of the periods indicated. The summary financial data in this section have been derived from our audited consolidated financial statements as of and for the years ended December 31, 2018 and 2019, prepared in accordance with IFRS and included elsewhere in this Offering Memorandum. Our consolidated financial statements as of and for the years ended December 31, 2018 and 2019 were audited by BDO Limited, independent public accountants. Our Financial Statements are presented in U.S. Dollar. See “Presentation of Financial and Other Information.”

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

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

	Year ended December 31,					
	2017		2018		2019 ⁽¹⁾	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	(US\$ millions)	%	(US\$ millions)	%	(US\$ millions)	%
Revenue	956.3	100.0	1,474.3	100.0	1,755.5	100.0
Cost of sales	(483.4)	50.5	(800.8)	54.3	(909.2)	51.8
Gross profit	472.9	49.5	673.5	45.7	846.3	48.2
Other income	7.8	0.8	10.3	0.7	10.8	0.6
Administrative expenses....	(67.2)	7.0	(79.3)	5.4	(61.3)	3.5
Other operating expenses ..	(150.2)	15.7	(185.6)	12.6	(224.0)	12.8
Profit from operations ...	263.3	27.5	418.9	28.4	571.8	32.6
Finance costs	–	–	(19.5)	1.3	(20.2)	1.2
Profit before taxation	263.3	27.5	399.4	27.1	551.6	31.4
Income tax	(8.1)	0.8	(8.8)	0.6	(30.4)	1.7
Profit for the year	255.2	26.7	390.6	26.5	521.2	29.7
Other comprehensive income for the year	2.1	0.2	(0.8)	0.1	0.5	0.0
Total comprehensive income for the year.....	257.3	26.9	389.8	26.4	521.7	29.7

(1) The Company adopted IFRS 16 (Leases) from January 1, 2019. The consolidated financial statements as of and for the years ended December 31, 2017 and 2018 respectively have not been restated to reflect the adoption of IFRS 16. See “Presentation of Financial and Other Information.” For the impact of the adoption of IFRS 16, see “Management Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies.”

Consolidated Statement of Financial Position:

	As of December 31,		
	2017	2018	2019 ⁽¹⁾
	(US\$ millions)	(US\$ millions)	(US\$ millions)
Non-current assets			
Property, plant and equipment.....	1,121.7	1,275.6	1,594.8
Right-of-use assets	–	–	85.8
Interest in leasehold land held for own use under operating lease.....	27.0	26.6	–
Intangible assets	62.7	59.1	70.6
Prepayments for acquisition, construction and fitting-out of property, plant and equipment.....	85.3	84.4	129.5
Promissory notes	9.6	9.4	10.0
Total non-current assets	1,306.3	1,455.1	1,890.7
Current assets			
Consumables	1.8	2.1	2.8
Trade and other receivables.....	101.4	117.1	126.8
Certificates of deposit, fixed deposits and other liquid funds	–	76.4	53.4
Cash and cash equivalents.....	52.8	316.5	273.4
Total current assets	156.0	512.1	456.4
Current liabilities			
Trade and other payables	77.9	79.7	159.4
Contract liabilities.....	–	10.0	10.0
Lease liabilities	–	–	2.8
Current tax liability.....	1.8	2.4	3.0
Total current liabilities	79.7	92.1	175.2
Net current assets	76.3	420.0	281.2
Total assets less current liabilities	1,382.6	1,875.1	2,171.9
Non-current liabilities			
Other payables	–	–	4.5
Senior notes	–	291.1	294.8
Contract liabilities.....	–	44.1	35.4
Lease liabilities	–	–	48.8
Total non-current liabilities	–	335.2	383.5
NET ASSETS	1,382.6	1,539.9	1,788.4

(1) The Company adopted IFRS 16 (Leases) from January 1, 2019. The consolidated financial statements as of and for the years ended December 31, 2017 and 2018 respectively have not been restated to reflect the adoption of IFRS 16. See “*Presentation of Financial and Other Information.*”

Consolidated Statement of Cash Flows

	Year ended December 31,		
	2017	2018	2019 ⁽¹⁾
	(US\$ millions)	(US\$ millions)	(US\$ millions)
Net cash generated from operating activities	322.2	476.7	690.2
Net cash (used in)/generated from investing activities...	(354.6)	(316.9)	(424.1)
Net cash (used in)/generated from financing activities ..	(125.7)	103.9	(309.2)
Net (decrease)/increase in cash and cash equivalent	(158.1)	263.7	(43.1)
Cash and cash equivalents at the beginning of the year.....	210.9	52.8	316.5
Cash and cash equivalents at the end of the year	52.8	316.5	273.4

(1) The Company adopted IFRS 16 (Leases) from January 1, 2019. The consolidated financial statements as of and for the years ended December 31, 2017 and 2018 respectively have not been restated to reflect the adoption of IFRS 16. See “*Presentation of Financial and Other Information.*”

Key Performance Indicators and Operating Data

	Year ended December 31,		
	2017	2018	2019
Mass Market: Tables			
Buy-ins (US\$ millions) ⁽¹⁾	787.8	1,238.2	1,644.6
Win rate (%).....	19.0	19.0	19.4
Revenue (US\$ millions).....	149.7	235.7	318.3
Mass Market: Electronic Gaming Machines (“EGM”)			
Bills-ins (US\$ millions) ⁽²⁾	1,812.5	2,214.6	2,760.0
Win rate (%).....	7.9	8.8	8.8
Revenue (US\$ millions) ⁽³⁾	150.9	129.3	158.1
VIP Market			
Rollings (US\$ millions) ⁽⁴⁾	21,124.9	36,658.5	46,611.6
Win rate (%).....	3.0	3.0	2.7
Revenue (US\$ millions).....	625.3	1,069.4	1,243.1
Gross Gaming Revenue (US\$ millions)	925.9	1,434.4	1,719.5

Notes:

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

Non-IFRS Financial Measures

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

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

	Year ended December 31,		
	2017	2018	2019
	US\$ millions (except percentages)		
Profit before taxation	263.3	399.4	551.6
Adjustment for:			
Depreciation and amortization expenses (including amortization of casino license premium).....	56.4	93.0	99.8
Finance costs	–	19.5	20.2
Total EBITDA	319.7	511.9	671.6
EBITDA Margin	33.4%	34.7%	38.3%

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

RISK FACTORS

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

RISKS RELATING TO OUR BUSINESS

An outbreak of contagious disease may have an adverse effect on the global economies and may adversely affect us.

Our business could be, and in certain cases, such as the recent COVID-19 outbreak, has been materially and adversely affected by the outbreak of widespread health epidemics or pandemics, such as COVID-19, avian flu, the H1N1 virus or SARS, and the measures taken by the governments of affected countries, including Cambodia, against such potential outbreaks. The occurrence of such health epidemics or pandemics, prolonged outbreak of an epidemic illness or other adverse public health developments in Cambodia or elsewhere in the world could materially disrupt our business and operations. Such events could significantly impact our industry and cause severe travel restrictions that could materially reduce the number of gaming patrons visiting NagaWorld, as well as temporary closures of the facilities we use for our operations, which would severely disrupt our operations and have a material adverse effect on our business, financial condition and results of operations. Such events may also indirectly and materially adversely impact our operations by negatively impacting the outlook, growth or business sentiment in the global, regional or local economy. The recent COVID-19 global outbreak has resulted in volatility in global capital markets, restrictions on travel within and between countries as well as public transportation, prolonged closures of workplaces and is expected to have a material adverse effect on the global economy, which may have a material adverse effect on our business, financial condition and results of operations.

COVID-19, an infectious disease caused by the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) was first identified in December 2019 and subsequently began spreading globally. On March 11, 2020, the World Health Organization declared COVID-19 outbreak a pandemic. As of the date of this Offering Memorandum, COVID-19 is still spreading globally and has infected over 8.5 million people and resulted in over 450,000 deaths worldwide. In response to the COVID-19 outbreak, many countries across the world have imposed travel restrictions and lockdown measures in an effort to curb the spread of the highly infectious COVID-19. In March 2020, the Government announced an entry ban on foreign travellers from certain countries and the suspension of issuance of tourist visas. On May 20, 2020, the Government lifted these restrictions, subject to international visitors arriving to Cambodia possessing a medical certificate and medical insurance, and undergoing mandatory COVID-19 tests and a 14-day quarantine or self-isolation upon arrival in Cambodia. The Government also ordered all casinos in Cambodia to close starting from 24:00 on April 1, 2020 until further notice. As of the date of this Offering Memorandum, our casinos remain closed until further notice from the MOEF. According to the Ministry of Tourism of Cambodia (“MOT”), international arrivals decreased by 38.5% to 1.15 million visitors in the first three months of 2020. We cannot predict when we will be permitted to re-open our casinos, and once we are permitted to re-open, the conditions on which we will be permitted or decide to operate upon re-opening (including social distancing measures, mask-wearing, increased frequency of cleaning, or any other appropriate measures). We are also unable to predict the extent of consumer demand upon re-opening and the negative effects on our workforce, suppliers, contractors and other partners, or if our operations may be suspended again due to a subsequent “second wave” increase in COVID-19 infections. When we are able

to re-open, we may see weakened demand at our properties in light of continued international travel restrictions or warnings, consumer fears and reduced consumer discretionary spending and general economic uncertainty. In light of the foregoing, we are unable to determine when our operations will return to pre-pandemic demand. We cannot assure you that our business, financial condition and results of operations will not be materially and adversely affected.

The disruptions to our operations caused by the COVID-19 outbreak have had a material adverse effect on the Company's financial condition, operations and prospects. In particular, since the temporary closure of all casinos in Cambodia mandated by the Government starting from April 1, 2020, we have not generated any revenues from our casino operations, and our revenues from the Naga 1 Hotel, our food and beverage operations and rent from China Duty Free Group are minimal. As such disruptions are ongoing, such material adverse effects will continue, and may worsen. Our businesses would be impacted should the disruptions from the COVID-19 outbreak lead to prolonged changes in consumer behavior and could impact our current construction projects. There are certain limitations on our ability to mitigate the adverse financial impact of these matters, such as the fixed costs at our properties and reduced access to construction labor due to immigration restrictions or construction materials due to vendor supply chain delays. Any recovery from such disruption will depend on future developments, such as the duration of travel and visa restrictions and customer sentiment, including the length of time before customers will resume travelling and participating in entertainment and leisure activities at high density venues, all of which are highly uncertain. Given the uncertainty around the extent and timing of the potential future spread or mitigation of COVID-19 and around the imposition or relaxation of protective measures, we are unable to reasonably estimate the impact to our future results of operations, cash flows and financial condition.

All of our casino operations are currently suspended, and we are unable to predict when all, or any of, such operations will re-open to the public, or the period of time required for the ramp-up of operations upon re-opening.

In compliance with an order from the MOEF, our casino operations have been temporarily suspended since 24:00 on April 1, 2020 and they remain suspended until further notice from the MOEF. While our casino operations remain suspended, we are not generating any revenues from our casino operations, and our revenues from the Naga 1 Hotel, our food and beverage operations and rent from China Duty Free Group are minimal. Prior to the temporary suspension of our casino operations, our average monthly expenditures, based on the three months ended March 31, 2020, were US\$18.4 million. These expenditures included run-rate operating costs of US\$13.9 million, maintenance and capital expenditures of US\$1.3 million and interest expense of US\$3.2 million. We have undertaken, and expect to continue undertaking a series of actions to minimize our cash expenditures, including (i) scaling back of hotel and food and beverages operations, (ii) reducing payroll expenses by limiting staff on site and reducing employee pay since April 2020 and (iii) the closure of facilities to reduce utilities expenditure. Given the unprecedented circumstances created by the COVID-19 outbreak, the Government's abrupt order to temporarily close casinos and the absence of proper outline or official notice regarding the appropriate employment approach to follow in the case of such a closure of business, in particular related to casinos; there can be no assurances that our affected employees will not claim for payment of full or partial salary during the suspension period (starting from April 1, 2020) on the grounds that we reduced our employee pay without having obtained the affected employees' (or the union's) written consent and approval from the Ministry of Labour and Vocational Training of Cambodia. Pursuant to the terms of our design and build agreement with CCAG Asia Co., Ltd, we have the option to delay certain aspects of the Naga 3 project, which we may choose to do if we believe that it would be prudent to defer some capital expenditure. We also have the flexibility to resize the Naga 3 project to preserve liquidity if required. However, we cannot guarantee the extent to which we may successfully implement such cost-saving or cost-deferral measures or that our costs will not increase in the future. We do not intend to delay any capital expenditures with respect to our gaming and resort development project in Vladivostok, Russia, which is expected to be operational in 2022. In light of COVID-19's impacts, the Government has granted gaming and non-gaming tax exemptions and allowed deferral of certain expenses (such as staff seniority payments) during the temporary closure period, however such government support measures are temporary only and we cannot guarantee that we will continue to enjoy such support in the future. We expect to continue to incur cash expenditures in excess of revenue until we are able to recommence our casino operations and demand levels rise to a sufficient extent.

Given the uncertainties as to the development of the COVID-19 outbreak at the moment, and there are no comparable recent events that provide guidance as to the effect the spread of COVID-19 as a global pandemic may have, it is difficult to predict how long these conditions will persist and to what extent to which we may be affected. We cannot predict when we will be permitted to re-open our casinos, and once we are permitted to re-open, the conditions on which we will be permitted or decide to operate upon re-opening (including social distancing measures, mask-wearing, increased frequency of cleaning, or any other appropriate measures). We are also unable to predict the extent of consumer demand upon re-opening and the negative effects on our workforce, suppliers, contractors and other partners, or if our operations may be suspended again due to a subsequent “second wave” increase in COVID-19 infections. In light of the foregoing, we are unable to determine when our operations will return to pre-pandemic demand. We cannot assure you that our business, financial condition and results of operations will not be materially and adversely affected.

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

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

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

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

Under the terms of the Casino License, we have the exclusive right to operate a casino within the Designated Area until the end of 2045. See “*Business – NagaWorld Development Agreements and Casino License – NagaWorld’s Casino License.*” If the Government fails to enforce our right of exclusivity, including by allowing local licenses to be issued, and other casinos (whether licensed or not) are allowed to operate in the Designated Area, we will face increased competition which could have a material adverse effect on our business, financial condition and results of operations.

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

In addition, while our Casino License is valid until 2065, our right of exclusivity to operate a casino within the Designated Area is valid only until the end of 2045. See “*Business – NagaWorld Development Agreements and Casino License – NagaWorld’s Casino License.*” If the Government does not grant us an extension to our exclusivity period, our right of exclusivity will cease at the end of 2045 and other licensed casinos may open in the Designated Area. We would then face increased competition in the Designated Area and may lose players to such competing casinos, which may adversely affect our business, financial condition and results of operations.

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

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

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

Tax law and administration is complex and often requires us to make subjective determinations. The tax authorities may not agree with our determinations with respect to the application of tax law. Specifically, we enjoyed certain tax incentives pursuant to the terms of the NagaWorld Development Agreements and under Cambodian laws. These incentives have been replaced by a series of agreements with the Government requiring us to pay monthly gaming and non-gaming obligation payments. In addition to the gaming and non-gaming obligation payments, we also made additional obligation payments of US\$20.8 million to the Government in 2019 pursuant to discussions with the Ministry of Economy and Finance, Cambodia. There can be no assurance that similar payment obligations may not arise in the future. See note 11 to the 2019 Financial Statements for further details.

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

The Draft Gaming Law contains a provision that any casino license granted by the Government prior to enactment of the law would continue until the end of the term of the license, and that any agreement related to the gaming trade entered into with the Government prior to the date of the law would be protected and remain valid until the end of the term of the agreement. To the extent that the terms of the NagaWorld Development Agreements and/or our Casino License are not protected and are no longer valid under any gaming law as enacted, this could result in a material adverse effect on our business, financial condition and results of operations. According to unofficial information from the officers of the relevant ministries, the Draft Gaming Law is still under the review at the Ministry Level and has not been put forward for public consultation yet.

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

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

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

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

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

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

In 2019, 70.8% of our revenue was generated from VIP players, compared to 72.5% in 2018. However, due to the lower gross profit margins from the VIP gaming segment, this segment contributed only 41% of our overall gross profit in 2019. In the three months ended March 31, 2020, the proportion of our revenue from the VIP segment increased to 73% due to growth from this segment generated mainly from VIP players originating in North Asia and Southeast Asia partly as a result of junket operators who have fixed-based operations in Naga 2 who brought in VIP players while casinos were closed in Macau, the Philippines and Malaysia. Our mass market table gross gaming revenues remained relatively steady in the first quarter of 2020, while mass market EGM gross revenue decreased 13% primarily due to the effect of COVID-19, which resulted in lower hotel occupancies due to lower international leisure tourist arrivals and conducted tours. The proportion of VIP gaming segment contribution to our total revenue could increase in the future.

VIP players typically place large individual wagers, relative to mass market players. See “*Business – Gaming Patrons – VIP Players.*” High-end gaming is more volatile than other forms of gaming, and variances in win-loss results attributable to high-end gaming may have a material impact on our gaming revenue in a particular period. Consequently, our gaming revenues may experience volatility during a particular interim period and may not be indicative of our gaming revenue for a full year. Our revenue volatility may also increase as a result of our reliance on VIP players during the continued outbreak of COVID-19 and the associated lockdown measures and travel restrictions, which may have a material adverse impact on our near- and long-term prospects. As a result, should one or more of our VIP clients win large sums, it may have a short-term, material adverse effect on our business, financial condition and results of operations. In addition, VIP gaming may be particularly susceptible to certain changes in government policies, regulations and enforcement actions. For instance, the anti-corruption campaign of the Chinese government has had an adverse effect on VIP gaming in Macau in recent years.

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

A substantial proportion of our revenue is generated by players introduced by gaming promoters which represented approximately 65.4% of our total revenue in 2019. We also rely on VIP players brought to

NagaWorld by a relatively small number of gaming promoters for an increasingly substantial portion of our revenue, with one promoter accounting for approximately US\$824.7 million or 47.0% of our total revenue in 2019. See “*Business – Gaming Patrons – Gaming promoters.*”

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

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

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

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

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

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

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

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

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

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

As most of our gaming patrons travel to reach NagaWorld, our business depends on the willingness and ability of our customers to travel. Only a small amount of our business is generated by residents of Phnom Penh. However, since the outbreak of COVID-19 and the associated travel restrictions, due to the Government order that all casinos in Cambodia be closed from April 1, 2020, expatriate residents in Phnom Penh have comprised a bigger proportion of our gaming customers. This is primarily because, under Cambodian laws, only holders of foreign passports are permitted to gamble in Cambodia's casinos' gaming halls. If the Government imposes restrictions on visitor access, such as more stringent visa or other entry requirements or if there are other restrictions on access to Cambodia, it may deter foreigners from visiting Cambodia, and as a consequence, NagaWorld.

To the extent the travel patterns of gaming patrons, particularly those from Southeast Asia, Greater China and East Asia, change, our business, financial condition and results of operations may be adversely affected. In response to the COVID-19 outbreak, many countries across the world have imposed travel restrictions and lockdown measures in an effort to curb the spread of the highly infectious COVID-19. In March 2020, the Government announced an entry ban on foreign travellers from certain countries and the suspension of issuance of tourist visas. On May 20, 2020, the Government lifted these restrictions, subject to international visitors arriving to Cambodia possessing a medical certificate and medical insurance, and undergoing mandatory COVID-19 tests and a 14-day quarantine or self-isolation upon arrival in Cambodia. According to the MOT, international arrivals decreased by 38.5% to 1.15 million visitors in the first three months of 2020. There is no reassurance that international arrivals to Cambodia will not further decrease. Our casinos, together with all casinos in Cambodia, have also been closed since April 1, 2020 on the orders of the Government in response to the COVID-19 outbreak. While the COVID-19 outbreak is ongoing, potential visitors from Asia and elsewhere may be unable to, or more reluctant to travel, resulting in reduced number of visitors to Cambodia and to our casinos. See “– *An outbreak of contagious disease may have an adverse effect on the global economies and may adversely affect us.*”

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

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

Consistent with our strategy, NagaWorld was designed and built to be one of Southeast Asia's leading integrated casino and hotel resorts. NagaWorld integrates upscale design, distinctive entertainment and superior amenities, including fine dining, to appeal to a variety of players. Our success in attracting players and maintaining client loyalty is largely the result of our strategy to provide a full-service casino resort for our players' enjoyment and to accommodate the needs of our players. As players at NagaWorld are accustomed to enjoying high levels of service when travelling, we constantly strive to fully satisfy all the needs, expectations and desires of our players. In addition, our hotels are also subject to the risk of changes in customer preferences. For example, customers in the future may prefer smaller, “boutique” hotels or peer-to-peer property rentals. The impact of such changes in customer preferences on our business is difficult to predict. In addition, while we have implemented a series of precautionary measures to prevent the spread of COVID-19 on our premises since January 2020, including health and sanitation programs adhering to the guidelines of the Ministry of Health of Cambodia and the WHO, and we plan to continue implementing such precautionary measures when our casinos re-open, such measures may not be adequate to completely protect against the spread of COVID-19 on our premises. Any failure to prevent the spread of COVID-19 on our premises may expose us to negative publicity and Government actions including temporary closures of our premises that would significantly adversely affect our business, financial condition and results of operations.

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

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

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

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

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

Although recent data has shown significant growth in terms of visitor arrivals in Cambodia prior to the outbreak of COVID-19, there can be no assurance that these trends will continue or that government responses to global economic conditions will successfully address fundamental weakness in the markets or increase consumer confidence. In particular, as of the date of this Offering Memorandum, the recent outbreak of COVID-19 is still ongoing and spreading globally, and it has had a material negative impact on visitor arrivals in Cambodia and according to the MOT, international arrivals decreased by 38.5% to 1.15 million visitors in the first three months of 2020. There is no reassurance that international arrivals to Cambodia will not further decrease. See “– *Our business is sensitive to the willingness or ability of our gaming patrons to travel.*” Weakness in the global economy or in the economies of the countries where our gaming patrons reside and/or generate their income, may result in a reduction of the number of patrons, including VIP players, visiting NagaWorld or a reduction in the frequency of visits by these patrons, or may result in these patrons visiting NagaWorld but spending less money. Any reduction in consumer demand for the gaming-related services and amenities we offer would affect our business, financial condition and results of operations.

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

We may not be able to access capital necessary to fund capital expenditure requirements and we may not execute our planned expansion and other capital expenditure plans including the construction of Naga 3.

The gaming industry and the hospitality business are capital intensive and we may be adversely affected if we are unable to finance our required working capital or capital expenditure. We may also need funding for working capital and capital expenditure requirements of NagaWorld, Naga Vladivostok, Naga 3 and of any resorts or hotels we develop or acquire in the future. For example, we will require periodic capital expenditure, refurbishments, renovation and improvements to remain competitive and we incurred capital expenditure costs in connection with the recently completed renovations and improvements at Naga 1, and

we expect to incur approximately US\$1.8 billion for the development of Naga 3 through its expected completion in 2025. The development of additional integrated resorts or expansions at NagaWorld will require significant capital expenditure.

The availability of capital or the conditions under which we can obtain capital can have a significant impact on the overall level and pace of future development. Our ability to obtain financing also depends on a number of factors beyond our control, including market conditions such as the higher prospect of a global recession and a severe contraction of liquidity in the global credit markets caused by the effect of the recent large-scale global COVID-19 pandemic and recent decline in oil prices, investors' and lenders' perceptions of, and demand for, debt securities of gaming companies and interest rates. Economic downturns can cause credit markets to experience significant disruption which reduced liquidity and credit availability.

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

Even if we obtain the necessary financing, we may not be able to successfully implement our plans develop Naga 3 as part of our strategy to build "Naga" as an international brand. If our efforts in refurbishing, developing, expanding and promoting NagaWorld are not successful in attracting the level of patronage that we are targeting, we may be unable to build, maintain or grow our market share in the future or otherwise compete effectively. Our failure to successfully implement our plans could result in the Company being required to provide additional financing to service project development costs, which would have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

If we do not generate sufficient cash flow from operations, including as a result of declines in cash flow due to the impacts of the COVID-19 global pandemic on our operations, or if sufficient financing is not available to enable us to pay our indebtedness or to fund our other liquidity needs, we may need to sell assets, reduce or delay capital investments or seek to raise additional capital, any of which could have a material adverse effect on our operations. In addition, we may not be able to effect any of these actions on

commercially reasonable terms or at all. Our ability to sell assets or restructure or refinance our indebtedness, including the Notes, will depend on the condition of the debt and equity markets and our financial condition and potentially governmental approval at such time. Any refinancing of any of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of the Indenture governing the Notes and other future debt may limit or prevent us from taking any of these actions. In addition, any failure to make scheduled payments of interest and principal on our indebtedness would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness on commercially reasonable terms or at all. Our inability to generate sufficient cash flow to satisfy our debt service obligations, or to refinance or restructure our obligations on commercially reasonable terms or at all, could have a material adverse effect on our business, financial condition and results of operations, as well as on our ability to satisfy our obligations in respect of the Notes.

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

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

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

We may face allegations and complaints made by third parties (including customers) and in media reports in relation to compliance with applicable laws.

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

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

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

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

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

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

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

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

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

By their nature, hotels generally do not have occupants who are committed to medium- and long-term contractual rental payments. As a result, there could be high variability in hotel occupancy rates at different times.

In particular, as a result of the COVID-19 outbreak, in March 2020, the Government announced an entry ban on foreign travellers from certain countries and the suspension of issuance of tourist visas. On May 20, 2020, the Government lifted these restrictions, subject to international visitors arriving to Cambodia possessing a medical certificate and medical insurance, and undergoing mandatory COVID-19 tests and a 14-day quarantine or self-isolation upon arrival in Cambodia. According to the MOT, international arrivals decreased by 38.5% to 1.15 million visitors in the first three months of 2020. There is no reassurance that international arrivals to Cambodia will not further decrease. Our casinos, together with all casinos in Cambodia, have also been closed since April 1, 2020 on the orders of the Government in response to the COVID-19 outbreak. While the COVID-19 outbreak is ongoing, potential visitors from Asia and elsewhere may be unable to, or more reluctant to travel, resulting in reduced number of visitors to Cambodia and to our casinos and hotels. See “– *Our business is sensitive to the willingness or ability of our gaming patrons to travel.*” Certain of these restrictions were eased in May 2020 but the Government continues to require international visitors to possess a medical certificate and medical insurance, and undergo mandatory COVID-19 tests and a 14-day quarantine or self-isolation upon arrival in Cambodia. We are currently operating our Naga 1 Hotel but with significantly reduced occupancy and room rates, limited food and beverage facilities, and we receive rent from our tenant China Duty Free Group; our Naga 2 Hotel is currently closed. While our casino operations remain suspended, we are not generating any revenues from our casino operations, and our revenues from the Naga 1 Hotel, our food and beverage operations and rent from China Duty Free Group are minimal.

In addition, our hotels face competition from other international hotels in Phnom Penh. See also “*Risks Relating to the Gaming and Tourism Industries in Cambodia – The hotel and leisure industry is highly competitive.*” Our success in non-gaming offerings also depends on, among others, the effectiveness of our advertising and marketing initiatives, the attractiveness of our entertainment facilities as compared to other resorts in the region, and our continued cooperation with the popular retail brands and restaurants. There is no assurance that we will be financially successful in our non-gaming offerings or be able to maintain the occupancy rate of our hotels. As a result, revenues and profits generated by our hotels and other non-gaming offerings may be volatile.

We may not be able to execute our strategy of building and positioning Naga Vladivostok as a prime destination, or enhancing our competitive position and existing operations in Cambodia with the development of Naga 3.

We have incurred, and will continue to incur, significant capital expenditures associated with the development of Naga Vladivostok, and we expect to incur significant capital expenditures associated with the development of Naga 3. As of December 31, 2019, we had invested approximately US\$228.4 million to develop Naga Vladivostok, and we expect to incur approximately US\$1.8 billion for the development of Naga 3 through its expected completion in 2025.

We may not be able to successfully implement our plans to develop Naga Vladivostok as a prime destination, or to enhance our competitive position and existing operations in Cambodia with the development of Naga 3. If our efforts in developing and promoting Naga Vladivostok and Naga 3 are not successful in attracting the level of patronage that we are targeting, we may be unable to build, maintain or grow our market share in the future or otherwise compete effectively. Our failure to successfully implement our current plans for the development of Naga Vladivostok or Naga 3 could result in the Company being required to provide additional financing to service project development costs, which would have a material adverse effect on our business, financial condition and results of operations.

We face significant risks associated with the on-going and planned development of Naga Vladivostok and Naga 3 arising out of our reliance on third party developers, which could result in further delays of the opening of Naga Vladivostok or prevent or delay the opening of Naga 3. For example, we have outsourced the development of Naga Vladivostok and Naga 3 under fixed-price contracts. Construction activity requires the contractors to retain qualified contractors and subcontractors, who may not be available when needed or available on acceptable terms. Additionally, development projects of the size and scope of Naga Vladivostok and Naga 3 are subject to cost overruns and delays caused by events outside of our control or our contractor’s control, such as shortages of materials or skilled labor, disputes with or defaults by contractors and subcontractors, unforeseen engineering, environmental and/or geological problems, disruptions resulting from the outbreaks of contagious diseases such as the current COVID-19 outbreak, work stoppages, fires, weather interference such as typhoons and other natural disasters, unanticipated cost increases, changes in applicable laws and regulations or in the interpretation and enforcement of laws and regulations relating to construction, zoning or land rights, and unavailability of construction equipment. For example, in December 2019, the main contractor for the development of Naga Vladivostok terminated a subcontractor due to the subcontractor’s failure to meet the stated targets for deliverables which resulted in delays to the construction schedule. A new subcontractor was appointed to replace the terminated subcontractor. Any of these construction, equipment or staffing problems or difficulties in obtaining any of the requisite licenses, permits, allocations and authorizations from governmental or regulatory authorities could increase costs, delay, jeopardize or prevent the construction or opening of Naga Vladivostok and/or Naga 3, or otherwise affect the design and features of Naga Vladivostok and/or Naga 3. If the third party contractors are unable to successfully manage the development of Naga Vladivostok and/or Naga 3, it could have a material adverse effect on our business, financial condition and results of operations. As a result, we rely heavily on these third parties for the execution of our planned development which could result in unforeseen delays. If we are unable to effectively manage this risk, we may not be able to open or complete Naga Vladivostok and/or Naga 3, which could have a material adverse effect on our business, financial condition and results of operations.

We have contracted with third party developers to spend US\$3,515,011,000 to develop Naga 3 (50% of which will be funded by Tan Sri Dr. Chen, who is the founder, an executive director, the Chief Executive Officer and the controlling shareholder of the Company and the remaining 50% of which is expected to be funded by us by way of internally generated funds). We expect to incur approximately US\$100 million in expenses relating to the construction of Naga Vladivostok in 2020 and 2021 through its expected opening in 2022. The anticipated costs and completion date for Naga Vladivostok and Naga 3 are reflected in our fixed-price contracts and based on budgets, designs, engineering plans, development and construction documents, and schedule estimates that our contractors have prepared with the assistance of architects and other design and development consultants. While the third party developers are subject to significant penalties if they do not deliver the projects on time, we may not be able to enforce or recover these claims. 50% of the US\$3,515,011,000 development cost of Naga 3 will be funded by Dr. Chen pursuant to a subscription agreement we have entered into with ChenLipKeong Fund Limited (a special purpose vehicle wholly owned by Dr. Chen) pursuant to which ChenLipKeong Fund Limited has conditionally agreed to subscribe for shares to fund its 50% share of the development cost of Naga 3. See “*Description of Material Contracts – Subscription Agreement.*” We may not be able to complete the development of Naga 3 on schedule or at all if Dr. Chen is unable to fund the 50% share of the development cost. A failure to complete Naga Vladivostok or Naga 3 on budget or on schedule may adversely affect our business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

We collaborate with Bassaka Air Limited, which enables us to provide charter services to bring travellers to Phnom Penh although these services are currently suspended due to the travel restrictions imposed by the Government due to the COVID-19 outbreak. There can be no assurance that this arrangement or any other arrangement with our partners will be successful and/or achieve their planned objectives. The performance of these operations depends on the financial and strategic support of our other partners. Such other partners may make ill-informed or inadequate decisions or be unwilling to supply the required operational, strategic and financial resources (to the extent applicable) which could materially affect these partnerships and/or operations. If any of our partners were to change their business strategies or no longer be willing to participate in these arrangements, our business, financial condition and results of operations could be materially and adversely affected.

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

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

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

Tan Sri Dr. Chen, the founder, controlling shareholder and Chief Executive Officer, beneficially owns approximately 66.8% of the Company. As a result of his substantial equity and voting interests, Tan Sri Dr. Chen has the power, among other things, to appoint and change our management, affect our legal and capital structure and our day-to-day operations and approve material transactions and financings. These actions may be taken in many cases without the approval of other shareholders and the interests of Tan Sri Dr. Chen, as our ultimate Controlling Shareholder, may conflict with the interests of other shareholders.

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

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

Further, we have entered into a subscription agreement with ChenLipKeong Fund Limited, a special purpose vehicle wholly owned by Tan Sri Dr. Chen, to fund 50% of the US\$3,515,011,000 development cost of Naga 3. See "*Description of Material Contracts – Subscription Agreement.*" We may not be able to complete the development of Naga 3 on schedule or at all if Tan Sri Dr. Chen is unable to fund the 50% share of the development cost. A failure to complete Naga 3 on budget or on schedule may adversely affect our business, financial condition and results of operations.

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

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

In an effort to remain the employer of choice for our employees, we also conduct annual salary reviews and adjust our employees' salaries accordingly, which may materially increase our payroll expenses. For example, pursuant to our 2019 annual review, we increased our employees' salaries starting from January 2020, which we estimate will have a net effect of increasing our total payroll expenses by 13% annually. In addition, labor union unrest may lead to a rise in wages. Starting in April 2020, as a result of the temporary suspension of our casino operation in compliance with an order from the MOEF as a result of the spread of COVID-19, we have reduced payroll expenses by limiting staff on site and reduced employee pay. Given the unprecedented circumstances created by the COVID-19 outbreak, the Government's abrupt order to temporarily close casinos and the absence of proper outline or official notice regarding the appropriate employment approach to follow in the case of such a closure of business, in particular related to casinos; there can be no assurances that our affected employees will not claim for payment of full or partial salary during the suspension period (starting from April 1, 2020) on the grounds that we reduced our employee pay without having obtained the affected employees' (or the union's) written consent and approval from the Ministry of Labour and Vocational Training of Cambodia. There can be no assurances that our affected employees will not seek employment elsewhere during this period of suspension of casino operations, or that all of our employees will return when our casino operations resume. Our inability to

recruit and retain the necessary qualified employees for our operations, or at competitive rates, could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

Some of our employees belong to a labor union, and we have experienced disputes with the labor union and our employees, most recently in 2019 and 2020. See “*Recent Developments – Labor Dispute.*” We do not have any collective agreements in place with such unions.

Labor union disputes in recent years have led to wage increases in Cambodia. For example, in response to garment workers’ clashes with the police in recent years, the government raised the minimum monthly wage of workers in textiles and footwear industry by 11% starting from 2018. We also increased wages for our workers in 2014 following the disputes in 2013. We may face additional disagreements or labor disputes with employees belonging to labor unions or with our other employees, which may lead to material disruptions of our operations, partial or full shutdown of our casinos or further rise in wages and costs, which may in turn adversely affect our business, financial condition and results of operations.

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

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

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

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

We may be involved in disputes with various parties involved in or affected by the construction and operation of our properties, including disputes with contractors, suppliers and/or labor unions. We may also be involved in disputes with parties including non-governmental organizations regarding the right to use our land. Regardless of their outcome, these disputes may lead to legal or other proceedings and may result in substantial costs and the diversion of resources and management’s attention. In addition, we may also have

disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decisions that may result in additional costs and/or penalties. Any of these events could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

We renew our insurance policies (other than our builder's risk insurance) on an annual basis. The cost of coverage may become so high that we may need to further reduce our policy limits, or agree to certain exclusions from our coverage. There is also limited available insurance in Cambodia and our Cambodian insurance companies may need to secure reinsurance in order to adequately insure our properties. Among other factors, it is possible that regional political tensions, outbreak of diseases including COVID-19, security concerns, other catastrophic events or any change in legislation governing insurance coverage for acts of terrorism could materially and adversely affect available insurance coverage and result in increased premiums on available coverage (which may cause us to elect to reduce our policy limits), additional exclusions from coverage or higher deductibles. Any of these factors may have a material adverse effect on our business, financial condition and results of operations.

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

In the ordinary course of our business, we collect and store sensitive data, including our proprietary business information, highly sensitive and personally identifiable information of our players and information on our business partners including gaming promoters. The secure processing and maintenance of this information in our data center is critical to our operations and business strategy. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or

breached due to employee error, malfeasance or other disruptions. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, and regulatory penalties, disrupt our operations and the services we provide to customers, and damage our reputation, which could adversely affect our business, financial condition and results of operations.

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

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

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

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

RISKS RELATING TO THE GAMING AND TOURISM INDUSTRIES IN CAMBODIA

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

Although the Government has granted us the exclusive right to operate a casino within the Designated Area until the end of 2045, the Government may issue additional casino licenses to third parties outside of the Designated Area, which may compete with us. Moreover, there may be casinos operating in Phnom Penh or other parts of Cambodia illegally and without licenses. As a consequence, the operations of additional casinos in Cambodia, including illegal casinos, may have a material and adverse effect on our business, financial condition and results of operations.

The gaming industry is highly competitive.

In the Asia-Pacific region, the gaming industry has traditionally been highly regulated with gaming operations prohibited in some countries and requiring licenses in most other countries. However, the relaxation of these regulations in recent years has resulted in us facing increased competition from casinos located in other areas of Asia, such as Genting Highlands, a major gaming and resort destination located outside of Kuala Lumpur, Malaysia, and casinos in Macau and the Philippines, Singapore and Vietnam. In addition, there can be no assurance that other countries or locations in the Asia Pacific region, such as Japan or Taiwan, do not legalize gaming in the future, resulting in further increased regional competition. We also face competition from other major gaming centers located around the world, including Australia and Las Vegas, as well as from cruise ships in Asia (many based in Hong Kong) that offer gaming. Some of these current and future competitors of NagaWorld may have larger scale, more diversified resources, better brand recognition and greater access to capital to support their developments and operations.

Money laundering is a specific risk to the gaming industry.

Money laundering involves conduct or acts designed in whole or in part to conceal or disguise the nature, location, source, ownership, movement or control of money to avoid a transaction reporting requirement

under applicable national and international laws or to disguise the fact that the money was acquired by illegal means. The gaming industry is especially prone to potential money laundering activities.

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

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

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

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

Our gaming patrons typically come from nearby destinations in Asia, including Southeast Asia, Greater China and East Asia. In particular, we have an increasing reliance on gaming patrons from Malaysia and China. According to the MOT, in 2019 visitors from China (36%), Vietnam (14%) and Thailand (7%) were the top three sources of arrivals and collectively accounted for 57% of total visitors to Cambodia. Visitors from China increased by 16.7% in 2019 as compared to 2018. China is one of the fastest growing major economies in the world and visitors from China are expected to continue to contribute significantly to our business in the long term, although we expect a temporary decrease in visitors from China due to the outbreak of COVID-19 and the travel restrictions imposed by relevant countries. On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. As the COVID-19 outbreak continues to spread, countries across the world have imposed new or modified existing travel restrictions and/or quarantine measures to further restrict or discourage individuals from traveling into or out of these countries or regions. For example, in March 2020, the Government announced an entry ban on foreign travellers from certain countries and the suspension of issuance of tourist visas. On May 20, 2020, the Government lifted these restrictions, subject to international visitors arriving to Cambodia possessing a medical certificate and medical insurance, and undergoing mandatory COVID-19 tests and a 14-day quarantine or self-isolation upon arrival in Cambodia. According to the MOT, international arrivals decreased by 38.5% to 1.15 million visitors in the first three months of 2020. International arrivals will most likely decrease even further in the second quarter of 2020 due to the travel restrictions imposed by the Government in March 2020. There is no reassurance that international arrivals to Cambodia will not further decrease. As there are no comparable recent events that provide guidance as to the effect the spread of COVID-19 as a global pandemic may have, it is difficult to predict how long the current conditions will persist, when the number of tourists to Cambodia will recover, and to what extent to which we may be affected.

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

As a result, our prospects depend to a large extent on the development of the tourism industry in Cambodia and on Cambodia's relative attractiveness as a tourist destination. Changes in economic or political conditions, the outbreak of epidemics, sustained bad weather, natural disasters and other events beyond our control may adversely affect the willingness of tourists to come to Cambodia and of players or tourists to travel to NagaWorld. Moreover, Cambodia's existing infrastructure may not be able to support the anticipated growth of the tourism industry in Cambodia. While Cambodia's infrastructure has vastly improved over the past two decades and the government has made infrastructure investment a priority, the quality of the country's road, rail and waterway links still lags behind other countries in the region. The World Economic Forum's 2019 Global Competitiveness report ranked Cambodia 96th out of 141 countries in terms of transport infrastructure. In the event that the tourism industry does not grow or develop as expected, or if there is a significant decline in the number of visitors to Cambodia, particularly visitors from mainland China, it may have a material adverse effect on our business, financial condition and results of operations.

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

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

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

The hotel and leisure industry is highly competitive.

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

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

Gaming activities at our table games are conducted exclusively with gaming chips which, like real currency, are subject to the risk of alteration and counterfeiting. We incorporate a variety of security and anti-counterfeit features to detect altered or counterfeit gaming chips. See "*Business – NagaWorld's Gaming Operations – Security and Surveillance*" and "*Business – Internal Control – Internal Control Measures relating to Chips and Cards*." Although we have instituted internal control measures to prevent and detect fraudulent and counterfeiting activities, unauthorized parties may try and copy our gaming chips and introduce, use and cash in altered or counterfeit gaming chips in our gaming areas. Moreover, our existing surveillance and security systems, designed to detect cheating, may not be able to detect every instance of such cheating. In addition, our gaming promoters or other persons could, without our knowledge, enter into betting arrangements with our players on the outcomes of our games of chance, thus depriving it of revenue. Players may also attempt to commit fraud or cheating in collusion with our employees. Internal acts of cheating could also be conducted by employees through collusion with dealers, supervisors or other gaming

area staff. Any negative publicity arising from such incidents could also adversely affect our reputation, which in turn, could have a material adverse effect on our business, financial condition and results of operations.

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

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

RISKS RELATING TO CAMBODIA

We could be subject to arbitrary government action.

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

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

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

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

There are additional risks associated with political developments in Cambodia. In February 2018, the ruling Cambodian People's Party won all 58 senate seats following the dissolution by the Cambodian Supreme Court in late 2017 of the main opposition party. In late February 2018, the Council of the European Union announced that it may consider the imposition of specific targeted measures against Cambodia in light of what it described as deterioration of democracy, respect for human rights and the rule of law, among other things. At the same time, the United States administration announced that it would be curtailing certain assistance programs to Cambodia. In January 2019, two United States senators introduced the Cambodian Trade Act of 2019 bill, requiring the United States administration to review Cambodia's eligibility to access the preferential trade treatment granted under the General System of Preferences. As of August 2019, the bill was referred to the Committee on Finance of the United States' Senate. In addition, in February 2020, the European Commission adopted a delegated regulation to partially withdraw trade preferences for some products imported from the Cambodia. The delegated regulation will become effective on 12 August 2020

unless an objection is raised prior to such date by the European Parliament or the European Council. If implemented, the delegated regulation will impact the duty free exemption currently enjoyed by Cambodia on certain exports. We cannot predict whether any economic or other sanctions may be imposed on Cambodia by other countries and what the impact (if any) of such sanctions might be. There can be no assurance that the occurrence of any of these events will not have a material impact on our business, financial condition and results of operations.

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

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

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

Cambodia relies on foreign funding.

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

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

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

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

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

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

Risks relating to the Cambodian legal system (including the related political risks) create uncertainty with respect to the legal and business decisions that we make, many of which risks do not exist to the same extent

in countries with more developed legal systems and market economies. These risks include (a) the existence of inconsistencies in laws, rules and regulations and inconsistent application, (b) a lack of judicial and administrative guidance on interpreting legislation as well as a lack of sufficient commentaries on judicial rulings and legislation, (c) absence of public database of court rulings or decisions, (d) the relative inexperience of judges and courts in interpreting legislation in accordance with established legal principles and, in particular, a lack of specialized commercial courts, (e) the existence of substantial gaps in the legal framework, including due to the delay or absence of implementing regulations for certain legislation and (f) a high degree of discretion on part of government authorities, leaving significant opportunity for arbitrary and capricious government action. In addition, it is not possible to predict the effect of future developments in the Cambodian legal system, including the promulgation of new laws, changes to existing laws or their interpretation or enforcement. All of these weaknesses could affect our ability to enforce our legal rights in Cambodia, including rights under contracts, or to defend claims by others in Cambodia, which could have a material and adverse effect on our business, financial condition and results of operations.

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

Pursuant to Article 199 of the Cambodian Code of Civil Procedure, a final judgment of a foreign court can only be enforced in Cambodia on the condition that, amongst others, there is a guarantee of reciprocity between Cambodia and the foreign country in which the court is based. As of December 31, 2019, Cambodia has not established any such reciprocity with a foreign country apart from the Mutual Judicial Assistance Agreement in Civil Matters with Vietnam. As such, at present, there can be no assurance that a foreign judgment will be enforced by the courts of Cambodia.

Current judicial practice in Cambodia indicates that the courts of Cambodia are able to recognize or enforce a foreign arbitral award without a re-examination of the merits of the case in a full proceeding in the courts of Cambodia unless the subject matter of the dispute cannot be settled by arbitration and the award would be contrary to public policy. The Law on Approval and Practice of the United Nations Convention on Recognition and Enforcement of Foreign Arbitral Awards (which was promulgated on July 23, 2001) and the Law on Commercial Arbitration (which was promulgated on May 5, 2006) set procedures as well as criteria for recognition and enforcement of foreign arbitration awards by the courts of Cambodia. There can be no assurance that a foreign arbitration award will be enforced by the courts of Cambodia.

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

Perceptions of corruption within the government and businesses operating in Cambodia may disrupt our ability to conduct business in Cambodia. According to the Transparency International Corruption Perceptions Index 2019, Cambodia ranked 162 out of 180 countries and territories. In addition, the international press has reported significant levels of official corruption in Cambodia.

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

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

Although Cambodia has not experienced significant inflation or deflation in recent years attributable to the sound macroeconomic management policies, there is no assurance that significant inflation will not occur in the future. According to the National Bank of Cambodia, Cambodia's overall national inflation rate, as represented by the general consumer price index, was approximately 3.5% in 2016, 2.9% in 2017, 2.5% in 2018 and 1.9% in 2019. The National Bank of Cambodia forecasts that Cambodia's inflation rate will be approximately 2.3% in 2020. A high level of inflation in the future could have an adverse effect on our business, financial condition and results of operations.

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

Our business is subject to general economic and social conditions in Cambodia and the countries where our players come from, particularly including Malaysia and China. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in Cambodia. Some regions in Cambodia are under the threat of flood, earthquake, fire, drought, or epidemics such as H5N1 bird flu or COVID-19. A report from the National Committee for Disaster Management shows that natural disasters in 2019 have killed over 103 people, injured 120 more and affected 2,000 families, while also damaging thousands of houses, crops and infrastructure. A recurrence of H5N1 bird flu or an outbreak of any other epidemics such as the COVID-19 in Cambodia may result in material disruptions to our services, which in turn may adversely affect our financial condition and results of operations. See also “*Risk Factors – Risks relating to our Business – An outbreak of contagious disease may have an adverse effect on the global economies and may adversely affect us.*”

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

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

RISKS RELATING TO RUSSIA

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

While we do not currently operate in Russia, our integrated casino and hotel resort in Vladivostok is expected to be operational in 2022. Any of the following risks, which the Russian economy has experienced at various times in the past and some of which occurred during the global financial and economic crisis, may have a significant adverse effect on the investment climate in Russia, and once we begin operating in 2022, our operations: (i) volatility and/or significant declines in GDP; (ii) high levels of inflation or hyperinflation; (iii) increases in, or high, interest rates; (iv) an unstable currency and instability in the local currency market; (v) high state debt relative to gross domestic product; (vi) a large number of loss-making enterprises that continued to operate due to the lack of effective bankruptcy proceedings; (vii) the use of fraudulent bankruptcy actions in order to take unlawful possession of property; (viii) tax evasion; (ix) the “black” and “grey” market economies; (x) budget deficits; and (xi) capital flight; (xii) corruption and the penetration of organized crime into the economy; (xiii) dependence of the economy on exports of commodities; (xiv) significant declines and volatility in the stock market; (xv) significant increases in unemployment and underemployment; (xvi) instability in the Russia banking system; (xvii) the impoverishment of a large portion of the Russian population and (xviii) continued outbreak of infectious diseases including COVID-19. Any deterioration in the general economic conditions in Russia could adversely influence the level of demand for Naga Vladivostok’s offerings (if and when it opens) and therefore could have a material adverse effect on our business, financial condition and results of operations.

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

Since early 2014, the United States and the European Union have imposed a number of different sanctions on various Russian individuals and entities, including some Russian financial institutions. Among other things, some of the consequences of these sanctions include restrictions or bans in the United States and European Union on certain business with such Russian individuals and entities. It is currently unclear how long these sanctions will remain in place and whether new sanctions may be imposed. Because we operate in Russia, our operations in that country may be subject to regulatory scrutiny. The United Kingdom, which is no longer a Member State of the European Union, currently applies EU sanctions and is scheduled to continue to do so during the transition period under the EU-UK Withdrawal Agreement which is due to expire on December 31, 2020, after which point the United Kingdom may adopt sanctions on Russia independent from and different from those adopted by the European Union.

On September 6, 2013, we entered into an investment agreement (the “**Investment Agreement**”) with certain Russian governmental authorities pursuant to which we agreed to invest an agreed amount in a gaming and resort development project in Vladivostok, Russia. In February 2015, our Russian subsidiary purchased approximately US\$8.9 million of promissory notes in Russia from Sberbank, which is subject to certain sectoral sanctions, to provide collateral for the issuance by it of a bank guarantee (as required by the Investment Agreement) in respect of the Russian project.

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

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

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

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

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

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

- inconsistencies among (i) federal laws, (ii) decrees, orders and regulations issued by the president, the Russian Government, federal ministries and regulatory authorities and (iii) regional and local laws, rules and regulations;
- limited judicial and administrative guidance on interpreting Russian legislation;
- the relative inexperience of judges and courts in interpreting new principles of Russian legislation, particularly business and corporate law;
- substantial gaps in the regulatory structure due to delay or absence of implementing legislation;
- a high degree of unchecked discretion on the part of governmental authorities;
- not sufficiently developed procedures in relation to protection against expropriation and nationalization;
- relatively underdeveloped and fast-changing Russian taxation system;
- provisions of Russian law allowing a court to order liquidation of a Russian legal entity on the basis of its formal non-compliance with certain requirements during formation, reorganization or operation; and
- bankruptcy procedures that are not well developed and are subject to abuse.

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

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

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

RISKS RELATING TO THE NOTES AND NOTE GUARANTEES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company is incorporated as an exempted company with limited liability under the laws of the Cayman Islands. As a result, an insolvency proceeding relating to the Company, even if brought in the United States,

would likely involve Cayman Islands insolvency laws, the procedural and substantive provisions of which may differ from United States federal bankruptcy law. In addition, the initial Guarantors are incorporated in Hong Kong, the British Virgin Islands and Cambodia and the insolvency laws of those jurisdictions, and the jurisdictions of any future Guarantors, may also differ from the laws of the United States or other jurisdictions with which the holders of the Notes are familiar.

You may have difficulty enforcing judgments obtained against us.

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

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

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

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

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

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

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

We will be subject to reporting obligations with respect to the Notes to be listed on the SGX-ST. The disclosure standards imposed by the SGX-ST may be different to those imposed by securities exchanges in

other countries or regions. As a result, the level of information that is available may not correspond to the disclosure to which investors in the Notes are accustomed.

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

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

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

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

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

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

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

USE OF PROCEEDS

The net proceeds from the Offering, after deduction of fees and commissions and estimated expenses incurred in connection with this offering, are expected to be approximately US\$336.9 million.

We intend to use the net proceeds of the issue of the Notes to redeem some or all of the outstanding 2021 Notes (and any accrued interest, costs, charges, premiums and expenses and other amounts incidental to repayment of the 2021 Notes) on or prior to maturity in 2021. Any remaining amount will be used for general corporate purposes of the Company and the Restricted Subsidiaries.

CAPITALIZATION AND INDEBTEDNESS

The table below sets forth our consolidated cash and cash equivalents, indebtedness and capitalization as of December 31, 2019 on an actual basis and as adjusted to give effect to the following:

- the issuance of US\$350 million aggregate principal amount of the Notes;
- the repayment in full of the 2021 Notes (including any accrued interest and redemption premium); and
- the payment of estimated fees and costs related to the offering of the Notes.

This table has been extracted from the consolidated financial statements and related notes appearing elsewhere in this Offering Memorandum and should be read in conjunction with “*Use of Proceeds*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*.” There has been no material change to our consolidated capitalization and indebtedness since December 31, 2019.

	As of December 31, 2019	
	Actual	As Adjusted
	(US\$’000)	(US\$’000)
Cash and cash equivalents.....	273,377	292,679 ⁽¹⁾
Indebtedness:		
Notes offered hereby ⁽²⁾	–	350,000
2021 Notes	294,813	–
Total Indebtedness	294,813	350,000
Equity:		
Share capital.....	54,263	54,263
Reserves	1,734,108	1,734,108
Total equity	1,788,371	1,788,371
Total capitalization ⁽³⁾	2,083,184	2,138,371

Notes:

- (1) Assumes the repayment of the 2021 Notes in full substantially concurrently with the closing of this offering. See “*Use of Proceeds*”.
- (2) This amount excludes the offering discount, underwriting, management and selling commissions and other estimated transaction expenses relating to the issuance of the Notes.
- (3) Total capitalization is the sum of total indebtedness and total equity.

SELECTED CONSOLIDATED FINANCIAL DATA

The following tables set forth our summary financial data as of the dates and for each of the periods indicated. The summary financial data in this section have been derived from our audited consolidated financial statements as of and for the years ended December 31, 2018 and 2019, prepared in accordance with IFRS and included elsewhere in this Offering Memorandum. Our consolidated financial statements as of and for the years ended December 31, 2018 and 2019 were audited by BDO Limited, independent public accountants.

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

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

	Year ended December 31,					
	2017		2018		2019 ⁽¹⁾	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	(US\$ millions)	%	(US\$ millions)	%	(US\$ millions)	%
Revenue	956.3	100.0	1,474.3	100.0	1,755.5	100.0
Cost of sales	(483.4)	50.5	(800.8)	54.3	(909.2)	51.8
Gross profit	472.9	49.5	673.5	45.7	846.3	48.2
Other income	7.8	0.8	10.3	0.7	10.8	0.6
Administrative expenses	(67.2)	7.0	(79.3)	5.4	(61.3)	3.5
Other operating expenses	(150.2)	15.7	(185.6)	12.6	(224.0)	12.8
Profit from operations	263.3	27.5	418.9	28.4	571.8	32.6
Finance costs	–	–	(19.5)	1.3	(20.2)	1.2
Profit before taxation	263.3	27.5	399.4	27.1	551.6	31.4
Income tax	(8.1)	0.8	(8.8)	0.6	(30.4)	1.7
Profit for the year	255.2	26.7	390.6	26.5	521.2	29.7
Other comprehensive income for the year	2.1	0.2	(0.8)	0.1	0.5	0.0
Total comprehensive income for the year	257.3	26.9	389.8	26.4	521.7	29.7

(1) The Company adopted IFRS 16 (Leases) from January 1, 2019. The consolidated financial statements as of and for the years ended December 31, 2017 and 2018 respectively have not been restated to reflect the adoption of IFRS 16. See “Presentation of Financial and Other Information.” For the impact of the adoption of IFRS 16, see “Management Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies.”

Consolidated Statement of Financial Position:

	As of December 31,		
	2017	2018	2019 ⁽¹⁾
	(US\$ millions)	(US\$ millions)	(US\$ millions)
Non-current assets			
Property, plant and equipment.....	1,121.7	1,275.6	1,594.8
Right-of-use assets	–	–	85.8
Interest in leasehold land held for own use under operating lease.....	27.0	26.6	–
Intangible assets	62.7	59.1	70.6
Prepayments for acquisition, construction and fitting-out of property, plant and equipment.....	85.3	84.4	129.5
Promissory notes	9.6	9.4	10.0
Total non-current assets	1,306.3	1,455.1	1,890.7
Current assets			
Consumables	1.8	2.1	2.8
Trade and other receivables.....	101.4	117.1	126.8
Certificates of deposit, fixed deposits and other liquid funds	–	76.4	53.4
Cash and cash equivalents.....	52.8	316.5	273.4
Total current assets	156.0	512.1	456.4
Current liabilities			
Trade and other payables	77.9	79.7	159.4
Contract liabilities.....	–	10.0	10.0
Lease liabilities	–	–	2.8
Current tax liability.....	1.8	2.4	3.0
Total current liabilities	79.7	92.1	175.2
Net current assets	76.3	420.0	281.2
Total assets less current liabilities	1,382.6	1,875.1	2,171.9
Non-current liabilities			
Other payables	–	–	4.5
Senior notes	–	291.1	294.8
Contract liabilities.....	–	44.1	35.4
Lease liabilities	–	–	48.8
Total non-current liabilities	–	335.2	383.5
NET ASSETS	1,382.6	1,539.9	1,788.4

(1) The Company adopted IFRS 16 (Leases) from January 1, 2019. The consolidated financial statements as of and for the years ended December 31, 2017 and 2018 respectively have not been restated to reflect the adoption of IFRS 16. See “*Presentation of Financial and Other Information.*”

Consolidated Statement of Cash Flows

	Year ended December 31,		
	2017	2018	2019 ⁽¹⁾
	(US\$ millions)	(US\$ millions)	(US\$ millions)
Net cash generated from operating activities	322.2	476.7	690.2
Net cash (used in)/generated from investing activities...	(354.6)	(316.9)	(424.1)
Net cash (used in)/generated from financing activities ..	(125.7)	103.9	(309.2)
Net (decrease)/increase in cash and cash equivalent	(158.1)	263.7	(43.1)
Cash and cash equivalents at the beginning of the year.....	210.9	52.8	316.5
Cash and cash equivalents at the end of the year	52.8	316.5	273.4

- (1) The Company adopted IFRS 16 (Leases) from January 1, 2019. The consolidated financial statements as of and for the years ended December 31, 2017 and 2018 respectively have not been restated to reflect the adoption of IFRS 16. See "*Presentation of Financial and Other Information.*"

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

You should read the following discussion and analysis in conjunction with our audited consolidated financial statements as of and for the years ended December 31, 2018 and 2019 and the related notes thereto included elsewhere in this Offering Memorandum.

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

OVERVIEW

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

- a casino and hotel resort spread over a total floor area of approximately 113,307 square meters which opened in December 2006 (“**Naga 1**”),
- a casino and luxury hotel resort spread over a total floor area of approximately 108,764 square meters which opened in November 2017 which is adjacent to Naga 1 (“**Naga 2**”), and
- an underground walkway which links Naga 1 and Naga 2 (“**NagaCity Walk**”) which opened in August 2016. NagaCity Walk is Phnom Penh’s first underground shopping center and offers duty-free shopping operated by China Duty Free Group – one of the largest duty-free operators in China.

Our license to operate NagaWorld (the “**Casino License**”) is valid until 2065. Significantly, pursuant to the Casino License, we have an exclusive right to operate casinos in Cambodia within a 200 kilometer radius of Phnom Penh (except the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville) (the “**Designated Area**”) until the end of 2045. See “*Business – NagaWorld Development Agreements and Casino License – NagaWorld’s Casino License.*”

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

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

We are developing Naga 3, a multi-entertainment, comprehensive and integrated resort complex set within three modern purpose-built towers, which is expected to comprise one 75-story tower and two 61-story towers linked by an “Upper Podium” that has a recreational area overlooking the Mekong River and the city below. Three towers rest atop a mixed-use, resort “Lower Podium”, all connected by a system of horizontal and vertical “streets” (elevated amenity bridges and gaming facilities) that are accessible via a network of Naga Capsule exterior elevators. Naga 3 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 to impart a more satisfying, penetrating and complete visitation experience. In addition, the Government has also provided approval-in-principle for the construction of a garden in front of the Naga 3 property, which will allow us to build a 3-story underground car park together with a garden through which Naga 3 will be connected to NagaCity Walk, Naga 1 and Naga 2. Naga 3 is expected to be completed in or around 2025. As of December 31, 2019, we had invested a total of approximately US\$89 million in Naga 3 and we expect to invest a further US\$50 million for construction in 2020 subject to the payment terms with our third party contractor, although we have the option to defer this investment if we believe it is prudent to do so to preserve liquidity. See “*Business – Naga 3.*”

We are also developing an integrated casino and hotel resort in Vladivostok, Russia (“**Naga Vladivostok**”). Naga Vladivostok is expected to open in 2022. As of December 31, 2019, we had invested a total of approximately US\$228.4 million in Naga Vladivostok and we expect to invest approximately a further US\$100 million for construction in 2021 and 2022 subject to the payment terms with our third party contractor. As a result of the lockdown measures currently imposed in Russia to combat COVID-19, we do not expect to incur significant capital expenditure in 2020 for Naga Vladivostok. See “*Business – Naga Vladivostok.*”

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

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

Casino License

Ariston has the right of exclusivity to operate casinos in respect of the Designated Area which is the area within a 200 kilometer radius of Phnom Penh (except the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville) for the period to the end of 2045. During this period, the Government is prohibited from:

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

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

The exclusivity provided by the Casino License directly affects our results of operations as we are able to develop our gaming business in the Designated Area. During this period of exclusivity until 2045, we do not face the risk of direct competition in Phnom Penh unless the Government fails to enforce our right of exclusivity or the NagaWorld Development Agreements are terminated. The Casino License also does not restrict the number, placement or type of tables and electronic gaming machines in our gaming business, which allows us to respond to market demands efficiently. See “*Business – NagaWorld Development Agreements and Casino License – NagaWorld’s Casino License.*”

If the Government does not enforce our right of exclusivity and other casinos (whether legal or not) are allowed to operate in Phnom Penh and the surrounding areas, we would face increased competition and it could affect our results of operations and financial condition. If the Government does not grant us an extension to our exclusivity period, our right of exclusivity will cease at the end of 2045.

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

Visitors to Cambodia

The level of visitors in Cambodia, particularly Phnom Penh, for business and tourism is a key driver of our business. In particular, our prospects depend to a large extent on the development of the tourism industry in Cambodia and on Cambodia’s relative attractiveness as a tourist destination. Changes in economic or political conditions, the outbreak of epidemics or pandemics such as COVID-19, sustained bad weather, natural disasters and other events beyond our control may adversely affect the willingness of tourists to come to Cambodia and of players or tourists to travel to NagaWorld. If there is a significant decline in the number of visitors to Cambodia, particularly visitors from mainland China, it may have a material adverse effect on our business, financial condition and results of operations.

Travel and tourism is an important part of Cambodia’s economy. In 2019, visitation to Cambodia continued to grow with international arrivals increasing by 6.6% to 6.6 million visitors. China continues to be the leading source of visitation to Cambodia, growing by 16.7% to 2.4 million visitors in 2019. Visitation from South East Asian countries increased by 8%, with Indonesia and Thailand (combined population of about 342 million people) registering growth of 20% and 22%, respectively. The top three sources of arrivals – China (36%), Vietnam (14%) and Thailand (7%) – collectively accounted for 57% of total visitation to Cambodia. Arrivals at Phnom Penh International Airport grew 9% over the corresponding period (Source: MOT).

China is one of the fastest growing major economies in the world and visitors from China are expected to continue to contribute significantly to our business in the long-term, although we expect short-term decrease in all visitors, including from China, due to the outbreak of COVID-19 and the travel restrictions imposed by relevant countries. Chinese arrivals to Cambodia of about 2.4 million visitors in 2019 (mainly driven by business-related travel) represents a small percentage of the potential opportunities. Cambodia is targeting to attract at least 5.5 million Chinese tourists by 2025 (Source: The Commercial News, 15 January 2019).

International business-related travel into Cambodia increased to 1,371,363 visitors in 2019, representing a 100% increase from 687,138 visitors in 2018. 77% of the business visitors in 2019 originated from China. International business-related travel from South East Asian countries into Cambodia also grew rapidly, with business visitation from Malaysia, Indonesia and Singapore increasing by 56%, 70% and 31%, respectively (Source: MOT). See “*Industry Overview.*”

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

Customer mix between mass market and VIP players

Revenue from the mass market gaming business (which includes revenue from electronic gaming machines) was US\$300.6 million, US\$365.0 million, and US\$476.4 million in 2017, 2018 and 2019, respectively, and represented 31.4%, 24.8% and 27.1% of our total revenue for the same periods. Revenue from the VIP market gaming business was US\$625.3 million, US\$1,069.4 million and US\$1,243.1 million in 2017, 2018 and 2019, respectively, and represented 65.4%, 72.5% and 70.8% of our total revenue for the same periods. We are focused on growing both our mass market gaming business and VIP market gaming business by focusing on the development and implementation of new marketing strategies and enhanced customer service. Consequently, we will continue to alter the number and mix of table games and electronic gaming machines at NagaWorld in order to try and increase revenue and profitability.

In addition, we typically achieve higher margins from our mass market players than from our VIP players. We generate lower margins from our VIP market gaming business primarily due to our revenue-based incentive plans which apply to the majority of our gaming promoters and result in the Company paying incentives to gaming promoters as these plans help us manage credit risks and exposure to VIP wins since the gaming promoters on revenue-based incentive plans bear some of the risk of loss from VIP players while the gaming promoters on commission plans do not share in the wins or losses of VIP players. The incentives paid to the gaming promoters are recognized as cost of sales.

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

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

Gaming promoters

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

Revenue generated by players introduced by gaming promoters was 59.9%, 68.0% and 65.4% of our total revenue in 2017, 2018 and 2019, respectively. During 2019 and prior years, there was no individual customer contributing 10% or more of our revenue. The aggregate revenue from external customers brought in through gaming promoters contributing 10% or more of our total revenue were as follows:

	As of December 31,	
	2018	2019
	(US\$ millions)	(US\$ millions)
Gaming Promoter A.....	668.0	824.7
Gaming Promoter B.....	153.6	191.7

In exchange for their services, we pay our gaming promoters either through revenue-based incentive plans or commissions.

The majority of our gaming promoters are compensated through revenue-based incentive plans that are based on a percentage of gross gaming revenue from the VIP players they bring to NagaWorld. While the level of commissions has remained relatively stable, the amount of revenue derived from, and cost of sales incurred for, gaming promoters operating with revenue-based incentive plans has increased in recent years primarily due to strong performance of our top gaming promoters operating under these plans. In 2019, our largest gaming promoter generated approximately 47% of our revenue compared to approximately 45% in 2018. However, on a gross profit basis, our largest gaming promoter generated approximately 19.6% of our total gross profit in 2019, unchanged from 2018.

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

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

Naga 1 upgrade and development of Naga 3

Our results of operations are significantly affected by the development and ramping up of new properties. We commenced our upgrade to Naga 1 in 2018, which consisted of the refurbishment of 500 out of 750 hotel rooms, and completed the renovations in 2020. The refurbishment required the closure of part of Naga 1’s hotel rooms while the refurbishment work was carried out, and as such, we did not generate any revenues from the hotel rooms while they are closed for refurbishment.

In 2019, we entered into a guaranteed maximum sum design and build agreement with a contractor to develop Naga 3 for a maximum sum of US\$3,515,011,000. Construction of Naga 3 is expected to commence in the second half of 2020, and is expected to be completed in or around 2025.

Competition

Although the Casino License ensures that we have the exclusive right to operate casinos within the Designated Area until the end of 2045, our business is subject to several competitive factors. These factors include competition from other casinos in Cambodia and elsewhere in the Asia-Pacific region, such as casinos in Macau, Malaysia, the Philippines, Singapore and Vietnam.

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

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

Consumer demand and preferences for casinos

Our results of operations are significantly affected by customer demand and preferences with respect to casinos in the Asia Pacific region. Although the demand for casinos is expected to continue to remain strong, consumer preferences may change frequently, particularly given the discretionary nature of our offerings at NagaWorld. We opened Naga 2 in 2017 in response to increased customer demand for gaming services, particularly in the VIP market gaming business, and non-gaming services, and we are developing Naga 3, with approximately 92% of the total gross floor area expected to be allocated for non-gaming activities.

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

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

Macroeconomic conditions

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

Our prospects depend to a large extent on the foreign direct investment into Cambodia, especially from China. In 2019, Cambodia attracted US\$3.76 billion in invested capital from China, or 40% of the total capital investment in the country (Source: Council for the Development of Cambodia). The foreign investments in tourism and infrastructure have ultimately helped Cambodia attract tourists and businesses. If there is a significant decline in the foreign direct investment into Cambodia, particularly from China, it may have a material adverse effect on our business, financial condition and results of operations.

In 2017, 2018 and 2019, we benefited from the generally strong economic environment in the markets in which our gaming patrons were based, which contributed to our results of operations although there can be no assurance that this will continue to remain the case.

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

Taxation and regulatory changes

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

Under the terms of the Sihanoukville Development Agreement and under Cambodian laws, we were granted certain tax incentives. With respect to the casino operations, we were granted a profits tax exemption for a period of eight years from commencement of business in 1995, and profits thereafter would be subject to a concessionary rate of profits tax of 9% as compared to the normal profits tax rate of 20%. However, these tax rates were determined to be not payable until a gaming law was enacted in Cambodia. As an alternative, from 2000, the MOEF has levied obligation payments on gaming and non-gaming activities. These monthly obligation payments have been recognized as income tax in our financial statements.

We currently pay income tax in the form of monthly gaming and non-gaming (if required) obligation payments which are payable to the MOEF by our branches registered in Cambodia. We paid monthly gaming obligation payments to the MOEF of US\$585,176 in 2019 and US\$520,157 in 2018. We paid monthly non-gaming obligation payments to the MOEF of US\$214,338 in each of 2019 and 2018. In 2017, 2018 and 2019, the obligation payments were payable with respect to gaming and hotel operations revenue and represented between 1.7% and 3.1% of our profit before taxation in each of those years.

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

In 2019, in addition to the obligation payments described above, we made additional obligation payments of US\$20.8 million to the Government pursuant to discussions with the Ministry of Economy and Finance. There can be no assurance that similar payment obligations may not arise in the future. See note 11 to the 2019 Financial Statements for further details.

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

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

CRITICAL ACCOUNTING POLICIES

The preparation of our financial statements and certain accounting policies require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. For a description of our critical accounting policies, in particular our revenue recognition policy and the related judgments and estimations which affect our financial statements, please refer to notes 4 and 33 of our 2019 Financial Statements.

Impact of new and revised International Financial Reporting Standards

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

IFRS 16 supersedes IAS 17 Leases (“**IAS 17**”), IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires lessees to account for all leases under a single on-balance sheet model.

As a result, from 1 January 2019 the Group, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The effect of adoption of IFRS 16 on our consolidated statement of financial position as at 31 December 2019 (increase/(decrease)) is as follow:

	As of December 31, 2019
	<u>(US\$ millions)</u>
Assets	
<i>Non-current assets</i>	
Right-of-use assets	85.8
Interest in leasehold land held for own use under operating lease	(34.2)
Total non-current assets	51.6
<i>Current assets</i>	
Trade and other receivables	(2.0)
Total current assets	(2.0)
Total assets	49.6
Liabilities	
<i>Current liabilities</i>	
Lease liabilities	2.8
Total current liabilities	2.8
<i>Non-current liabilities</i>	
Lease liabilities	48.8
Total non-current liabilities	48.8
Total liabilities	51.6
Equity	
Retained profits	(2.0)
Total equity	(2.0)

The effect of adoption of IFRS 16 on our consolidated statement of income for 2019 (increase/(decrease)) is as follow:

	Year ended December 31, 2019
	<u>(US\$ millions)</u>
Operating lease expenses (included in administrative expenses)	(7.9)
Depreciation and amortisation expense (included in other operating expenses)	4.5
Net exchange loss (included in other operating expenses)	0.0
Profit from operations	3.4
Finance costs	5.4
Income tax	-
Profit attributable to owners of the Company	(2.0)

The effect of adoption of IFRS 16 on our consolidated statement of cash flows for 2019 (increase/(decrease)) is as follow:

	Year ended December 31, 2019
	<u>(US\$ millions)</u>
Net cash flows from operating activities	7.8
Net cash flows from financing activities	(7.8)

See note 2 to the 2019 Financial Statements for additional information related to our adoption of IFRS 16.

DESCRIPTION OF MAJOR LINE ITEMS IN OUR CONSOLIDATED STATEMENT OF INCOME

Revenue

Our revenue consists of revenue from gaming operations and revenue from non-gaming operations. The primary component of our revenue is from our casino operations which comprised 97.9% of our total revenue for 2019. The following table sets forth a breakdown of our revenue for the periods indicated.

	Year ended December 31,					
	2017		2018		2019	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	(US\$ millions)	%	(US\$ millions)	%	(US\$ millions)	%
Gaming.....	925.9	96.8	1,434.4	97.3	1,719.5	97.9
Total mass market.....	300.6	31.4	365.0	24.8	476.4	27.1
Mass market gaming tables.....	149.7	15.6	235.7	16.0	318.3	18.1
Electronic gaming machines.....	150.9	15.8	129.3	8.8	158.1	9.0
VIP market.....	625.3	65.4	1,069.4	72.5	1,243.1	70.8
Non-gaming ⁽¹⁾	30.4	3.2	39.9	2.7	36.0	2.1
Total revenue.....	956.3	100.0	1,474.3	100.0	1,755.5	100.0

Note:

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

Cost of Sales

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

Gross profit and gross profit margin

We generated gross profit of US\$472.9 million, US\$673.5 million and US\$846.3 million in 2017, 2018 and 2019, respectively, while our gross profit margin was 49.5%, 45.7% and 48.2% in the same years, respectively. Our gross profit represents revenue after deducting cost of sales. The table below sets forth, for the years indicated, a breakdown of our gross profit and gross profit margin by segment:

	Year ended December 31,								
	2017			2018			2019		
	Gross profit	% of total gross profit	Gross profit margin	Gross profit	% of total gross profit	Gross profit margin	Gross profit	% of total gross profit	Gross profit margin
	(US\$ millions)	%	%	(US\$ millions)	%	%	(US\$ millions)	%	%
Gaming.....	448.2	94.8	48.4	641.4	95.2	44.7	816.6	96.5	47.5
Total mass market.....	294.3	62.2	97.9	355.1	52.7	97.3	470.1	55.6	98.7
VIP market.....	153.9	32.6	24.6	286.3	42.5	26.8	346.5	40.9	27.9
Non-gaming ⁽¹⁾	24.7	5.2	81.3	32.1	4.8	80.5	29.7	3.5	82.5
Total gross profit....	472.9	100.0	49.5	673.5	100.0	45.7	846.3	100.0	48.2

Note:

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

The gross profit margin for the mass market segment was 97.9%, 97.3% and 98.7% in 2017, 2018 and 2019, respectively. The margin remained relatively stable due to the variable cost nature of expenses as mass market incentives are largely driven by the number of mass market players.

In 2017, 2018 and 2019, the gross profit margin for the VIP market segment was 24.6%, 26.8% and 27.9%, respectively. Gross profit margins in the VIP market are lower compared to the mass market category primarily due to revenue-based incentives paid to certain gaming promoters. We generate lower margins from our VIP market gaming business primarily due to our revenue-based incentive plans which result in the Company paying gaming promoters incentives based on a percentage of the revenue generated by VIP market gaming as this arrangement helps us manage credit risks and exposure to VIP wins. The revenue-based incentive payments and commission payments to the gaming promoters are recognized as cost of sales.

The gross profit margin for the non-gaming segment was 81.3%, 80.5% and 82.5% in 2017, 2018 and 2019, respectively. The margins remained relatively stable as our staff and food costs remained broadly stable, although our headcount increased significantly following the opening of Naga 2 in late 2017.

Other income

We had other income of US\$7.8 million, US\$10.3 million and US\$10.8 million in 2017, 2018 and 2019, respectively. Other income primarily consists of interest income, rental income (from operating leases for NagaCity Walk and the aircraft we leased to Bassaka Air Limited) at the time and reversal of impairment losses previously recognized. For further detail of our other income and gains, please refer to note 7 to the 2018 Financial Statements and the 2019 Financial Statements.

Administrative expenses

Administrative expenses totalled US\$67.2 million, US\$79.3 million and US\$61.3 million in 2017, 2018 and 2019, respectively. Administrative expenses primarily consist of utility expenses, equipment rental, operating supplies, repairs and maintenance, aircraft maintenance and professional fees.

Other operating expenses

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

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

Other operating expenses

	2017		2018		2019	
	Amount (US\$ millions)	% of total %	Amount (US\$ millions)	% of total %	Amount (US\$ millions)	% change %
Staff costs	93.1	62.0	92.4	49.8	125.2	55.9
Depreciation and amortization	52.9	35.2	89.5	48.2	96.4	43.0
Amortization of casino license premium.....	3.5	2.3	3.5	1.9	3.5	1.6
Exchange loss, net.....	0.7	0.5	0.2	0.1	(1.1)	(0.5)
Total other operating expenses	150.2	100.0	185.6	100.0	224.0	100.0

Note:

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

Staff costs

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

Depreciation and amortization

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

Amortization of the casino license premium

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

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

Expenses incurred in connection with the amortization of the casino license premium remained the same (i.e. US\$3.5 million) in 2017, 2018 and 2019. References to "amortization of the casino license premium" in this document include the extended exclusivity premium.

Income tax

Income tax expenses amounted to US\$8.1 million, US\$8.8 million and US\$30.4 million in 2017, 2018 and 2019, respectively, resulting in an effective tax rate of 3.1%, 2.2% and 5.5% in the same years, respectively.

We currently pay income tax in the form of monthly gaming and non-gaming (if required) obligation payments which are payable to the MOEF by our branches registered in Cambodia. We paid monthly gaming obligation payments to the MOEF of US\$585,176 in 2019 and US\$520,157 in 2018. We paid monthly non-gaming obligation payments to the MOEF of US\$214,338 in each of 2019 and 2018. The monthly gaming obligation payments are subject to annual increases of 12.5% per year until 2018. The obligation payments are subject to review by the Ministry of Economy and Finance. In 2017, 2018 and 2019, the obligation payments were payable with respect to gaming and hotel operations revenue and represented between 1.7% and 3.1% of our profit before taxation in each of those years.

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

In 2018 and 2019, in addition to the obligation payments described above, we made additional obligation payments of US\$nil million and US\$20.8 million to the Government pursuant to discussions with the Ministry of Economy and Finance. There can be no assurance that similar payment obligations may not arise in the future. See "*Risk Factors – Risks relating to our Business – Restrictions, limitations and additional obligations (including higher tax rates) may be imposed by new casino legislation, regulations or amendments to law in Cambodia*" and note 11 to the 2019 Financial Statements for further details.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

2019 Compared to 2018

Revenue

Total revenue increased by 19.1% from US\$1,474.3 million in 2018 to US\$1,755.5 million in 2019, primarily for the reasons described below.

Revenue by business segment

	Year ended December 31,				2019 v. 2018 change	
	2018		2019			
	Amount	% of revenue	Amount	% of revenue	Amount	% change
	(US\$ millions)	%	(US\$ millions)	%	(US\$ millions)	%
Gaming.....	1,434.4	97.3	1,719.5	97.9	285.1	19.9
Total mass market.....	365.0	24.8	476.4	27.1	111.4	30.5
Mass market gaming tables.....	235.7	16.0	318.3	18.1	82.6	35.0
Total electronic gaming.....	129.3	8.8	158.1	9.0	28.8	22.3
VIP market.....	1,069.4	72.5	1,243.1	70.8	173.7	16.2
Non-gaming ⁽¹⁾	39.9	2.7	36.0	2.1	(3.9)	(9.8)
Total revenue.....	1,474.3	100.0	1,755.5	100.0	281.2	19.1

Note:

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

Revenue from the mass market segment

Revenue from the mass market segment increased by 30.5% from US\$365.0 million in 2018 to US\$476.4 million in 2019, primarily due to increased number of gaming patrons due to higher tourism in Cambodia from foreign nationals. Revenue from mass market gaming tables increased by 35.0% from US\$235.7 million in 2018 to US\$318.3 million in 2019, primarily due to increased number of gaming patrons partially off-set by a win rate of 19.0% in 2018 compared to 19.4% in 2019. Revenue from electronic gaming machines increased by 22.3% from US\$129.3 million in 2018 to US\$158.1 million in 2019, primarily due to increased number of gaming patrons as footfall increased, while the win rate for electronic gaming machines was the same in 2019 at 8.8% compared to 8.8% in 2018.

Revenue from the VIP market segment

Revenue from the VIP market segment increased by 16.2% from US\$1,069.4 million in 2018 to US\$1,243.1 million in 2019, primarily due to strong demand from VIP players organized by our top gaming promoters, who have increasingly agreed to revenue-based incentive plans, with particularly strong growth in revenue generated from our largest and other top five gaming promoters, partially off-set by a win rate of 2.7% in 2019 compared to 3.0% in 2018. VIP rollings increased from US\$36,658.5 million in 2018 to US\$46,611.6 million in 2019. The continued ramping-up of Naga 2 and the opening of new fixed base VIP rooms at Naga 2 with a few gaming promoters also contributed positively to revenue growth from this segment.

Revenue from the non-gaming segment

Revenue from the non-gaming segment decreased slightly from US\$39.9 million in 2018 to US\$36.0 million in 2019, primarily due to the temporary closing of 250 hotel rooms at Naga 1 for upgrade and refurbishment work.

Cost of sales

Cost of sales increased by 13.5% from US\$800.8 million in 2018 to US\$909.2 million in 2019. As a percentage of revenue, cost of sales decreased from 54.3% in 2018 to 51.8% in 2019. The decrease in cost of sales in aggregate and as a percentage of revenue was primarily due to increased contribution from the higher margin mass market business segment.

Gross profit and gross profit margin

As a result of the foregoing, gross profit increased by 25.7% from US\$673.5 million in 2018 to US\$846.3 million in 2019. Gross profit margin increased from 45.7% to 48.2% in the same period. The table below sets forth, for 2018 and 2019, a breakdown of our gross profit and gross profit margin by segment:

	Year ended December 31,					
	2018		2019		2018 v. 2019 change	
	Gross profit		Gross profit		Amount	%
	Gross profit	margin	Gross profit	margin		
(US\$ millions)	%	(US\$ millions)	%	(US\$ millions)	%	
Gaming.....	641.4	44.7	816.6	47.5	175.2	27.3
Total mass market.....	355.1	97.3	470.1	98.7	115.0	32.4
VIP market	286.3	26.8	346.5	27.9	60.2	21.0
Non-gaming ⁽¹⁾	32.1	80.5	29.7	82.5	(2.4)	(7.5)
Total	673.5	45.7	846.3	48.2	172.8	25.7

Note:

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

Mass market gross profit and gross profit margin

Mass market gross profit increased by 32.4% from US\$355.1 million in 2018 to US\$470.1 million in 2019, primarily due to increased revenue growth largely driven by an increased number of mass market players. Mass market gross profit margin increased from 97% in 2018 and 99% in 2019, due to economies of scale resulting from the ramp-up of Naga 2.

VIP market gross profit and gross profit margin

VIP market gross profit increased by 21.0% from US\$286.3 million in 2018 to US\$346.5 million in 2019, primarily due to strong VIP revenue growth from gaming our top gaming promoters, who have agreed to revenue-based incentive plans, with a very significant portion of growth coming from our largest gaming promoter. The incentive amount retained by the gaming promoters is recognized as cost of sales. VIP market gross profit margin increased slightly from 26.8% in 2018 to 27.9% in 2019 due to increased revenue contribution from higher margin direct VIP segment.

Non-gaming gross profit and gross profit margin

Non-gaming gross profit decreased by 7.5% from US\$32.1 million in 2018 to US\$29.7 million in 2019, primarily due to the temporary closing of 250 hotel rooms at Naga 1 for upgrade and refurbishment work. Non-gaming gross profit margin increased from 80.5% in 2018 to 82.5% in 2019.

Other income

Other income increased by 4.9% from US\$10.3 million in 2018 to US\$10.8 million in 2019, primarily due to increased interest income.

Administrative expenses

Administrative expenses decreased by 22.8% from US\$79.3 million in 2018 to US\$61.3 million in 2019, primarily due to a decrease in aircraft repair and maintenance cost, and continuous operational efficiency improvements and cost optimization efforts undertaken which resulted in lower utility and other related operating costs incurred.

Other operating expenses

Other operating expenses increased by 20.7% from US\$185.6 million in 2018 to US\$224.0 million in 2019, primarily due to higher executive compensation in 2019, higher headcount to support higher business volume across all segments, in addition to the hiring of staff to initiate regional direct marketing efforts to players and ongoing property enhancements at NagaWorld along with the ramp up of NagaCity Walk and Naga 2 in 2019. The table below sets forth, for the periods indicated, a breakdown of other operating expenses:

	Year ended December 31,					
	2018		2019		2019 v. 2018 change	
	Amount	% of total	Amount	% of total	Amount	% of change
	(US\$ millions)	%	(US\$ millions)	%	(US\$ millions)	%
Staff costs	92.4	49.8	125.2	55.9	32.8	35.5
Depreciation and amortization	89.5	48.2	96.4	43.0	6.9	7.7
Amortization of casino license premium.....	3.5	1.9	3.5	1.6	0.0	0.0
Exchange loss, net.....	0.2	0.1	(1.1)	(0.5)	(1.3)	(650.0)
Total other operating expenses	185.6	100.0	224.0	100.0	38.4	20.7

Staff costs

Staff costs increased by 35.5% from US\$92.4 million in 2018 to US\$125.2 million in 2019. This increase primarily reflected the higher executive compensation in 2019 compared to 2018 as well as the costs associated with increased headcount.

Depreciation and amortization

Depreciation and amortization expenses increased by 7.7% from US\$89.5 million in 2018 to US\$96.4 million in 2019, primarily due to recognition of right-of-use assets relating to leases in compliance with IFRS 16, which were previously classified as operating leases under IAS17.

Amortization of casino license premium

Expenses incurred in connection with the amortization of the casino license premium remained the same at US\$3.5 million in 2018 and 2019.

Profit before tax

As a result of the foregoing, profit before tax increased by 38.1% from US\$399.4 million in 2018 to US\$551.6 million in 2019.

Income tax

Income tax expense increased by 245.5% from US\$8.8 million in 2018 to US\$30.4 million in 2019, primarily due to the additional obligation payments of US\$20.8 million paid to the Government pursuant to discussions with the Ministry of Economy and Finance. The effective tax rate increased from 2.2% to 5.5% in the same periods, respectively.

Profit for the year

As a result of the foregoing, profit for the year increased by 33.4% from US\$390.6 million in 2018 to US\$521.2 million in 2019.

2018 Compared to 2017

Revenue

Total revenue increased by 54.2% from US\$956.3 million in 2017 to US\$1,474.3 million in 2018, primarily for the reasons described below.

Revenue by business segment

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

	Year ended December 31,					
	2017		2018		2018 v. 2017 change	
	Amount	% of revenue	Amount	% of revenue	Amount	% change
	(US\$ millions)	%	(US\$ millions)	%	(US\$ millions)	%
Gaming.....	925.9	96.8	1,434.4	97.3	508.5	54.9
Total mass market.....	300.6	31.4	365.0	24.8	64.4	21.4
Mass market gaming						
tables	149.7	15.6	235.7	16.0	86.0	57.4
Electronic gaming						
machines.....	150.9	15.8	129.3	8.8	(21.6)	(14.3)
VIP market	625.3	65.4	1,069.4	72.5	444.1	71.0
Non-gaming ⁽¹⁾	30.4	3.2	39.9	2.7	9.5	31.3
Total revenue	956.3	100.0	1,474.3	100.0	518.0	54.2

Note:

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

Revenue from the mass market segment

Revenue from the mass market segment increased by 21.4% from US\$300.6 million in 2017 to US\$365.0 million in 2018, primarily due to increased tourism in Cambodia which in turn resulted in increased visits from mass market gaming patrons, which was partially offset by lower win rates in 2018 compared to 2017. Revenue from mass market gaming tables increased by 57.4% from US\$149.7 million in 2017 to US\$235.7 million in 2018 due to increased footfall and continued ramp up of Naga 2.

Revenue from electronic gaming machines decreased by 14.3% from US\$150.9 million in 2017 to US\$129.3 million in 2018, primarily due to the decrease in electronic gaming machines fee revenue from US\$60.0 million in 2017 to US\$0.0 million in 2018 which was partially offset by a higher win rate of 8.8% in 2018 compared to 7.9% in 2017.

Revenue from the VIP market segment

Revenue from the VIP market segment increased by 71.0% from US\$625.3 million in 2017 to US\$1,069.4 million in 2018, primarily due to the ramp up of Naga 2 and the opening of new fixed base VIP rooms at Naga 2 with two gaming promoters, contributing to the increase in rollings and number of higher end VIP players from the region.

Revenue from the non-gaming segment

Revenue from the non-gaming segment increased by 31.3% from US\$30.4 million in 2017 to US\$39.9 million in 2018, primarily due to increased footfall as tourist arrivals increased along with better performance across all food and beverage outlets.

Cost of sales

Cost of sales increased by 65.7% from US\$483.4 million in 2017 to US\$800.8 million in 2018. As a percentage of revenue, cost of sales increased from 50.5% in 2017 to 54.3% in 2018. The increase in cost of sales in aggregate and as a percentage of revenue was primarily due to increased revenue contribution from lower margin VIP business segment.

Gross profit and gross profit margin

As a result of the foregoing, gross profit increased by 42.4% from US\$472.9 million in 2017 to US\$673.5 million in 2018. Gross profit margin decreased from 49.5% to 45.7% in the same period.

The table below sets forth, for 2017 and 2018, a breakdown of our gross profit and gross profit margin by segment:

	Year ended December 31,				2017 v. 2018 change	
	2017		2018			
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Amount	
	(US\$ millions)	%	(US\$ millions)	%	(US\$ millions)	%
Gaming.....	448.2	48.4	641.4	44.7	193.2	43.1
Total mass market.....	294.3	97.9	355.1	97.3	60.8	20.7
VIP market	153.9	24.6	286.3	26.8	132.4	86.0
Non-gaming ⁽¹⁾	24.7	81.3	32.1	80.5	7.4	30.0
Total	472.9	49.5	673.5	45.7	200.6	42.4

Note:

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

Mass market gross profit and gross profit margin

Mass market gross profit increased by 20.7% from US\$294.3 million in 2017 to US\$355.1 million in 2018, primarily due to increased revenue growth largely driven by number of mass market gaming patrons. Mass market gross profit margin also decreased from 97.9% in 2017 to 97.3% in 2018 due to no fees earned in respect of assignment of EGM licensing rights in 2018.

VIP market gross profit and gross profit margin

VIP market gross profit increased by 86.0% from US\$153.9 million in 2017 to US\$286.3 million in 2018, primarily due to higher win rates combined with strong revenue growth from the VIP market business segment with a significant portion coming from our largest gaming promoters, who had agreed to revenue-based incentive plans. We also recognized higher gross profit from direct VIP players in 2018 compared to 2017 in part due to significantly higher rollings by those direct VIP players. The portion of revenue retained by the gaming promoters is recognized as cost of sales. VIP market gross profit margin also increased from 24.6% in 2017 to 26.8% in 2018.

Non-gaming gross profit and gross profit margin

Non-gaming gross profit increased by 30.0% from US\$24.7 million in 2017 to US\$32.1 million in 2018, primarily due to increases in hotel occupancy and average rates as well as better performance across all food and beverage outlets. Non-gaming gross profit margin slightly decreased from 81.3% in 2017 to 80.5% in 2018.

Other income

Other income increased by 32.1% from US\$7.8 million in 2017 to US\$10.3 million in 2018, primarily due to an increase in interest income.

Administrative expenses

Administrative expenses increased by 18.0% from US\$67.2 million in 2017 to US\$79.3 million in 2018, primarily due to support services related to increased headcount to support our growing gaming business.

Other operating expenses

Other operating expenses increased by 23.6% from US\$150.2 million in 2017 to US\$185.6 million in 2018, primarily due to depreciation expense attributable to Naga 2 commencement of business operation in November 2017. The table below sets forth, for the periods indicated, a breakdown of other operating expenses:

	Year ended December 31,				2018 v. 2017 change	
	2017		2018		Amount (US\$ millions)	% of change
	Amount (US\$ millions)	% of total %	Amount (US\$ millions)	% of total %		
Staff costs	93.1	62.0	92.4	49.8	(0.7)	(0.8)
Depreciation and amortization	52.9	35.2	89.5	48.2	36.6	69.2
Amortization of casino license premium.....	3.5	2.3	3.5	1.9	0.0	0.0
Exchange loss, net.....	0.7	0.5	0.2	0.1	(0.5)	(71.4)
Total other operating expenses	150.2	100.0	185.6	100.0	35.4	23.6

Staff costs

Staff costs decreased by 0.8% from US\$93.1 million in 2017 to US\$92.4 million in 2018 due to improved operational efficiencies and increased human resource output due to multi-tasking.

Depreciation and amortization

Depreciation and amortization expenses increased by 69.2% from US\$52.9 million in 2017 to US\$89.5 million in 2018, primarily due to the commencement of business operations of Naga 2 in November 2017.

Amortization of casino license premium

Expenses incurred in connection with the amortization of the casino license premium remained the same at US\$3.5 million in 2017 and 2018.

Profit before tax

As a result of the foregoing, profit before tax increased by 51.7% from US\$263.3 million in 2017 to US\$399.4 million in 2018.

Income tax

Income tax expense increased by 8.6% from US\$8.1 million in 2017 to US\$8.8 million in 2018, primarily due to the annual increment of 12.5% in monthly gaming obligation payment rates from 2018 compared to 2017, as agreed with the Government in both 2017 and 2018.

Profit for the year

As a result of the foregoing, profit for the year increased by 53.1% from US\$255.2 million in 2017 to US\$390.6 million in 2018.

Non-IFRS Financial Measures

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

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

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

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

	Year ended December 31,		
	2017	2018	2019
	US\$ millions (except percentages)		
Profit before taxation	263.3	399.4	551.6
Adjustment for:			
Depreciation and amortization expenses (including amortization of casino license premium).....	56.4	93.0	99.8
Finance costs	–	19.5	20.2
Total EBITDA	319.7	511.9	671.6
EBITDA Margin	33.4%	34.7%	38.3%

Note:

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

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

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity consist of cash and cash equivalents, which have historically been generated through cash flows from operating activities and issuances of shares. In 2017, 2018 and 2019, we benefitted from strong, recurring cash flows from operating activities.

Issuance of senior notes

On May 21, 2018, we issued US\$300.0 million aggregate principal amount of the 2021 Notes. The 2021 Notes are guaranteed by the Guarantors on a senior basis, mature on May 21, 2021 and bear interest at a rate of 9.375% per annum, payable semi-annually in arrears on May 21 and November 21 of each year, commencing November 21, 2018. The net proceeds from the issuance of the 2021 Notes were used to promote our gaming business growth and to refurbish the hotel rooms in Naga 1.

We intend to use the net proceeds of the issue of the Notes to redeem some or all of the outstanding 2021 Notes on or prior to maturity in 2021. See “*Use of Proceeds.*”

Issuance of new shares

On April 14, 2019, we entered into a subscription agreement with ChenLipKeong Fund Limited, a special purpose vehicle wholly owned by Tan Sri Dr. Chen, an executive director, the Chief Executive Officer and the controlling shareholder of the Company, as the subscriber, pursuant to which we have conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for 1,142,378,575 settlement shares or such adjusted settlement shares at the price of HK\$12.00 per share (subject to adjustments under the terms of the subscription agreement), which shall be paid by the Subscriber for the funding of the development of Naga 3 pursuant to the terms of the subscription agreement. The subscription agreement and the transaction(s) contemplated thereunder constituted a connected transaction of the Issuer under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), and the subscription agreement was therefore subject to approval by our independent shareholders at an extraordinary general meeting, which was held on August 8, 2019 at which the resolutions were duly passed to approve the subscription agreement and the transactions contemplated thereunder. See “*Description of Material Contracts – Subscription Agreement.*”

Issuance and conversion of convertible bonds

NagaCity Walk Convertible Bonds

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

Naga 2 Convertible Bonds

On December 30, 2016, we acquired Naga 2 Land Limited (formerly known as TanSriChen Inc.), the owner of Naga 2, at a consideration of US\$275.0 million which was satisfied by the issuance of the unsecured convertible bonds in the aggregate principal amount of US\$275.0 million (“**Naga 2 Convertible Bonds**”) in favor of Tan Sri Dr. Chen.

All of the NagaCity Walk Convertible Bonds and Naga 2 Convertible Bonds were converted in August 2017. As a result, Tan Sri Dr. Chen received 1,881,019,166 additional shares of the common stock of the Company, bringing his aggregate beneficial holding to 65.4% of our share capital.

Net Current Assets

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

	As of December 31,		
	2017	2018	2019
	(US\$ millions)	(US\$ millions)	(US\$ millions)
Current assets			
Consumables	1.8	2.1	2.8
Trade and other receivables.....	101.4	117.1	126.8
Certificates of deposit, fixed deposits and other liquid funds.....	–	76.4	53.4
Cash and cash equivalents.....	52.8	316.5	273.4
Total current assets	156.0	512.1	456.4

	As of December 31,		
	2017	2018	2019
	(US\$ millions)	(US\$ millions)	(US\$ millions)
Current liabilities			
Trade and other payables	77.9	79.7	159.4
Contract liabilities	–	10.0	10.0
Lease liabilities	–	–	2.8
Current tax liability	1.8	2.4	3.0
Total current liabilities	79.7	92.1	175.2
Net current assets	76.3	420.0	281.2

We had net current assets of US\$76.3 million, US\$420.0 million and US\$281.2 million as of December 31, 2017, 2018 and 2019, respectively.

Trade and other receivables, and cash and cash equivalents constituted the largest component of our current assets as of December 31, 2017, 2018, and 2019 respectively, while trade and other payables constituted the largest component of our current liabilities as of the same dates, respectively.

Trade and other receivables increased in 2019 primarily due to the growth of our VIP business. Trade and other payables increased in 2019 and cash and cash equivalents decreased in 2019 primarily due to an increase in deposits, offset by an increase in capital expenditure incurred.

Cash Flows

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

	Year ended December 31,		
	2017	2018	2019
	(US\$ millions)	(US\$ millions)	(US\$ millions)
Net cash generated from operating activities	322.2	476.7	690.2
Net cash (used in)/generated from investing activities ...	(354.6)	(316.9)	(424.1)
Net cash (used in)/generated from financing activities ..	(125.7)	103.9	(309.2)
Net (decrease)/increase in cash and cash equivalent	(158.1)	263.7	(43.1)
Cash and cash equivalents at the beginning of the year.....	210.9	52.8	316.5
Cash and cash equivalents at the end of the year	52.8	316.5	273.4

Net cash generated from operating activities

In 2019, we had net cash generated from operating activities of US\$690.2 million. We had operating profit before changes in working capital of US\$670.3 million, primarily consisting of profit before tax of US\$551.6 million and adjustments for (i) depreciation and amortization of US\$96.3 million and (ii) amortization of the Casino License premium of US\$3.5 million. Changes in working capital primarily consisted of (i) an increase in trade and other receivables of US\$14.4 million as a result of significant growth in VIP rollings and (ii) an increase in trade and other payables of US\$73.6 million as a result of increase in deposits. Our operating cash outflow also included US\$29.8 million in tax paid primarily relating to an additional obligation payment.

In 2018, we had net cash generated from operating activities of US\$476.7 million. We had operating profit before changes in working capital of US\$511.6 million, primarily consisting of profit before tax of US\$399.4 million and adjustments for (i) depreciation and amortization of US\$89.4 million and (ii) amortization of the Casino License premium of US\$3.5 million. Changes in working capital primarily consisted of (i) an increase in trade and other receivables of US\$17.9 million as a result of growth in VIP rollings and (ii) an increase in trade and other payables of US\$0.2 million. Our operating cash outflow also included US\$8.2 million in tax paid.

In 2017, we had net cash generated from operating activities of US\$322.2 million. We had operating profit before changes in working capital of US\$321.7 million, primarily consisting of profit before tax of US\$263.3 million and adjustments for (i) depreciation and amortization of US\$52.9 million following the completion of Naga 2 in November 2017 and (ii) amortization of the Casino License premium of US\$3.5 million. Changes in working capital primarily consisted of (i) an increase in trade and other receivables of US\$29.9 million as a result of significant growth in VIP rollings and (ii) an increase in trade and other payables of US\$39.8 million as a result of the fitting out of Naga 2. Our operating cash outflow also included US\$9 million in tax paid.

Net cash used in investing activities

In 2019, our net cash used in investing activities was US\$424.1 million, primarily consisting of payments for the purchase of property, plant and equipment of US\$432.5 million (which includes a one-time refurbishment cost of US\$141 million for the refurbishment of Naga 1).

In 2018, our net cash used in investing activities was US\$316.9 million, primarily consisting of payments for the purchase of property, plant and equipment of US\$243.3 million.

In 2017, our net cash used in investing activities was US\$354.6 million, primarily consisting of payments for the purchase of property, plant and equipment, and US\$279.4 million in fit out cost of Naga 2.

Net cash (used in)/generated from financing activities

In 2019, our net cash used in financing activities was US\$309.2 million as we had a cash outflow of US\$273.3 million in dividends paid to our shareholders.

In 2018, our net cash generated from financing activities was US\$103.9 million, primarily due to proceeds from the issue of shares of US\$288.8 million. We also had a cash outflow of US\$170.8 million in dividends paid to our shareholders.

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

RELATED PARTY TRANSACTIONS

In 2017, 2018 and 2019, we had certain transactions with related parties, including the following:

- In 2019, the subscription agreement with ChenLipKeong Fund Limited, a special purpose vehicle wholly owned by Tan Sri Dr. Chen described above under “– *Liquidity and Capital Resources – Issuance of new shares.*”
- In 2017, the conversion of the convertible bonds and issuance of shares to Tan Sri Dr. Chen described above under “– *Liquidity and Capital Resources – Issuance and conversion of convertible bonds.*”
- In 2017, 2018 and 2019, we paid US\$27.9 million, US\$8.5 million and US\$39.9 million, respectively as bonuses, salaries and housing allowances to key management personnel who were related parties.

Our management is of the view that the above transactions were entered into on an arm’s length basis. See note 30 to the 2018 and 2019 Financial Statements.

CAPITAL EXPENDITURE

We had total capital expenditure of US\$363.6 million, US\$244.0 million and US\$488.5 million in 2017, 2018 and 2019, respectively. In 2017, our capital expenditure primarily consisted of the fitting out of Naga 2. In 2018, and 2019, our capital expenditure primarily consisted of the fitting out of Naga 2 and the refurbishment of hotel rooms at Naga 1. We have financed our capital expenditure primarily through cash generated from operations and the issuance of the 2021 Notes.

In 2020, we expect to incur total capital expenditure of US\$80 million primarily relating to the refurbishment of Naga 1 hotel rooms (which has been completed) and in support of our gaming operations. In addition, we have entered into a fixed-fee contract with a third party contractor for the construction of Naga Vladivostok. We expect to incur approximately US\$100 million in expenses relating to the construction of Naga Vladivostok. This amount will be payable by us in 2021, or at our option, in 2023. These contracted for but not yet incurred amounts have been recognized as capital commitments as described below.

In addition, we entered into a guaranteed maximum sum design and build agreement (the “DBA”) with a contractor to develop Naga 3. The maximum sum under the DBA is US\$3,515,011,000, and it is expected that 50% development cost to be funded by way of internally generated funds and the remaining 50% of the development cost will be funded by Tan Sri Dr. Chen. Construction of Naga 3 is expected to commence in the second half of 2020, and is expected to be completed in or around 2025. We expect to incur approximately US\$50 million in expenses relating to the construction of Naga 3 in 2020.

COMMITMENTS

As of December 31, 2017, 2018 and 2019, we had significant capital commitments relating to construction at NagaWorld, through a wholly-owned subsidiaries, Naga Vladivostok and Naga 3.

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

	As of December 31,		
	2017	2018	2019
	(US\$ millions)	(US\$ millions)	(US\$ millions)
Hotel and casino complex			
– contracted but not incurred.....	342.5	361.7	3,646.5

The capital commitments in 2019 relate primarily to our US\$3,515,011,000 contract to develop Naga 3 (50% of which will be funded by Tan Sri Dr. Chen, who is the founder, an executive director, the Chief Executive Officer and the controlling shareholder of the Company). The capital commitments relating to the hotel and casino complex are expected to be incurred over five years in accordance with a phased construction plan.

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

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

	As of December 31,		
	2017	2018	2019
	(US\$ millions)	(US\$ millions)	(US\$ millions)
Not later than 1 year	4.3	8.2	–
Later than 1 year but not later than 5 years.....	10.0	30.8	–
Later than 5 years	34.0	80.1	–
Total lease commitments	48.3	119.1	–

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. As a result, from 1 January 2019 the Group, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. See “– *Critical Accounting Policies – Impact of new and revised International Financial Reporting Standards*” and note 2 to the 2019 Financial Statements for further details.

CONTINGENT LIABILITIES

In 2017, 2018 and 2019, we had contingent liabilities arising from the service agreement entered into between us and Tan Sri Dr. Chen relating to Tan Sri Dr. Chen's performance incentive entitlements. Tan Sri Dr. Chen was entitled to a performance incentive entitlement of US\$11.8 million for 2017, US\$18.6 million for 2018 and US\$26.2 million for 2019. As a result of the achievement of the certain performance indicators, the 2017 performance incentive entitlement and 2018 performance incentive entitlement amounting to US\$30.4 million in total were recognised in profit or loss and paid during 2019. The 2019 performance incentive entitlement in the amount of US\$26.2 million was deferred until certain performance indicators were met in 2020. These performance indicators were met and the 2019 performance incentive entitlement was paid to Tan Sri Dr. Chen in June 2020. See note 34 to the 2018 Financial Statements and the 2019 Financial Statements for further details. Other than as disclosed above, we had no contingent liabilities in 2017, 2018 and 2019.

QUALITATIVE AND QUANTITATIVE DISCLOSURES ON MARKET RISK

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

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

Interest rate risk

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

Foreign currency risk

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

Credit risk

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

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

Liquidity risk

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

	As of December 31,		
	2017	2018	2019
	(US\$ millions)	(US\$ millions)	(US\$ millions)
Financial liabilities (less than one year)	77.9	107.8	187.5

DIVIDENDS AND DIVIDEND POLICY

In 2017, 2018 and 2019, we paid dividends and distributions of US\$125.8 million, US\$170.8 million and US\$273.3 million, respectively. The Company approved the 2019 final dividend at the annual general meeting held in April 2020, and \$221.0 million was paid to the Company's shareholders in June 2020.

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

DISTRIBUTABLE RESERVES

As of December 31, 2019, we had distributable reserves of US\$619.4 million, of which US\$751.4 million represents the share premium of the new shares issued and US\$55.0 million represents the capital contribution reserve (which we have no intention of distributing).

OFF-BALANCE SHEET ARRANGEMENTS

In 2017, 2018 and 2019, except as disclosed in "*Management Discussion and Analysis of Financial Condition and Results of Operations – Contingent Liabilities*," we had no material off-balance sheet arrangements.

INDUSTRY OVERVIEW

The following industry and market data has been prepared by and obtained from Global Market Advisors, an independent industry consultant in the gaming industry, using historical information derived, in part, from various government and private publications. Historical information presented herein is not necessarily indicative of future performance. In addition, this information contains “forward-looking” statements that relate to future events, which are, by their nature, subject to significant risks and uncertainties. This information has not been independently verified by us or the Initial Purchasers or any of our respective affiliates or advisors. In light of the current COVID-19 pandemic affecting the global economy, including the gaming industry, investors are advised to read this section together with the information provided in “Recent Developments – COVID-19 Pandemic and Temporary Closure of Our Casinos” and “Risk Factors.”

OVERVIEW OF THE CAMBODIAN ECONOMY AND TOURISM

Overview and GDP

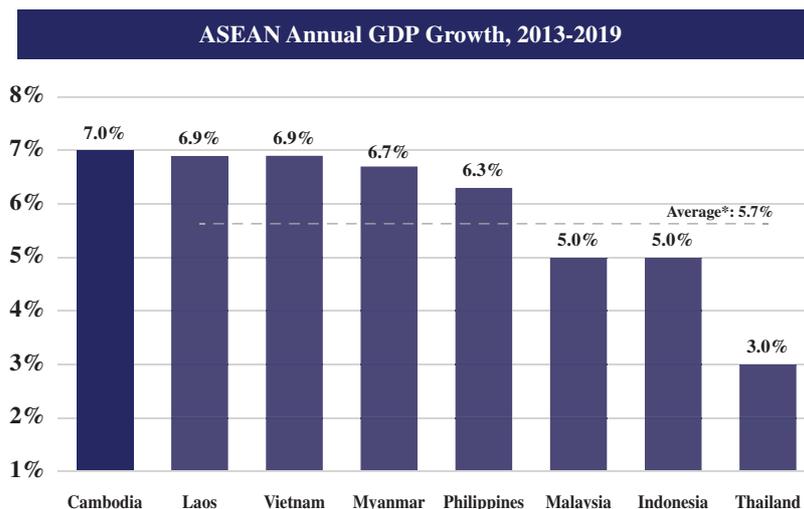
Cambodia has experienced strong economic growth over the past several years. Its GDP has steadily grown from US\$15.7 billion in 2013 to an estimated US\$23.7 billion in 2018, representing a CAGR of 7.0% over that period. Total travel and tourism receipts increased from US\$2.5 billion in 2013 to an estimated US\$4.9 billion in 2019, amounting to roughly 21% of total GDP. The following table shows Cambodia’s population, GDP, and GDP per capita from 2013 to 2019, as well as percentage of direct contribution of travel and tourism to GDP during the period.

	Cambodian Population and Relative Wealth				
	Population (in millions)	Real GDP (in US\$ bil)	GDP		Tourism Receipts (in US\$ bil)
			Per Capita (in US\$ bil)	(% of GDP)	
2013	15.0	\$15.7	\$1,048	\$2.5	16%
2014	15.3	\$16.9	\$1,104	\$2.7	16%
2015	15.5	\$18.1	\$1,163	\$3.0	17%
2016	15.8	\$19.3	\$1,224	\$3.2	17%
2017	16.0	\$20.6	\$1,289	\$3.6	18%
2018	16.2	\$22.2	\$1,366	\$4.4	20%
2019	16.5	\$23.7	\$1,436	\$4.9	21%

Source: Oxford Economics, Ministry of Tourism Cambodia, GMA

As a result of such economic growth, the World Bank in 2016 officially reclassified Cambodia from low income to lower middle income. The following chart shows historical economic growth in Southeast Asia through 2019.

ASEAN Annual real GDP CAGR, 2013-2019



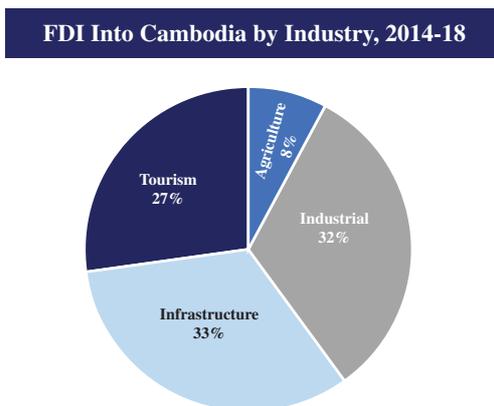
Source: Oxford Economics, GMA

*Note: excludes Cambodia

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

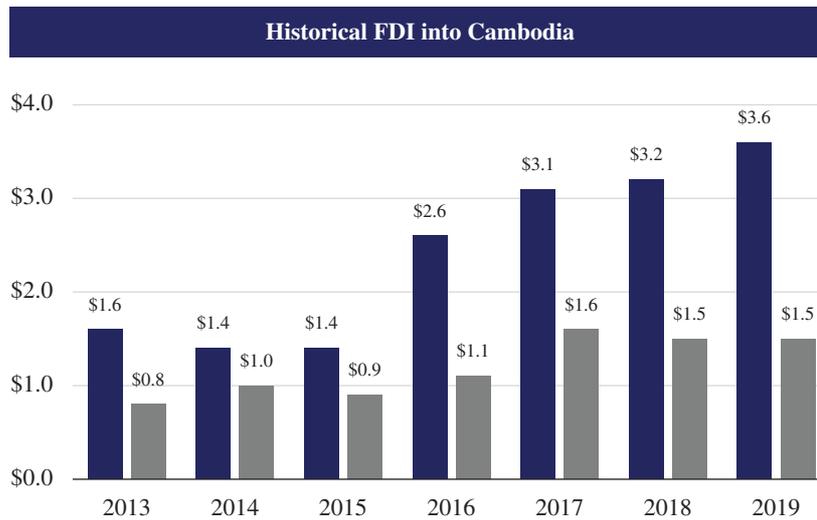
FDI

Foreign direct investment (“**FDI**”) into Cambodia totaled US\$3.6 billion in 2019, up from US\$3.2 billion in 2018. According to the Council for the Development of Cambodia, from 2014 to 2018, tourism and infrastructure have accounted for 60% of the total FDI into Cambodia. Overall, China is both the largest contributor of FDI to Cambodia and its largest trading partner. Upon visiting Prime Minister Hun Sen in Phnom Penh earlier in 2016, Chinese Premier Li Keqiang pledged his support for various investments in Cambodia, with a general focus on infrastructure.



Source: CDC, GMA

Between 2013 and 2019, China offered US\$8.0 billion in loans and investments in Cambodia, representing approximately half of total FDI into the country. In 2019, FDI from China into Cambodia amounted to US\$1.5 billion. While FDI from China has slightly decreased since 2017, overall FDI into Cambodia continues to rise, indicating that the country is attracting greater investment from other sources. The overall growth of total FDI into Cambodia and FDI from China are illustrated in the following chart.



Source: CDC, GMA

*Note: estimated based on reported percentage of total FDI

ONE-BELT-ONE-ROAD INITIATIVE

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

Cambodia is a key country in China’s BRI. Through 2019, Cambodia received billions of dollars in loans and grants for BRI-related development, primarily targeting infrastructure and energy. Key projects under the BRI in Cambodia are summarized in following table.

Developments	Total Investment (US\$)	Timing
1st Expressway of 2,230km from Phnom Penh to Sihanoukville	26 billion	Completed by 2040
New International Airport Siem Reap with 6x of current site size and at least doubled capacity (5MM passengers for existing airport)	980 million	Completed by 2025
Seven hydropower plants and power transmission lines providing electricity to half of Cambodia	2.4 billion	Target 100% nationwide electricity
2,600-hectare new airport to be built about 30km south of Phnom Penh	1.5 billion	Completed by 2021

Source: The University of Cambodia, ISEAS

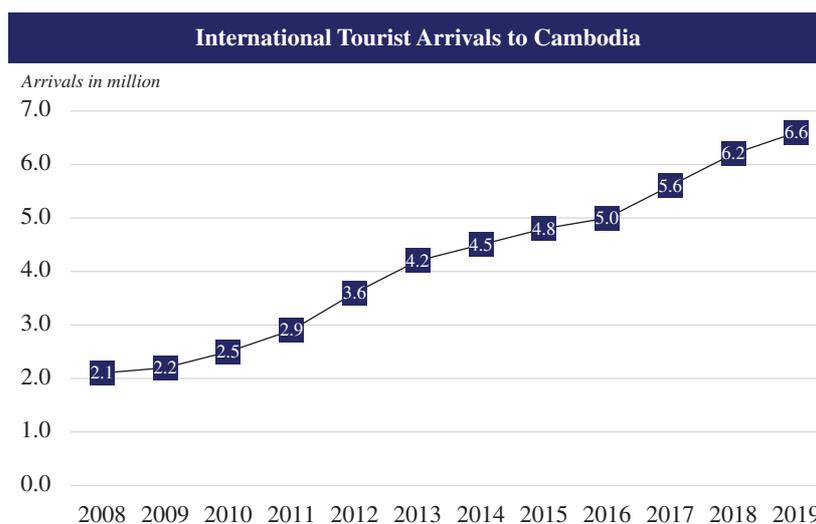
TOURISM

Visitations

Visitations to Cambodia grew at a CAGR of 11.4% from 2011 to 2019. Cambodia welcomed roughly 6.6 million visitors in 2019, representing an annual increase of approximately 400,000, or 6.2% year-on-year. This was primarily driven by a substantial increase in visitation from China, which increased from approximately 0.7 million in 2015 to more than 2.0 million in 2019. Chinese visitors are currently the largest group of visitors to Cambodia, accounting for 35.7% of all visitation to Cambodia in 2019. Additionally, Chinese business visitation grew by 139% year-over-year in 2019, surpassing 1.0 million Chinese business visitors. The following table further illustrates the increase in visitation from China over the past several years.

	Chinese Visitation to Cambodia		
	Total Int'l Arrivals	Total Chinese Arrivals	Chinese Business Travelers
2012	3,584,307	333,894	49,165
2015	4,775,231	694,712	91,135
2019	6,610,592	2,361,849	1,046,213

Source: Ministry of Tourism Cambodia, GMA



Source: Ministry of Tourism Cambodia, GMA

International visitation into Phnom Penh has grown significantly since 2010. International arrivals to Phnom Penh International Airport (PNH) have more than doubled from roughly 591,000 in 2010 to 2.1 million in 2019.

With the outbreak of the coronavirus early in 2020, tourism volumes throughout Asia is expected to have either slowed or declined due to a limited flow of visitation globally, especially from China.

Air travel to Cambodia

As of December 2019, there were 894 scheduled inbound international flights per week to Cambodia, up from 877 in the prior year and up from 386 in December 2013. Out of 894 flights in total, 415 flights originated from China, including major feeder markets such as Guangzhou, Shanghai, and Shenzhen, as well as the territories of Macau, Hong Kong, and Taipei. This compares to 386 total weekly flights in December 2013, with 61 weekly flights originating from China. Bangkok is the largest feeder city into Cambodia with 181 weekly scheduled flights. For Phnom Penh International Airport, weekly inbound flights rose from 460 in December 2018 to 499 in December 2019. These flights played a significant role in driving the business volume and revenue growth of the Mass Market segment. The table below shows weekly arrivals to Cambodia from other areas of Asia.

Inbound Direct Scheduled Flights to Cambodia (PNH, REP, KOS)								
From	Flight Time (hours)	Weekly Flights	From	Flight Time (hours)	Weekly Flights	From	Flight Time (hours)	Weekly Flights
<i>Greater China Flights –</i>			<i>Other Asia Flights –</i>					
Guangzhou	~3	71	Bangkok	~1	181	Jakarta	~3.5	7
			Ho Chi Minh					
Shenzhen	~3	45	City	~1	76	Pakse	~1	7
Shanghai	~4.5	36	Kuala Lumpur	~2	60	Phuket	~1.5	7
Hong Kong	~3	30	Singapore	~2	41	Tokyo	~7	7
Macau	~3	17	Hanoi	~2	27	Vientiane	~1.5	7
Taipei	~4	17	Seoul	~6	23	Manila	~3	5
Other*		199	Danang	~2	14	Busan	~5.5	4
			Luang Prabang	~2	10	Yangon	~2	3
TOTAL CHINA:....		415				894 TOTAL DIRECT FLIGHTS		

Source: GMA

*Note: Other includes Xi'an, Hangzhou, Fuzhou, Chongqing, Changsha, Xiamen, Chengdu, Kunming, Zhanjiang, Nanning, Sanya, Qingdao, Beijing, Guiyang, Hefei, Kunming, Nanjing, Shantou, Shijiazhuang, Xuzhou, Zhengzhou, Wenzhou, Haikou, Jieyang, Nanchang, Ningbo, Wuxi, Wuhan

Infrastructure and accessibility

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

Gaming in Cambodia

OVERVIEW

Recent developments in China, namely its crackdown on corruption and conspicuous consumption, have diverted Chinese gamblers from visiting Macau and into proximate gaming markets such as Cambodia. Cambodia's tourism figures show a steady rise, reaching 6.2 million international visitor arrivals in 2018, an 9.7% gain from 2017, with casino tax revenue reaching US\$50 million. Much of this is buttressed by China, which has been the primary source of international visitation to Cambodia in recent years.

According to the MOEF, the competent regulator of the gaming sector in Cambodia, there are an estimated 150 casinos operating in Cambodia as of the end of 2019, with frequent new entrants and closures making that number fluid. Additionally, the country implemented an outright ban on online gaming operations following accusations that operators were specifically targeting players based in China, among other compliance issues.

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

Size of gaming market

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

Source of customers

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

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

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

Gaming tax rates

Existing

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

Proposed Gaming Law

In late 2019, a gaming law drafted by the MOEF and the MOI was submitted for approval by the Office of the Council of Ministers. The proposed law would authorize the Government to set up a body to review the internal financial controls of Cambodian casinos, promoting the prevention of money laundering and other criminal activity.

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

Gaming Tax Summary for Asian Jurisdictions

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

Source: GMA, company filings, publicly available data

Notes:

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

Premium and Mass are defined by the following:

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

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

GROWTH DRIVERS OF THE GAMING INDUSTRY IN CAMBODIA

Low gaming tax rate

NagaCorp’s effective tax rate for FY2019 was 5.5%, based on tax expense for the year 2019. This effective rate is low in comparison to other jurisdictions.

No restriction on gaming promoter commissions and revenue-based incentives

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

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

Low operating cost environment

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

Centralized location in Asia

Phnom Penh is centrally located in Asia with most of the Asian population located within a six-hour flight time of Phnom Penh, making it accessible to billions of people throughout the continent and accounting for a cumulative GDP of more than US\$25 trillion. Most major cities in China and India fall within the six-hour flight radius including Beijing, Shanghai, and New Delhi, each of which have a population of more than 20 million.





Attraction of Cambodia to tourists

Phnom Penh is a vibrant city with a wealth of dining, sightseeing and entertainment options and has enjoyed robust levels of growth in tourism over the past few years. International arrivals to Phnom Penh have more than tripled since 2010. Outside of Phnom Penh, the Siem Reap region remains a popular destination for tourists to Cambodia. Visitors to Siem Reap are attracted to historical sites such as the temples at Angkor Wat, as well as the floating villages on the Tonle Sap and other ecotourism sites throughout the region. The coastal areas of Cambodia such as Sihanoukville are also becoming popular destinations, with total visitation to coastal areas increasing by 15% from 2017 to 2018.

Cambodia's relationship with China

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

Growth in international arrivals, particularly from China

Of the estimated 6.6 million tourist arrivals in 2019, Chinese tourists accounted for approximately 36% of all visits to the country, up from 15% in 2015. At the start of 2020, it is expected that decreases in visitation may occur as a result of the coronavirus outbreak.

GAMING INDUSTRY IN CAMBODIA VS OTHER JURISDICTIONS

Global Gaming Destinations Comparison Summary

	Cambodia	Macau	Singapore	Philippines	South Korea (Jeju)	Malaysia	Saipan	U.S. (Las Vegas)	U.K. (London)
Chinese Visa Policy	Obtain visa on arrival	15 working days to obtain visa before arrival	Obtain visa before arrival	Obtain visa before arrival	Obtain visa on arrival	30-day electronic visa	Visa upon arrival for 45 days	Obtain visa before arrival	Obtain visa before arrival
Environment	Tropical climate	Metropolitan view Humid subtropical climate	Metropolitan view	Tropical maritime climate	Temperate climate	Hot and humid	Tropical islands	Warm, dry weather	Temperate oceanic climate
			Uniform hot temperature with high humidity and abundant rainfall	Typically hot, humid	Cold winters (December thru March)	Local climates affected by mountain ranges	Stable temperature throughout the year	Predominantly desert land	Heavy rainfall
			Frequent typhoons						Cold winters
Flight Time ⁽¹⁾									
• Beijing	5hr 40min	3hr 50min	6hr 5min	4hr 40min	2hr 20min	6hr 15min	5hr 40min	15hr 5min	11hr 20min
• Shanghai	4hr 20min	2hr 30min	5hr 5min	3hr 50min	1hr 30min	5hr 25min	4hr 20min	14hr 15min	12hr 50min
Gaming Tax Rate	< 10% of GGR ⁽²⁾	Fixed tax 35% of GGR	5% of Premium	17% of Premium	13% of GGR	8% of net gaming revenue	None	6.75%	15% (increasing based on gross gaming yield)
		Variable 2% – 3% of GGR	GGR	GGR					
			15% of Mass	27% of Mass					
			GGR	GGR					

Global Gaming Destinations Comparison Summary

	Cambodia	Macau	Singapore	Philippines	South Korea (Jeju)	Malaysia	Saipan	U.S. (Las Vegas)	U.K. (London)
Corporate Tax Rate	0% ⁽³⁾	12%	17%	30%	24.2%	24%	~10% (including tax rebate offset program)	21%	20%
Gaming License	47 years (renewal upon 2065)	6 concessions (renewal upon 2022)	2 licensees Renewal every 3 years	18 years (renewal upon 2033)	Infinite	1 licensee indefinitely	1 licensee 25-year exclusivity with 15-year extension option	Infinite	Infinite
	Exclusivity within 200km radius of Phnom Penh until 2045 ⁽⁴⁾								
Gaming Table Restrictions	None	Growth subject to approval	Growth subject to approval	None	None	None	None	None	None
Junket System (Y/N)	Yes	Yes	No	Yes	Yes	Yes	Yes	No	No
Smoking Restriction (Y/N)	No	Yes ⁽⁵⁾	No	No	No	No	No	No	Yes
Entry Levy (Y/N)	No	No	Yes	No	No	No	No	No	No

Source: GMA

Notes:

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

Role of Nagacorp in the Cambodian economy

NagaCorp maintains a unique position within the Cambodian business market. The NagaWorld property has a substantial impact on the nation's economy as the country's largest single hotel and casino. Per the Company's 2019 annual report, Naga employs over 8,500 people, of whom 94% are from Cambodia. NagaCorp's local expenditure was equivalent to 1.2% of Cambodia's overall GDP in 2019. Additionally, NagaCorp's local expenditure was equivalent to 27% of Cambodia's tourism service sector GDP in 2019.

NagaCorp Contribution to Cambodian Economy			
NagaCorp expenditure as % of:	2017	2018	2019
Cambodian National GDP	2.4%	1.3%	1.2%
Service (Hotels & Restaurants) Sector	52.6%	28.2%	27.0%

Source: NagaCorp, National Statistics Institute of Cambodia, GMA

Key Competitors of NagaWorld

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

Malaysia

Resorts World Genting, Malaysia

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

Vietnam

Grand Ho Tram, Vung Tau, Vietnam

The Grand Ho Tram Resort Casino, located in Vung Tau on the South China Sea, is owned by Asian Coast Development Ltd. Open since 2013, its 570-room tower offers five-star accommodation and suites, multiple dining venues, a 1,500-seat ballroom, casino, gaming promoter facilities, and a variety of resort amenities including a championship golf course. It was recently announced that the hotel property will be rebranded under the InterContinental flag, and that a Holiday Inn Resort will be added to offer more family-friendly activities.

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

Crown International Club, Danang, Vietnam

The Crown International Club is located within the 353-room Crowne Plaza Hotel in Danang, Vietnam. The main casino offers a four-star gaming environment. The main pit offers a good mix of table games with Baccarat serving as the primary game. The casino also offers a reasonable mix of electronic gaming devices along with a bar and restaurant. Similar to NagaWorld, the Crown International Club operates charter flights to a number of cities in China. The Crown International Club competes with NagaWorld for a share of regional gaming promoters from China.

Hoiana

Hoiana is a new, large integrated resort development located on the coast of Vietnam roughly 40 kilometers south of Da Nang. The \$4 billion resort is expected to be developed in several phases over the course of more than 10 years. The project is slated for a limited opening in Summer 2020, followed by an eventual grand opening in 2021. Gaming operations at Hoiana will be conducted by Suncity, the largest gaming promoter operator in Asia. As such, the casino will target valuable players from China and will become an immediate competitor once operational. However, given the size of the Asian gaming market and considering that Hoiana is located outside of Cambodia, it is not expected to significantly impact Naga's operations.

Non-gaming hotel competitors in Phnom Penh

NagaWorld also competes with non-gaming hotels for a share of the Phnom Penh overnight visitor market. The market is served by a number of recognized international 5-star brands including Raffles, Sofitel and Rosewood.

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

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

Phnom Penh Hotel Pricing Comparison		
Property	Midweek	Weekend
Naga1	\$260	\$260
Naga2	\$160	\$160
Raffles	\$265	\$250
Sofitel	\$250	\$230
Rosewood	\$240	\$240
The Great Duke	\$250	\$250

Source: Hotels.com, hotel websites, GMA

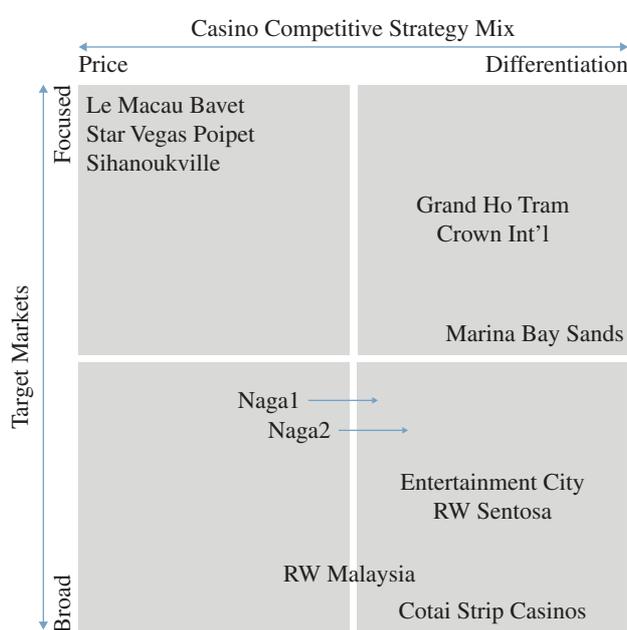
Note: All rates are cancellable

NagaWorld’s commercial positioning compared to other casinos

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

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

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



Source: GMA

Naga 1 has multiple market segments including a mix of Chinese, Malaysians, and Southeast Asians seeking a value gaming experience, and second tier gaming promoters. Naga 1 offers reasonable table game minimums, and many affordable dining options. Naga 1 utilizes a pricing strategy that targets a broad range of gamblers. This has allowed Naga1 to undergo a renovation of its hotel rooms, which was well-received by customers and allowed the Company to realize a significant increase in ADR at Naga1.

Naga 2 offers a more attractive gaming/lodging experience, allowing the Company to charge more. It can also raise table game minimums and attract higher-worth gaming promoter players with its new premium gaming hall product. As Naga 2 gains traction in the marketplace, GMA expects it may be able to increase price and move further right in the competitive matrix above, competing more directly with Entertainment City and Resorts World Sentosa.

Combined, Naga1 and Naga2 serve a balanced mix of gaming customers, including Mass, Premium Mass, mid-level gaming promoter players, and higher-level gaming promoter players. This mix of customers and pricing strategies offers NagaWorld a level of resiliency should external forces impact one or more of its player segments. Furthermore, the Company has announced its plans to develop Naga3, a multi-entertainment integrated resort to complement Naga1 and Naga2 with a quality level and amenity set that is intended to compete with larger IRs located in Macau. The addition of Naga3 is expected to further enhance the Company’s ability to attract Mass Market customers from throughout the region.

Financial positioning amongst Asian listed gaming companies

Capex spent per position for key assets

GMA compared major integrated resort development costs on a per position basis. Despite the fact that no two integrated resort developments are exactly the same, the following table illustrates how NagaCorp's development costs compared to other large casino developments. Topping the list are Wynn's Wynn Palace and Wynn Macau properties, MGM's Cotai property, and SJM's Casino Grand Lisboa, each with a cost per position of approximately US\$1.4 million. This is followed by Casino Grand Lisboa, MGM Cotai, and Studio City Macau, each at over \$1.0 million per position. On the opposite end of the spectrum is Naga2 at \$130,435 per position, followed by the Solaire Resort & Casino at \$234,558 per position. With a total development cost of \$600 million, Naga2's cost per position is far lower when compared to other destinations throughout Asia.

Investment Capital Use Per Gaming Position Comparison

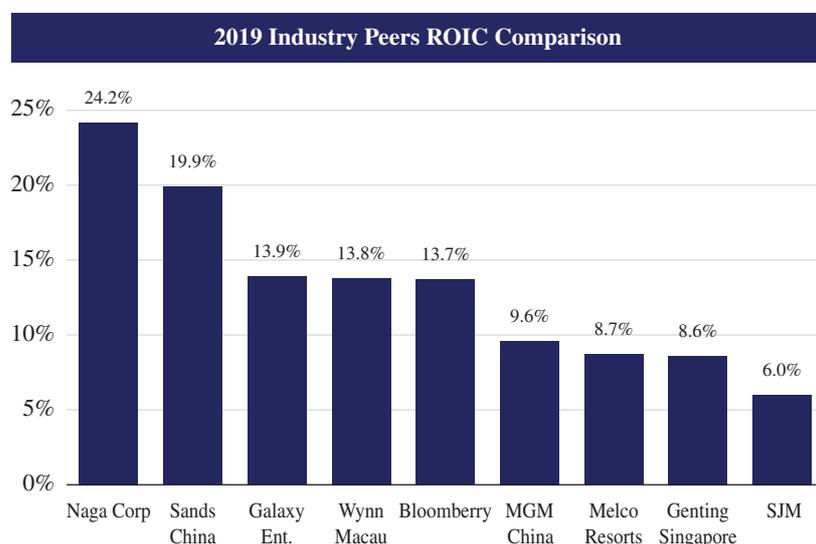
IR	Total Development Cost (in US\$ million)	Total Positions*	Cost Per Position
Naga2	\$600	4,600	\$130,435
Solaire Resort & Casino	\$1,200	5,116	\$234,558
The Venetian Macao	\$2,400	6,360	\$377,358
MGM Macau	\$1,445	3,115	\$463,884
City of Dreams Manila	\$2,100	4,442	\$472,760
Okada Manila	\$4,000	6,500	\$615,385
Galaxy Macau	\$3,900	5,500	\$709,091
The Parisian Macao	\$2,700	3,540	\$762,712
City of Dreams Macau	\$3,500	4,434	\$789,355
Marina Bay Sands	\$5,500	6,770	\$812,408
Resorts World Sentosa	\$4,930	5,900	\$835,593
Sands Cotai Central	\$4,000	4,280	\$934,579
Studio City Macau	\$3,281	2,998	\$1,094,296
MGM Cotai	\$3,400	2,988	\$1,137,885
Casino Grand Lisboa	\$4,622	3,685	\$1,254,383
Wynn Palace	\$4,525	3,272	\$1,383,079
Wynn Macau	\$4,342	3,092	\$1,404,301

Source: Company filings, publicly available data

* As of 31 Dec. 2019; assumes 7 positions per gaming table plus 1 position per slot machine

Return on invested capital

The following bar graph represents return on invested capital (“**ROIC**”) percentages for the relevant peer group of operators to understand how invested capital has generated profit. For the purposes of the comparison presented, ROIC is calculated as net operating profit after taxes divided by the sum of total financial debt and total shareholder equity. NagaCorp demonstrates a higher overall ROIC percentage among the group, achieving 24.2% in 2019. Excluding NagaCorp, the peer group averages a 11.8% ROIC.



Source: company filings, GMA

Revenue growth

The following graph illustrates the percentage change in revenue from 2017 to 2019 for NagaCorp and the competitive peer group. For the purposes of this analysis, revenue is defined as the sum of gross gaming revenue and non-gaming revenue. NagaCorp achieved the highest revenue increase at a CAGR of 35.5% from 2017 to 2019. This significant growth level can be attributed to significant gaming revenue gains driven by all segments, including VIP and mass market gamers, as well as broader economic conditions in Cambodia as the country continues to grow economically and stabilize politically. The average growth level for the remaining peer group was recorded at 7.9%.

2017-2019 Year-over-Year Revenue Change

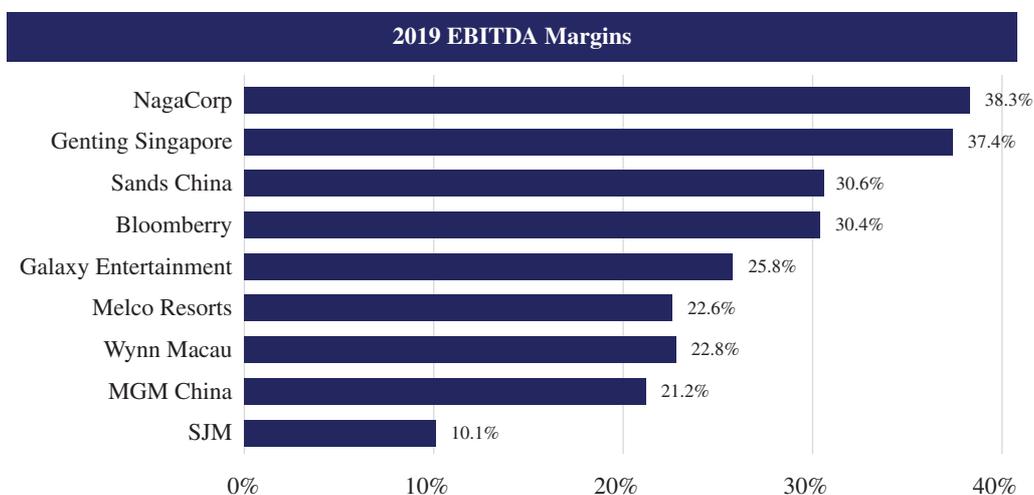


Source: company filings, GMA

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

EBITDA⁽¹⁾ margin

The following chart compares 2019 EBITDA margins for NagaCorp and other Asian listed gaming companies. NagaCorp has one of the highest EBITDA margins primarily due to its low operating cost environment.

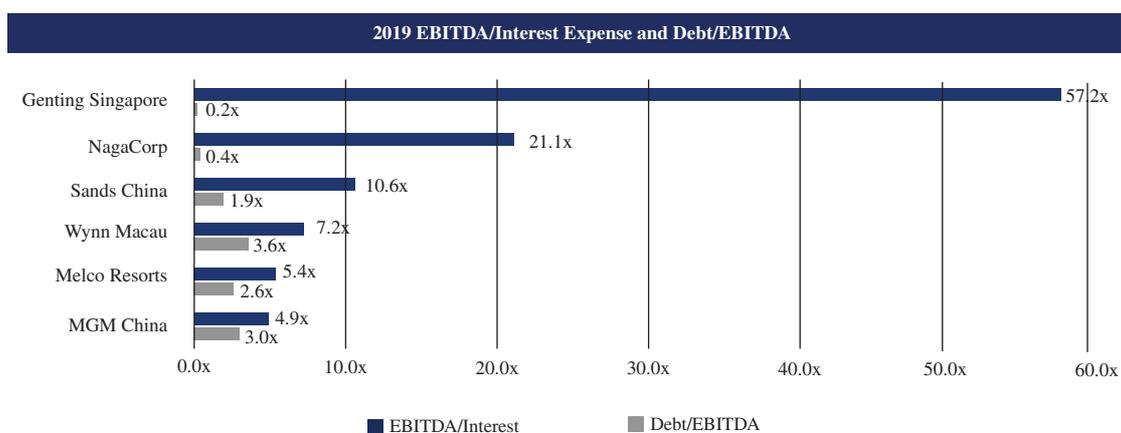


Source: company filings, GMA

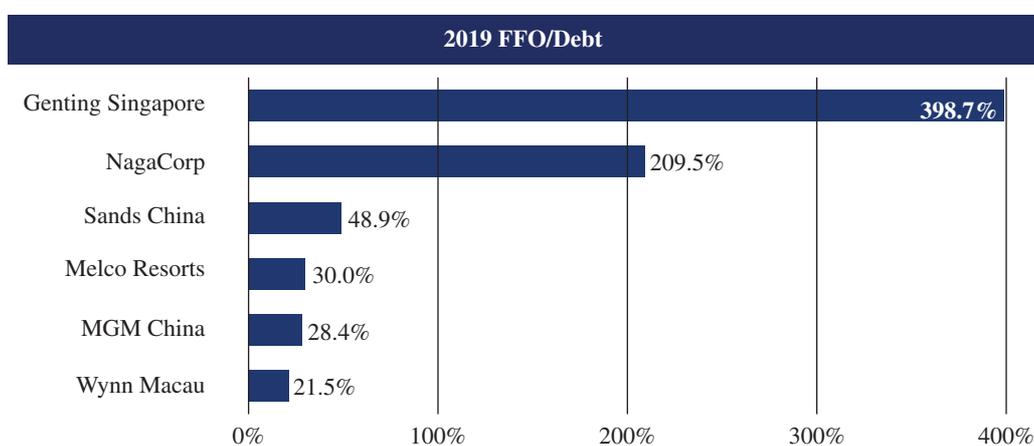
(1) EBITDA computations across the peer set may differ from company to company, and reconciliation may not be provided in the company filings and publications.

Credit metrics

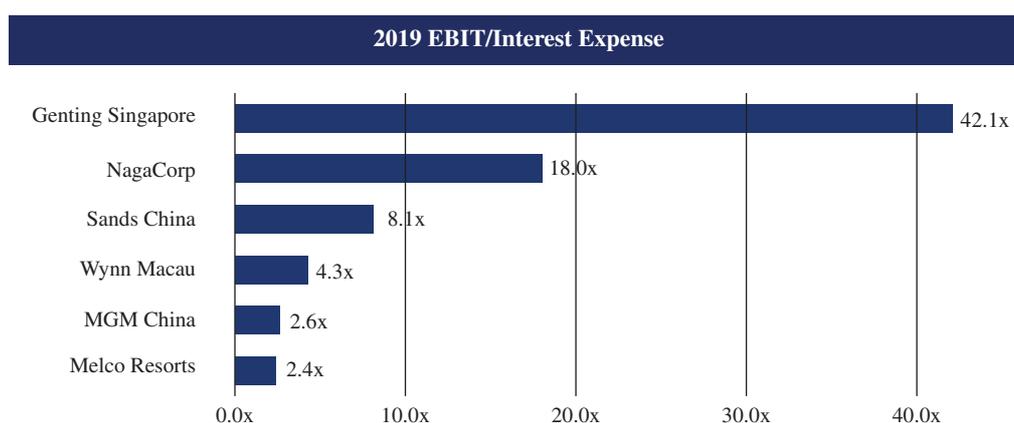
The following charts compare credit metrics of rated Asian listed gaming companies.



Source: company filings, GMA

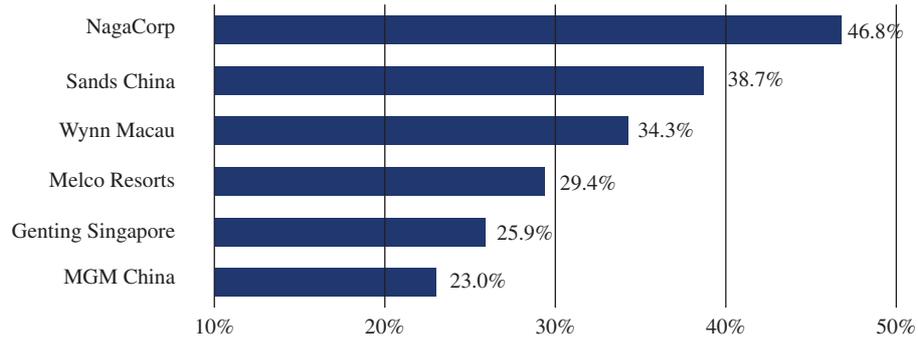


Source: company filings, GMA



Source: company filings, GMA

2019 EBITDA/PPE



Source: company filings, GMA

REGULATORY OVERVIEW OF THE CASINO BUSINESS IN CAMBODIA

General Overview

Cambodia has legal infrastructure, laws and regulations governing the regulation of casino operations and the prevention of money laundering. Cambodia joined the Asia/Pacific Group on Money Laundering (“APG”) as an observer in 1997 and has been a full member since 2004. Cambodia observes FATF recommendations, the benchmark for combating money laundering and terrorist financing, in accordance with its own political, economic and constitutional framework as permitted under the recommendations. A casino operator in Cambodia must first obtain an in-principle approval from the Government, following which a casino license will be issued by the MOEF.

Casino operations in Cambodia are subject to a variety of laws and regulations. The principal laws (or Krams) are the Kram on the Control of Gambling (promulgated in 1996) and the Kram on Drug Control (promulgated in 2012). The former provides that “gambling of all kinds, in all places throughout the whole kingdom of Cambodia shall be strictly prohibited except those permitted by the Royal Government.” By virtue of Ariston’s rights, as granted under the SDA and SSSA, NRCL, an indirect wholly owned subsidiary of the Company, is appropriately licensed and has the legal authority to operate its casino and gaming business in Cambodia. The Kram on Drug Control, among other things, establishes a framework for dealing with all activities relating to drug in Cambodia.

After FATF extended its recommendations to cover casinos in June 2003, the Ministry of Interior (“MOI”) and National Bank of Cambodia have issued various Prakas to combat money laundering in the financial and non-financial sectors in Cambodia. Prakas are ministerial edicts rather than laws. The Government has also enacted laws on anti-money laundering and combating financing of terrorism (“AML/CFT”) in 2007 as amended in 2013 and anti-corruption in 2010.

In terms of the regulatory bodies in Cambodia relevant to the Group’s casino operations, the MOEF and the MOI are jointly responsible for supervising the casino operations in Cambodia, although we understand that the frontline authority as regards to Anti-Money Laundering (“AML”) matters is the MOI, under whose authority the police agencies operate.

Regulations relating to Cambodian’s Gaming Industry

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

Our casino operations are subject to supervision by the competent Cambodian authorities, being the MOEF and the MOI. A joint execution team comprised of senior officials and officials from the MOEF and the MOI has been established to be in charge of search, review of legal instruments, and suppression of illegal gaming businesses in Cambodia. The joint execution team has authority, among others, to supervise, search and take any legal action against money laundering and financing of terrorism within the premises of casino operations. Nevertheless, the front-line authority in Cambodia dealing with AML matters is the MOI. The National Police Central Security Department is responsible for ensuring enforcement of the laws and monitoring that casino operations are not involved in any money laundering activities. The Central Security Department of Cambodia is also responsible for gathering intelligence concerning organized criminal groups as well as individuals engaged in crimes including the distribution of proceeds from their criminal activities. This national police organization also investigates allegations and matters pertaining to counterfeit currency. In 2016, the Department of Combating Commercial Gambling of the MOI was established and is mandated to act against any criminal acts that contradict the law relating to casinos including money laundering and gambling in all forms.

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

Draft Gaming Law

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

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

It also authorizes the government to establish the Gaming Business Management Regulator for purposes of supervising and regulating the integrated resorts and gaming businesses.

Our License

The principal terms of our Casino License are as follows:

Duration of License

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

Exclusivity

Ariston has a right of exclusivity to operate a casino within the Designated Area up to the end of 2045. During this period, the Government is prohibited from:

- authorizing, licensing or approving the conduct of casino gaming within the Designated Area other than under the Casino License;
- entering into any written agreement with any other party with respect to casino within the Designated Area; and
- issuing or granting any other casino license.

Casino Complex

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

Premiums/Casino Tax and License Fees

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

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

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

Anti-Money Laundering Laws and Regulations

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

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

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

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

The Government has announced in May 2020 that it has completed the drafting of two new laws on anti-money laundering and counter-terrorism financing and on combating the financing of weapons of mass destruction, which may amend or repeal provisions of the existing AML/CFT Law. On June 4, 2020, the National Assembly of Cambodia has adopted these two draft laws. These two draft laws have also been adopted by the Cambodian Senate on June 16, 2020 and they are now pending submission to Cambodian King Norodom Sihamoni for promulgation.

To date, the drafts of the new laws have not been published yet.

Cambodia Financial Intelligence Unit

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

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

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

Sanctions

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

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

BUSINESS

OVERVIEW

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

- a casino and hotel resort spread over a total floor area of approximately 113,307 square meters which opened in December 2006 (“**Naga 1**”),
- a casino and luxury hotel resort spread over a total floor area of approximately 108,764 square meters which opened in November 2017 which is adjacent to Naga 1 (“**Naga 2**”), and
- an underground walkway which links Naga 1 and Naga 2 (“**NagaCity Walk**”) which opened in August 2016. NagaCity Walk is Phnom Penh’s first underground shopping center and offers duty-free shopping operated by China Duty Free Group – one of the largest duty-free operators in China.

Our license to operate NagaWorld (the “**Casino License**”) is valid until 2065. Significantly, pursuant to the Casino License, we have an exclusive right to operate casinos in Cambodia within a 200 kilometer radius of Phnom Penh (except the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville) (the “**Designated Area**”) until the end of 2045. See “*Business – NagaWorld Development Agreements and Casino License – NagaWorld’s Casino License.*”

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

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

Cambodia is benefitting from increasing international arrivals in the long-term driven by improved flight connectivity which allows it to capture the growing tourism from China, although we are currently experiencing and expect short-term decrease in all visitors, including from China, due to the outbreak of COVID-19 and the travel restrictions imposed by relevant countries.

We have a strong network of gaming promoters who bring VIP players to NagaWorld from around Asia, particularly Southeast Asia, Greater China and East Asia through their networking, marketing and promotional efforts. In addition, we have entered into collaborations with the MOT and Bassaka Air Limited, a Cambodian registered commercial airline to bring travellers to visit Cambodia generally. Our own private jets also enable us to provide flights to certain of our VIP players to Phnom Penh.

We are developing Naga 3, a multi-entertainment, comprehensive and integrated resort complex set within three modern purpose-built towers, which is expected to comprise one 75-story tower and two 61-story towers linked by an “Upper Podium” that has a recreational area overlooking the Mekong River and the city below. Three towers rest atop a mixed-use, resort “Lower Podium”, all connected by a system of horizontal and vertical “streets” (elevated amenity bridges and gaming facilities) that are accessible via a network of Naga Capsule exterior elevators. Naga 3 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 to impart a more satisfying, penetrating and complete visitation experience. In addition, the Government has also provided approval-in-principle for the construction of a garden in front of the Naga 3 property, which will allow the us to build a 3-story underground car park together with a garden through which Naga 3 will be connected to NagaCity Walk, Naga 1 and Naga 2. Naga 3 is expected to be completed in or around 2025. As of December 31, 2019, we had invested a total of approximately US\$88.9 million in Naga 3 and we expect to invest a further US\$50 million for construction in 2020 subject to the payment terms with our third party contractor, although we have the option to defer this investment if we believe it is prudent to do so to preserve liquidity. See “*Business – Naga 3.*”

We are also developing an integrated casino and hotel resort in Vladivostok, Russia (“**Naga Vladivostok**”). Naga Vladivostok is expected to open in 2022. As of December 31, 2019, we had invested a total of approximately US\$228.4 million in Naga Vladivostok and we expect to invest approximately a further US\$100 million for construction in 2021 and 2022 subject to the payment terms with our third party contractor. As a result of the lockdown measures currently imposed in Russia to combat COVID-19, we do not expect to incur significant capital expenditure in 2020 for Naga Vladivostok. See “*Business – Naga Vladivostok.*”

Our long-term vision is to be an international gaming and tourism-related group, which we intend to achieve by adopting a conservative gaming policy and adhering to an optimum gearing ratio by utilizing our existing resources, experience and financial success attained in over 20 years of operations in Cambodia.

Our total revenue for 2019 was US\$1,755.5 million, which represented a 19.1% increase from our revenue of US\$1,474.3 million for 2018, which, in turn, was a 54.2% increase from NagaWorld’s revenue of US\$956.3 million for 2017. We divide casino revenue into VIP gaming and mass market gaming (the latter of which includes electronic gaming machines). In 2017, 2018 and 2019, the gross profit for the VIP market segment was US\$153.9 million, US\$286.3 million and US\$346.5 million, respectively, and the gross profit margin was 24.6%, 26.8% and 27.9%, respectively. In 2017, 2018 and 2019, the gross profit for the mass market segment was US\$294.3 million, US\$355.1 million and US\$470.1 million, respectively, and the gross profit margin was 97.9%, 97.3% and 98.7%, respectively.

Recent Developments

Labor Dispute

Between September 2019 and January 2020, a small number of our employees who are members of the Labor Rights Supported Union of Khmer Employees of NagaWorld (the “**NagaWorld Union**”) participated in strike actions. The Group obtained court injunctions on September 27, 2019, November 08, 2019 and on January 8, 2020 that variously ruled that the strikes constituted illegal strikes and ordering the striking employees to return to work. Pursuant to the court orders, all the employees who participated in the strike returned to work on January 12, 2020 without any wage increase. The NagaWorld Union filed an objection against the injunction dated January 8, 2020. However, the Group obtained a court decision to uphold the injunction on May 12, 2020. The NagaWorld Union may appeal this decision, but has not done so as of the date of this Offering Memorandum.

COVID-19 Pandemic and Temporary Closure of Our Casinos

COVID-19, an infectious disease caused by the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) was first identified in December 2019 and subsequently began spreading globally. On March 11, 2020, the World Health Organization (“WHO”) declared COVID-19 outbreak a pandemic. As of the date of this Offering Memorandum, COVID-19 is still spreading globally and has infected over 8.5 million people and resulted in over 450,000 deaths worldwide. Many countries across the world have imposed travel restrictions and lockdown measures in an effort to curb the spread of the highly infectious COVID-19. In response to the spread of the COVID-19 outbreak, the Cambodian Ministry of Economy and Finance (“MOEF”) ordered all casinos in Cambodia to temporarily stop their business activities starting from 24:00 on April 1, 2020 until further notice. The Government will waive the monthly tax obligation payments of all casinos in Cambodia from April 1, 2020 until the casinos are permitted to resume business operations.

Since January 2020, we have implemented a series of precautionary measures, including health and sanitation programs adhering to the guidelines of the Ministry of Health of Cambodia and the WHO. In our casinos, all employees and visitors are required to wear surgical face masks. All employees and visitors are also required to have their body temperatures checked before entering the property, and we have installed infrared body temperature sensors machines at the entrances of the casinos similar to the ones installed at international airports. Sanitizers are available at every corner of the casinos, and also made them available at every gaming table for dealers and guests. Scheduled disinfection is carried out in all public areas within the property. Social distancing is also practised in our casinos to ensure reasonable distancing for employees and visitors. Tables in restaurants are placed at reasonable distances apart from each other, and such arrangements includes staff dining areas. Buffets have been replaced with ala-carte orders.

In compliance with an order from the MOEF, our casino operations have been temporarily suspended since 24:00 on April 1, 2020 and they remain suspended until further notice from the MOEF. In addition, in March 2020 the Cambodian government announced an entry ban on foreign travellers from certain countries and the suspension of the issuance of tourist visas. Certain of these restrictions were eased in May 2020 but the Cambodian government continues to require international visitors to possess a medical certificate and medical insurance, and undergo mandatory COVID-19 tests and a 14-day quarantine or self-isolation upon arrival in Cambodia. To minimize operational costs until such time when the temporary suspension of casino operations is lifted, we are currently operating our Naga 1 Hotel with reduced occupancy rates, and limited food and beverage facilities. Our Naga 2 Hotel is currently closed. Duty free operations at NagaCity Walk remain in operation.

While our casino operations remain suspended, we are not generating any revenues from our casino operations, and our revenues from the Naga 1 Hotel, our food and beverage operations and rent from China Duty Free Group are minimal. Prior to the temporary suspension of our casino operations, our average monthly expenditures, based on the three months ended March 31, 2020, were US\$18.4 million. These expenditures included run-rate operating costs of US\$13.9 million, maintenance and capital expenditures of US\$1.3 million and interest expense of US\$3.2 million. In addition, the Company incurred monthly gaming obligation and non-gaming obligation payment of US\$0.9 million. We have undertaken, and expect to continue undertaking a series of actions to minimize our cash expenditures, including (i) scaling back of hotel and food and beverages operations, (ii) reducing payroll expenses by limiting staff on site and reducing employee pay since April 2020 and (iii) the closure of facilities to reduce utilities expenditure. After giving effect to these initiatives, we expect that our monthly run-rate operating costs will be US\$3.9 million. Pursuant to the terms of our design and build agreement with CCAG Asia Co., Ltd, we have the option to delay certain aspects of the Naga 3 project, which we may choose to do if we believe that it would be prudent to defer some capital expenditure. We also have the flexibility to resize the Naga 3 project to preserve liquidity if required. In light of COVID-19’s impacts, the Government has granted gaming and non-gaming tax exemptions and allowed deferral of certain expenses (such as postponement of staff seniority payments applicable to employees under unfixed duration contracts for 2020 to 2021) during the temporary closure period. We expect to continue to incur cash expenditures in excess of revenue until we are able to recommence our casino operations and demand levels rise to a sufficient extent.

As of March 31, 2020 and May 31, 2020, we had cash and deposits of US\$464.9 million and US\$527.1 million, respectively. The Company approved the 2019 final dividend at the annual general meeting held in April 2020, and US\$221 million was paid to shareholders in June 2020. Although we have no other existing facilities to provide further liquidity, we believe that, after giving effect to the application of proceeds of this offering as described under “Use of Proceeds,” our liquidity could support approximately 18 months of operating expenditure and interest expenses, with minimal revenue. Our actual level of cash operating expenses in coming periods could be impacted by unanticipated developments of events beyond our control.

On April 7, 2020, Moody’s affirmed the “B1” corporate family rating of the Company with a negative outlook. On May 4, 2020, S&P affirmed the “B+” issuer credit rating of the Company with stable outlook. There can be no assurance that we will not experience downgrades as the COVID-19 pandemic continues and thereafter as the global economy and gaming and tourist demand begin to recover.

The COVID-19 outbreak poses risks to our business operation and financial condition. Given the uncertainties as to the development of the COVID-19 outbreak at the moment, and there are no comparable recent events that provide guidance as to the effect the spread of COVID-19 as a global pandemic may have, it is difficult to predict how long these conditions will persist and to what extent to which we may be affected. See “Risk Factors – Risks relating to our Business – An outbreak of contagious disease may have an adverse effect on the global economies and may adversely affect us” and “Risk Factors – Risks relating to our Business – All of our casino operations are currently suspended, and we are unable to predict when all, or any of, such operations will re-open to the public, or the period of time required for the ramp-up of operations upon reopening.”

Operational Highlights for the three months ended March 31, 2020

Set forth below are certain unaudited operational highlights of the Group’s gaming branch for the three months ended March 31, 2020:

	Three months ended March 31,		Change	
	2019	2020	Amount	%
	(US\$ millions)		(US\$ millions)	
Gross Gaming Revenue.....	321.2	369.1	47.9	15%
Net Gaming Revenue	160.7	167.6	6.9	4%
Mass Market Table Buy-ins ⁽¹⁾	344.4	342.4	(2.0)	(1%)
Mass Market Table Gross Gaming Revenue..	68.7	68.1	(0.6)	(1%)
Mass Market Table Net Gaming Revenue	68.4	67.7	(0.7)	(1%)
EGM Bill-ins ⁽²⁾	665.8	502.7	163.1	(24%)
VIP Rollings ⁽³⁾	8,187.0	9,693.2	1,506.2	18%
VIP Market Gross Gaming Revenue	216.5	270.2	53.7	25%
VIP Market Net Gaming Revenue.....	56.4	69.2	12.8	23%

Notes:

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

During the three months ended March 31, 2020, gross gaming revenue for the Group’s gaming branch increased by 15% as compared to the three months ended March 31, 2019 due to a 25% increase in VIP market gross gaming revenue, offset by a 1% decrease in mass market table gross gaming revenue and a 13% decrease in mass market electronic gaming machines (“EGM”) gross revenue.

Our revenues in the three months ended March 31, 2020 were mainly driven by our VIP market segment and were generated mainly from players originating in North Asia and Southeast Asia. The increase in revenue is partly as a result of junket operators who have fixed-based operations in Naga 2 and who brought in VIP players while casinos were closed in Macau, the Philippines and Malaysia.

Our mass market table gross gaming revenues in the three months ended March 31, 2020 remained relatively steady and flat despite the outbreak of COVID-19, due to the wealth and sizable number of expatriates in Phnom Penh, where we enjoy monopolistic privileges in the casino business as a result of the exclusivity privileges afforded to us until the end of 2045 under the terms of the Casino License.

The 13% decrease in mass market EGM gross revenue was as a result of the EGM segment registering a lower credit in of 24% in the same period, primarily due to the effect of COVID-19, which resulted in lower hotel occupancies due to lower international leisure tourist arrivals and conducted tours.

In connection with our process for reporting our half-year results, we will undertake an impairment analysis of our assets to determine if any impairment charges are appropriate in light of the operational issues presented by COVID-19. We cannot determine at this time whether any such charges will be necessary.

Potential Subscription of Notes by our Controlling Shareholder

In connection with the offering of the Notes, Tan Sri Dr. Chen Lip Keong, who is the founder, an executive director, the Chief Executive Officer and the controlling shareholder of the Company, is purchasing US\$45 million in principal amount of the Notes (via his wholly-owned company ChenLipKeong Capital Limited), at the same price and on the same terms as other investors who purchase Notes.

Summary of NagaWorld's Facilities

Naga 1

Naga 1 opened in 2006 and encompasses a total gross floor area of 113,307 square meters, comprising:

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

We commenced our upgrade to Naga 1 in 2018, which consisted of the refurbishment of 500 out of 750 hotel rooms, and completed the refurbishment in 2020.

Naga 1's facilities as of December 31, 2019 include:

- various casino halls offering 24-hour gaming and a full range of games, including approximately 324 gaming tables (222 VIP; tables and 102 public floor tables) and 1,403 electronic gaming machines;
- 755 hotel rooms and suites;
- 10 VIP gaming suites;
- 18 restaurants, clubs and bars characterized by high-quality food, service and decor;
- MICE facilities including a 60-seat auditorium and 1,594 square meters of ballrooms, meeting rooms and auditorium space able to accommodate over 1,000 persons; and
- a spa (with 22 spa rooms), a gym room and a swimming pool.

Naga 2

Naga 2 opened in November 2017 and encompasses a total gross floor area of 108,764 square meters. Naga 2's facilities as of December 31, 2019 include:

- various casino halls offering 24-hour gaming and a full range of games, including approximately 179 gaming tables (112 VIP tables and 67 public floor tables) and 560 electronic gaming machines;
- 903 hotel rooms and suites decorated with high-end interior design elements;
- In a dedicated VIP tower, 38 luxury VIP gaming suites with superior amenities and furnishings designed to accommodate VIP players;
- Six restaurants, clubs and bars characterized by high-quality food, service and decor;
- MICE and entertainment facilities, including a theater with a seating capacity of approximately 2,000; and
- an all-suite luxury spa (with 65 spa rooms).

NagaCity Walk

NagaCity Walk links Naga 1 and Naga 2 and consists of a retail underground linkway, which has been leased to the China Duty Free Group. NagaCity Walk, Phnom Penh's first underground shopping center, stretches across the entire length of the underground linkway over a retail and public floor area of 7,487 square meters with a total of 46 retail stores. The tenancy arrangement with China Duty Free Group who operates NagaCity Walk expires on August 30, 2026.

STRENGTHS AND STRATEGIES

Strengths

We believe that our success of more than 24 years and our potential for expansion are primarily attributable to a combination of the following key strengths:

Our leading integrated resort complex in Cambodia with centralized location

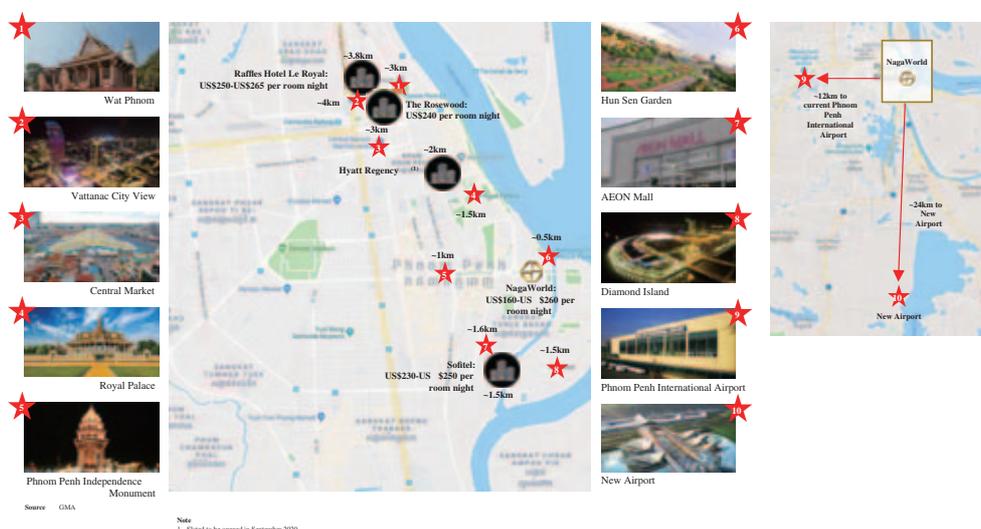
We own, manage and operate the NagaWorld complex (comprising Naga 1, Naga 2 and NagaCity Walk), the largest integrated resort in the Kingdom of Cambodia and the Mekong region in Southeast Asia, which is a one-stop leisure destination for visitors and tourists. We are the only integrated resort of significant scale in the Mekong region benefitting from a casino license that runs until 2065, as well as a long-term right of exclusivity within a 200 kilometer radius around in Phnom Penh (excluding the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville) that expires at the end of 2045. In addition, the casino license also includes certain key features, such as no restrictions on the number of gaming tables, EGM and gaming space, no restrictions on gaming promoters' commission and rebates, etc. As of December 31, 2019, Naga 1 and Naga 2 had 334 VIP gaming tables, 169 mass market tables and 1,963 EGM in aggregate.

NagaWorld also offers a diverse range of up-market gaming and complementary entertainment facilities and equally attractive non-gaming offerings including food and beverage, retail, MICE, spa and entertainment attractions. This includes 4,061 square meters of retail space for 46 retail stores in NagaCity Walk (the first underground shopping center in Phnom Penh), a 2,000 seat theater and grand ballroom with a capacity for up to 1,600 guests.

Our gaming and entertainment facilities are supported by a strong hospitality offering, with 1,658 hotel rooms as of December 31, 2019. These facilities were significantly augmented by the opening of Naga 2 in November 2017. The design of Naga 2 was led by Paul Steelman, a renowned casino architect who has previously been involved in leading gaming projects in Asia, including Sands Macau and Galaxy Macau in Macau and Solaire Resort and Casino in the Philippines.

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

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



The Group announced the proposed development and construction of a new multi-entertainment, comprehensive and integrated resort complex (“Naga 3”) in April 2019. We believe Naga 3 will pave the way for more success for the Group, greatly enhancing its competitiveness and its footing as an Asian gaming powerhouse. Upon the expected completion of Naga 3 by 2025, it is expected that Naga 3 will increase the capacity of the Group by at least two times. It is currently expected that the combined NagaWorld complex of Naga 1, Naga 2 and Naga 3 will have about 5,000 hotel rooms, 1,300 gaming tables and 4,500 EGM and many other non-gaming attractions, and is expected to be one of the largest integrated entertainment complexes in the world. It is also expected that Naga 3 will complement the existing facilities of Naga 1 and Naga 2, with a quality standard set to rival that of other integrated resorts in the region.

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

Cambodia is benefitting from increasing international arrivals driven by improved flight connectivity which allows it to capture the growing tourism from Greater China. According to the MOT, in the 2019, international arrivals increased by 6.6% to 6.6 million visitors compared to 2018, with China continuing to be the leading source of visitation to Cambodia, growing by 16.7% to 2.4 million visitors in 2019. We believe visitors from China will continue to contribute significantly to our business in the long-term, although according to the MOT, international arrivals decreased by 38.5% to 1.15 million visitors in the first three months of 2020 as a result of travel restrictions imposed by governments around the globe in response to the COVID-19 pandemic. There is no reassurance that international arrivals to Cambodia will not further decrease. See “*Risk Factors – Risk Relating to Our Business – An outbreak of contagious disease may have an adverse effect on the global economies and may adversely affect us.*”.

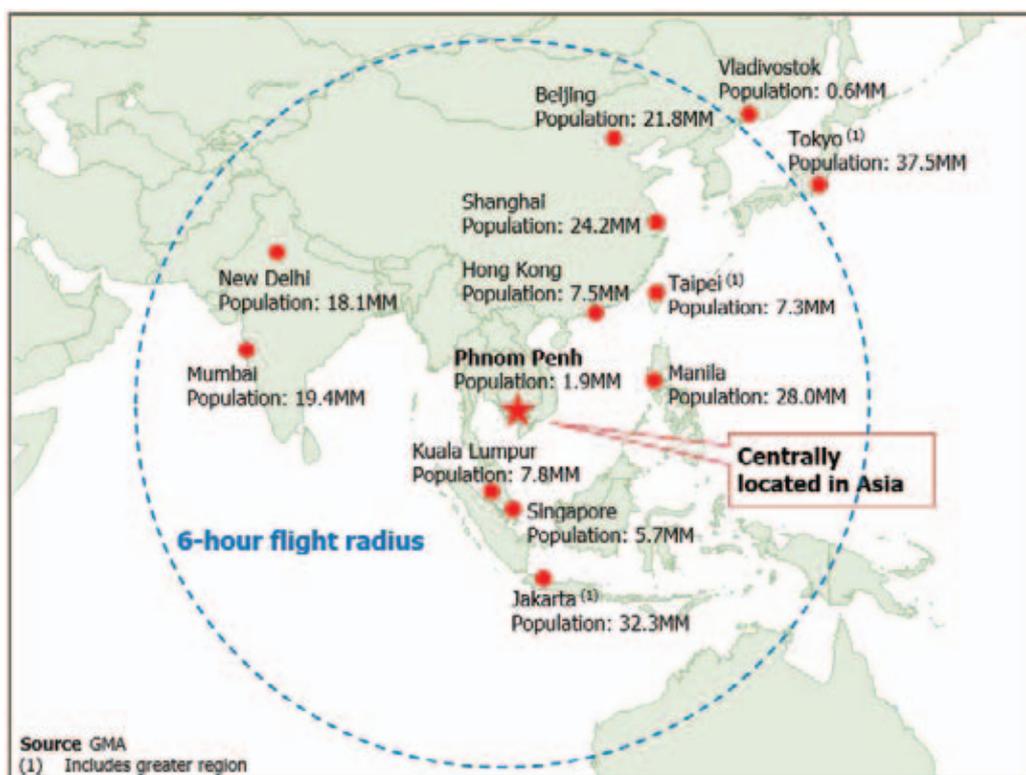
We have bolstered our ability to handle the increasing influx of Chinese tourists by:

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

Our prospects depend to a large extent on foreign direct investment into Cambodia, especially from China. According to the Council for the Development of Cambodia, Cambodia attracted investment capital of US\$3.76 billion from China, or 40% of the total investment capital in the country last year. The foreign investments in tourism and infrastructure have ultimately helped Cambodia attract tourists and businesses. In addition, we believe that China’s Belt and Road Initiative will further strengthen Cambodia’s ability to attract tourists and businesses from China.

In 2017, 2018 and 2019, we benefited from the generally strong economic environment in the Asian markets in which our gaming patrons were based.

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



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

Our Casino License has a tenure lasting until 2065. We also have the exclusive rights to operate the only casino with the Designated Area until the end of 2045, with exclusivity within 200 kilometer radius of Phnom Penh (excluding the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville), creating a significant competitive strength.

Our Casino License features the following terms:

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

We are viewed as a key partner for tourism growth and socio-economic development with proven public-private cooperation with the Government. In 2018, our expenditures (including non-gaming cost of sales, administrative expenses, operating expenses, tax and capital expenditures, deducted by amortization of casino license premium and depreciation) were equal to approximately 1.2% of Cambodia’s GDP and were equal to approximately 27% of Cambodia’s service (hotels and restaurants) sector according to GMA. This contribution allows us to play a significant role in developing tourism infrastructure in Cambodia.

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

A low operating cost and gaming tax environment

We benefit from a low operating cost environment as labor costs account for a high percentage of operating cost for any casino and we, as one of the largest employers in Cambodia, have access to a large supply of labor at competitive rates. According to GMA, Macau experiences much higher table expenses than Cambodia due to much higher labor costs and cost of living.

In addition, we also benefit from a low gaming tax environment. We have a competitive tax structure with fixed monthly tax obligations and periodic additional tax obligations, which has resulted in an effective tax rate of 0.8%, 0.6% and 1.7% of revenue in 2017, 2018 and 2019, respectively. According to published reports, the Government has indicated that once the Draft Gaming Law is enacted, the expected tax rate would be less than 10% of gaming revenue although there can no assurance of the actual levels of taxation until the law is finally adopted. GMA expects that a tax rate of less than 10% of gaming revenue will translate to one of the lowest level of gross gaming revenue tax in the Asia Pacific. Furthermore, we are also exempt from corporate income tax.

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

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

We maintain a balanced and actively managed exposure to the VIP gaming and mass market gaming segments (comprising table games and electronic gaming machines). In 2019, the VIP gaming and mass market gaming segments contributed 41% and 56% of our gross profit, respectively.

In addition, we also have a diversified customer base. In 2019, our VIP players represented a diversified mix of Malaysian (24%), Chinese (46%) and remaining Southeast Asian (23%) nationalities according to our internal data based on VIP arrivals. For the mass market, in 2019, our NagaWorld Rewards active members comprised a similar mix of Chinese (32%), Malaysian (13%) and remaining Southeast Asian (33%) players.

Our mass market segment revenue is relatively stable in nature with revenue growth largely based on footfall and had revenue growth at a CAGR of 25.9% from 2017 to 2019, which provides a consistent base for our revenue and profits growth. This segment enjoys a high profit margin due to its lower cost structure than the VIP segment. Mass market gaming growth is mainly driven by:

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

Our VIP segment revenue has fluctuated in recent years, growing rapidly from 2017 to 2018, largely driven by:

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

Prudent risk management

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

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

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

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

We also adopt a conservative approach in developing projects and capital allocation. For example, we have transferred a significant amount of development risk for Naga 3 and Naga Vladivostok to our construction partner by entering into a fixed cost arrangement. This approach has allowed us to record one of the highest returns on invested capital among integrated resorts in Asia at 24.2% as compared to our peers with an average return on invested capital of 11.8% in 2019 according to GMA.

Experienced and dedicated management team with strong corporate governance experience

Our management team has extensive experience in the gaming and hospitality industries, and has a special expertise in developing frontier/emerging markets projects with local sensitivities and proven execution ability as evidenced by our strong results of operations between 2017 and 2019, following the successful opening of Naga 2 in 2017.

From 2017 through 2019, our revenue and EBITDA have grown at CAGRs of 35.5% and 44.9% to US\$1,755.5 million and US\$671.7 million, respectively, in 2019. In an industry with significant fluctuations in results of operations, our EBITDA and gross profit margins have ranged between 33.4% and 38.3% and between 45.7% and 49.5% during 2017 through 2019.

Our CEO and founder, Tan Sri Dr. Chen Lip Keong, has been directly involved in the running of the business for the past 25 years since we began our operations in 1995. His many years of entrepreneurial, business and managerial experiences have been instrumental to the Company's success.

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

Strategies

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

Continue to focus on growing the attractive mass market segment

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

We have positioned NagaWorld as an integrated resort complex which offers a one-stop entertainment destination in Cambodia. With daily performance shows in our new 2,000-seat theater in Naga 2, and by hosting conventions, we are positioned to attract the growing number of visitors to Cambodia and Phnom Penh. We believe this diverse offering combined with the destination appeal of Cambodia will result in longer average stays.

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

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

- continue working closely with Bassaka Air Limited to operate charter flights in-and-out of Phnom Penh and other destinations in Cambodia; and
- to continue working with China Duty Free Group (the anchor tenant of NagaCity Walk) to incentivize tourists to visit NagaWorld during their holiday in Cambodia and Phnom Penh.

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

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

We are focused on deepening our services to VIP players and gaming promoters. Opening in November 2017, Naga 2 has a tower dedicated to VIP gaming. We have also opened new fixed base VIP rooms at Naga 2 with various gaming promoters, including with SunCity (one of the largest gaming promoters in Asia according to GMA).

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

We plan to begin spending on marketing efforts to further develop the Company's strong brand equity, and to build on the improving image of Cambodia as a growing economy and tourist destination. Our geographical focus for VIP players will aim at attracting more VIP customers from Asia's largest gaming markets.

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

Build a world-class hospitality brand under “NagaHotels”

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

In 2019, we commenced the development of Naga 3, a multi-entertainment, comprehensive and integrated resort complex, which is expected to be completed in or around 2025. In addition, we finished the refurbishment of Naga 1 in 2020. Combined with Naga 2, this will allow us to position NagaHotel as a recognizable brand, and a world-class hotel when tourists come to visit Phnom Penh, by allowing us to stand out among our peers in the hospitality industry in terms of premium positioning.

Our brand position will be supported by the expected increase in demand for accommodation due to rising visitor arrivals, as Cambodia develops into an increasingly attractive holiday destination. Our investment in Naga 3 and the refurbished Naga 1 in turn will drive an increase in both capacity and occupancy of NagaWorld. We expect the increase in hotel guests to translate to an increase in number of both gaming and non-gaming customers.

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

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

Applying our extensive experience and expertise in frontier/emerging markets projects in other similar geographies can provide an area for potential growth and we plan to build on our strengths and focus on attractive regions.

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

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

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

Maintain a strong balance sheet and a prudent capital structure

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

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

THE NAGAWORLD CASINOS

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

Public halls





As of December 31, 2019, NagaWorld had 169 public floor tables and 1,963 electronic gaming machines.

VIP halls and VIP gaming suites





NagaWorld has 334 VIP tables and 48 VIP gaming suites as of December 31, 2019. NagaWorld’s VIP rooms usually have higher minimum bets per hand and higher maximum pay-outs per game compared to mass market gaming tables.

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

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

Gaming products

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

Table Games

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

Electronic gaming machines

We offer a wide selection of electronic gaming machines that complement the table games at NagaWorld. As of December 31, 2019, there were 1,963 electronic gaming machines in the public halls at NagaWorld.

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

In previous years, we have assigned licensing rights to certain investors to operate a number of electronic gaming machines in one-off transactions. We generated revenue of US\$60.0 million from one-off sales of these licensing rights during 2017. No such fees were generated in 2018 or 2019. We currently expect to enter into further one-off sales as we increase the number of electronic gaming machines in NagaWorld.

Gaming Statistics

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

	Year ended December 31,					
	2017		2018		2019	
	Total buy-ins/ rollings/ bill-ins	Win rate	Total buy-ins/ rollings/ bill-ins	Win rate	Total buy-ins/ rollings/ bill-ins	Win rate
	US\$ millions	%	US\$ millions	%	US\$ millions	%
Mass market gaming tables (buy-ins).....	787.8	19.0%	1,238.2	19.0%	1,644.6	19.4%
Electronic gaming machines (bill-ins).....	1,812.5	7.9%	2,214.6	8.8%	2,760.0	8.8%
VIP market gaming tables (rollings).....	21,124.9	3.0%	36,658.5	3.0%	46,611.6	2.7%

NAGAWORLD DEVELOPMENT AGREEMENTS AND CASINO LICENSE

NagaWorld Development Agreements

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

- the Sihanoukville Development Agreement between Ariston Sdn. Bhd. (“**Ariston**”) and the Government dated January 2, 1995 (the “**SDA**”);
- the Supplemental Sihanoukville Development Agreement between Ariston and the Government dated February 2, 2000 (the “**SSDA**”);
- the Addendum Agreement between Ariston and the Government dated August 12, 2005 (the “**Addendum Agreement**”); and
- the Second Addendum Agreement between Ariston and the Government dated November 19, 2019 (together with the SDA, SSDA and Addendum Agreement, the “**NagaWorld Development Agreements**”).

Our material rights under the NagaWorld Development Agreements

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

- the rights to operate casinos in NagaWorld or any other complex that may be built by Ariston within the Designated Area;
- a casino license for a period of 70 years starting from January 2, 1995, expiring in 2065 (the “**Casino License**”);
- a right of exclusivity to operate the Casino License within the Designated Area until the end of 2045; and
- a right to assign, reassign or otherwise dispose of or deal with its rights under the NagaWorld Development Agreements to any third party without the prior consent of the Government.

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

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

Our material obligations under the NagaWorld Development Agreements

The NagaWorld Development Agreements require Ariston to:

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

We paid an amount of US\$3.0 million in connection with the Casino License on the signing of the SDA, and US\$105.0 million in connection with the signing of the Addendum Agreement. In connection with the signing of the Second Addendum Agreement, we paid US\$10.0 million to the Government upon the signing of the Second Addendum Agreement, and an annual fee of US\$3.0 million will be payable on annual basis for a period of 10 years beginning from 1 January 2036 till the end of December 2045.

Termination

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

If the Government opts to terminate (a) the Casino License prior to its expiry in 2065 or (b) the exclusivity granted to us prior to its expiration at the end of 2045 under the Casino License, the NagaWorld Development Agreements require the Government to pay the amount of monies that Ariston has invested in businesses in Cambodia as agreed initial investment cost and mutually agreed damages to us.

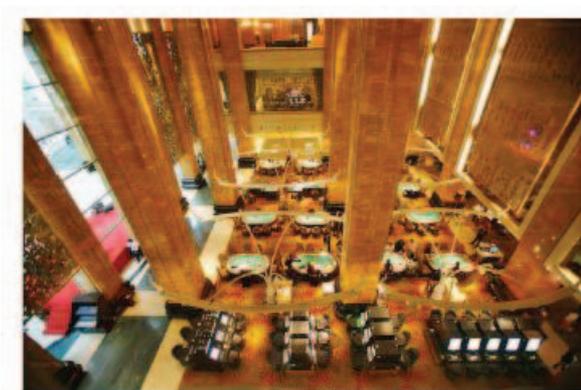
NagaWorld's Casino License

The principal terms of the Casino License are as follows:

- an irrevocable license in favor of Ariston for a period of 70 years beginning from January 2, 1995 and expiring in 2065,
- the exclusive right to operate the Casino License within the Designated Area until the end of 2045. Specifically, the Government is prohibited from:
 - o authorizing, licensing or approving the conduct of casino gaming within the Designated Area;
 - o entering into any written agreement with any party with respect to casino gaming within the Designated Area; and
 - o issuing or granting any other casino license to any third party with respect to casinos within the Designated Area; and
- the right to operate casinos at any premises or complexes by Ariston within the Designated Area and the right to operate such games and electronic gaming machines at such casinos without the approval of the Government.

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

OPERATIONS SUPPORTING THE GAMING BUSINESS



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

Gaming hall operations

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

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

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

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

Gaming Patrons

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

Mass market players

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

VIP players

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

VIP players typically place large individual wagers. In 2019, 70.8% of our revenue was earned from VIP players. We had 33,941 VIP arrivals in 2017, 40,994 VIP arrivals in 2018 and 41,371 VIP arrivals in 2019, with VIP players from Malaysia and Greater China representing 64.2%, 74% and 70% of the total number of VIP players in 2017, 2018 and 2019, respectively. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations.*" See also "*Risk factors – Risks relating to our business – Our revenues may be volatile as a result of the high proportion of VIP players at NagaWorld, which is likely to further increase in the future.*"

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

	Year ended December 31,					
	2017		2018		2019	
	VIP players	%	VIP players	%	VIP players	%
Malaysia	12,732	37.5%	12,918	32%	9,769	24%
Southeast Asia (ex-Malaysia).....	9,990	29.4%	8,719	21%	9,738	23%
Greater China	9,058	26.7%	17,384	42%	19,094	46%
Others.....	2,161	6.4%	1,973	5%	2,770	7%
Total	33,941	100%	40,994	100%	41,371	100%

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

Gaming promoters

Gaming promoters have historically played a significant role in our business. The competitive overseas gaming promoters revenue-based incentive program introduced in March 2013 continues to enable the Group to balance the increase in table betting limits while managing volatility and credit risk since the gaming promoters bear a portion of the risk of loss from the VIP players. For 2017, 2018 and 2019, 65.4%, 72.5% and 70.8% of our revenue was derived from VIP players with 59.9%, 68.0% and 65.4% of our revenue being derived from VIP players brought by gaming promoters. In the last year, we have been particularly successful in attracting several premier Macau gaming promoters who are expected to generate significant business going forward.

We continue to emphasize the growth of the VIP gaming segment. Naga 2 also has a tower specifically devoted to the VIP market and consisting of private gaming halls. We allocate a certain number of VIP tables to each gaming promoter based on the performance and credit worthiness of the gaming promoters and our views on the likelihood they will attract VIP players. Gaming promoters are able to effectively promote our casinos due to their knowledge of the gaming market and our operations as well as their experience in the logistics of sourcing and attracting VIP players. Due to our other hospitality and entertainment offerings, we are able to offer a “one-stop shop” service to our gaming promoters and their players which improves the overall gaming experience and promoters’ loyalty to NagaWorld.

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

	Year ended December 31,								
	2017			2018			2019		
	Total revenue	Cost of sales	Gross profit	Total revenue	Cost of sales	Gross profit	Total revenue	Cost of sales	Gross profit
	%	%	%	%	%	%	%	%	%
Largest gaming promoter...	48.8	76.5	20.5	45.3	66.6	20.0	47.0	72.5	19.6
Top five gaming promoters in aggregate ..	58.6	89.9	26.5	64.2	90.0	33.5	62.2	91.5	30.7

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

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

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

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

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

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

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

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

CREDIT AND PAYMENT MANAGEMENT

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

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

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

Extension of credit to VIP players

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

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

See also “*Risk Factors – Risks relating to our business – We are exposed to credit risk on delayed payment terms and credit extended to our gaming promoters*” and “*Risk Factors – Risks relating to our business – The financial resources of our gaming promoters may be insufficient to allow them to continue doing business at NagaWorld.*”

NAGAWORLD’S NON-GAMING FACILITIES

Naga 1 Hotel



The 14-story Naga 1 Hotel houses 755 hotel rooms comprising 702 standard guestrooms and 53 premium suites as of December 31, 2019. The hotel rooms are designed to be comparable to other international hotels in Phnom Penh in terms of quality, standard and size. Each hotel room is equipped with air-conditioning, an electronic safe, a television, a mini-bar and wireless internet.

In 2018, we commenced an upgrade to Naga 1, which consisted of the refurbishment of 500 out of 750 hotel rooms, and completed the refurbishment in 2020.

The following table sets forth the average room rate and average occupancy rate for Naga 1 and Naga 2 for the periods indicated.

	As of December 31,		
	2017	2018	2019
Average room rate (US\$ per room per night).....	66	48.33	52.62
Average occupancy rate ⁽¹⁾ (%)	76	71	73.5

Note:

(1) Calculated as the total number of room nights sold or provided for free as a percentage of the total number of room nights available for sale during the relevant period, which may not directly reflect the total rooms in inventory due to renovations and other considerations.

Naga 1's spa features a total of 22 suites, which comprise 12 single rooms, nine double rooms and one special room (which includes a steam room and jacuzzi) as of December 31, 2019. In addition, Naga 1 also features a pillar-less ballroom that can host more than 1,000 guests in various configurations, from banquet-style to theater-style, and five fully-equipped meeting rooms with state-of-the-art audio and video systems that can each host 50 people. Naga 1 also contains 381 square meters of retail space.





Naga 2 Hotel



The Naga 2 Hotel opened in November 2017 and continued to ramp up and expand its capacity in 2018 and 2019. With 903 rooms and suites as of December 31, 2019, the 24-story Naga 2 Hotel is one of the largest upscale hotels in Cambodia. All of Naga 2's luxury rooms are contemporary and include state-of-the-art amenities catering to the needs of gaming patrons, as well as regional leisure and business travellers. Each room is fitted with designer fixtures and fittings.

The following table sets forth the average room rate and average occupancy rate for Naga 2 for the periods indicated.

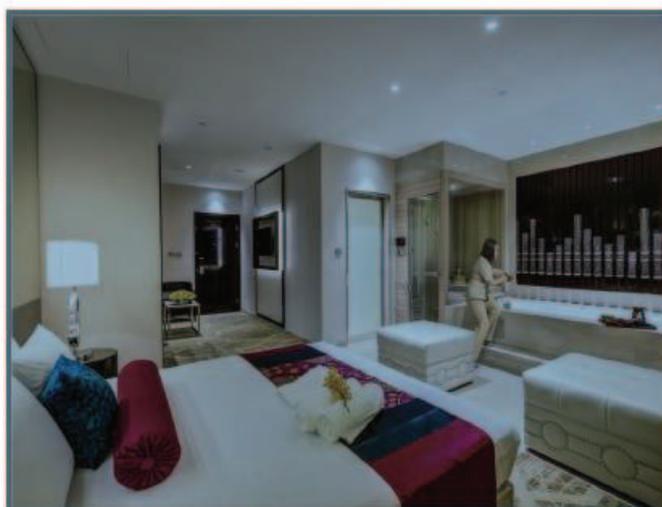
	As of December 31,		
	2017 ⁽¹⁾	2018	2019
Average room rate (US\$ per room per night).....	–	44.95	50.52
Average occupancy rate ⁽²⁾ (%)	–	76	84

Notes:

- (1) The Naga 2 Hotel opened in November 2017.
- (2) Calculated as the total number of room nights sold or provided for free as a percentage of the total number of room nights available for sale during the relevant period, which may not directly reflect the total rooms in inventory due to renovations and other considerations.

Naga 2’s VIP gaming suites are designed to cater to the most discerning VIP players. The 38 gaming suites are between 86 and 530 square meters in total gross floor area, featuring contemporary designer furnishings as well as a private pantry, full kitchen, separate lounge and entertainment areas.

Naga 2’s spa features a total of 65 suites as of December 31, 2019, each of which includes a sauna and steam shower. Naga 2 also features a 2,000-seat theater providing entertainment performances on a daily basis.





Restaurants and bars

NagaWorld features 25 restaurants, bars and clubs that cater to a broad range of international tastes. NagaWorld's restaurants provide high quality food, service and decor and include:

- Bistro Romano Italian Restaurant, an Italian restaurant which features a wide array of Italian food, an extensive wine list and a large selection of desserts;
- Chopstick Noodle House, an in-house Chinese fast food restaurant;
- Fortune Palace, a fine-dining Chinese restaurant;
- Indochine, an Indochinese restaurant which serves a fusion of foods from Cambodia, Vietnam and Thailand;
- Korean Grill, a Korean restaurant, which features a grill on each table, an open kitchen and a view of the lobby from the first floor;
- Le Gourmet, a French restaurant;
- NagaRock, a Mexican restaurant;
- DarlinDarlin Lounge & Disco, a club which features a live band each night;
- Club 88, one of the largest karaoke bars in Phnom Penh; and
- Gym room and swimming pool.





We operate a gym room at NagaWorld where fitness equipment, including cardio training equipment is available. In addition, the outdoor swimming pool is a complimentary facility for NagaWorld’s hotel guests.

See also “*Risk Factors – Risks relating to our business – The occupancy rates of, and revenues generated by our hotels may be volatile*” and “*Risk Factors – Risks relating to our business – If our food and beverage suppliers do not deliver high quality food and beverages and other supplies to our restaurants at competitive prices or in a timely manner, we may experience supply shortages and increased food costs.*”

NagaCity Walk



NagaCity Walk is located in a two-level structure consisting of an underground walkway (which has been leased to a single tenant – China Duty Free Group and features approximately 8,900 square meters of retail and public space) and a concourse and pedestrian walkway. NagaCity Walk also links Naga 1 and Naga 2.

The concourse and pedestrian walkway is located above the underground walkway and is connected to the underground walkway via eight exits through escalators and staircases. The underground walkway is approximately 300 meters in length and 17.5 meters in width and links Naga 2 with a landscaped park occupying an area of 9,934 square meters located in an area owned by the Municipality of Phnom Penh adjacent to Naga 1.

The underground linkway has been leased to us by the Municipality of Phnom Penh in 2012 for a period of 50 years with an option to renew for a further 50 years in accordance with the laws of Cambodia. The concourse and pedestrian walkway is public property that belongs to the Municipality of Phnom Penh but is permitted to be used by us.

As of December 31, 2019, NagaCity Walk had 46 retail stores available through the China Duty Free Group. The China Duty Free Group offers duty-free shopping and a wide range of high-end luxury brands from all over the world. The assortment of luxury products offered includes perfumes, cosmetics, fashion, handbags, luggage, accessories, sunglasses, watches, travel accessories, liquor and tobacco. The tenancy arrangement with China Duty Free Group who operates NagaCity Walk expires on August 30, 2026.

See also “*Risk factors – Risks relating to our business – Should China Duty Free Group suffer a decline in its financial stability or end its tenancy and other arrangements to operate NagaCity Walk, it could have a material adverse effect on our business.*”

STRATEGIC PARTNERSHIPS AND COLLABORATIONS

Collaboration with Bassaka Air Limited

In 2015, we began collaborating with Bassaka Air Limited, a Cambodian registered commercial airline who provides charter services to bring travellers to Phnom Penh. Our collaborating with Bassaka Air Limited enables us to target untapped customers from Chinese cities that previously had limited or no flight connectivity into Cambodia.

We expect to continue to working closely with Bassaka Air Limited who operates charter flights in-and-out of Phnom Penh and other destinations in Cambodia.

The Group owns the two aircrafts, both of which are Airbus A320-200.

Partnership with China Duty Free Group

We have entered into a long-term lease arrangement with China Duty Free Group, one of the world’s leading duty-free operators, for NagaCity Walk. China Duty Free Group’s rental fee comprises of a capped base fee plus a fee based on the turnover generated by the retail stores.

Partnership with Ministry of Tourism of Cambodia

On February 9, 2017, we, in a joint press conference with the Ministry of Tourism Cambodia (“**MOT**”), announced that our wholly-owned subsidiary incorporated in Hong Kong, Naga Travel Limited (“**NagaTravel**”) had been selected to partner with the MOT to form the Cambodian Overseas Tourism Promotion Board (“**COTPB**”) to promote Chinese visitation to Cambodia.

SALES AND MARKETING

We position NagaWorld as a full-service, integrated casino and resort in the leisure, conference, tourism and travel markets but have not incurred marketing expenses relating to NagaWorld – particularly within Cambodia. NagaWorld’s geographic location, together with the key design elements of its hotels and other facilities and services on offer, serve to market NagaWorld as an integrated complex to gaming visitors.

We rely principally on our gaming promoters to promote NagaWorld’s gaming offerings to VIP players. For VIP gaming, we work closely with our gaming promoters to provide packages that are tailored to the individual preferences of their VIP players. See also “*Business – Gaming Patrons – Gaming promoters.*” In addition, we also engage in direct marketing targeted at specific market segments as well as through traditional incentives, such as reduced room rates and complimentary meals and suites for potential VIP players.

Loyalty program

In 2012, we launched our first loyalty program, the Golden Edge Rewards Club, which enables us to better understand our members’ profiles and create targeted marketing efforts and incentives. In 2019 we rebranded Golden Edge Reward Club as NagaWorld Rewards with new tier segmentation better suited to our existing clients. NagaWorld Rewards is targeted at our mass and premium mass market players.

The loyalty program offers mass market players perks such as free membership, discounts on our non-gaming products, loyalty points, periodic members' only gala dinners and a variety of promotional campaigns throughout the year. During the year ended December 31, 2019, approximately 74% of the 31,000 active NagaWorld Rewards members returned at least twice a year (based on active members who have participated at least once in the last year). We believe we have a diversified base of mass market players representing nationalities across Asia.

Transportation services

We work with travel agents (in China and elsewhere) as well as Bassaka Air Limited, to bring Chinese visitors to Cambodia via charter flights from a variety of destinations. See "*Strategic Partnerships and Collaborations – Collaboration with Bassaka Air Limited.*"

We also arrange chartered flights for certain VIP players. In addition, our fleet of buses and limousines provide transportation to VIP players between Phnom Penh International Airport and NagaWorld.

Promotions and special events

NagaWorld regularly hosts special events and holiday celebrations. From time to time, NagaWorld also holds promotional gaming tournaments and regular lucky draw contests for cash and other prizes as well as monthly member parties and VIP events, such as Annual VIP mid-autumn gala dinner.

Customer relationship management

Our customer relationship management system contains data about our players' previous experiences at NagaWorld, allowing us to tailor our marketing efforts to individual preferences.

Entertainment

We offer free entertainment shows, including stage shows and other performances in our new 2,000 seat theater.

INTERNAL CONTROLS

We employ internal controls and procedures designed to ensure that gaming and other operations at NagaWorld are conducted in compliance with Cambodia's gaming regulations and international best practices. By its nature, gaming operations are heavily regulated and subject to the risk of loss resulting from employee or player dishonesty, in addition to fraud by our gaming promoters and our internal controls system is intended to manage this risk. See also "*Regulatory Overview of the Casino Business in Cambodia.*"

We have established our own set of casino control rules based on internationally accepted standards for the handling of chips, cash and gaming equipment to prevent, detect and deter the use of counterfeit chips, playing cards and currency as well as other fraudulent activities within gaming areas. These include:

- table game management, including safeguarding of cash and chips on tables;
- cash and chips management;
- gaming inventory management;
- management of gaming promoters; and
- administrative and accounting procedures.

We employ the following special techniques to prevent and detect potential fraudulent and counterfeiting activity:

- Tables are fitted with currency scanners in order to detect any counterfeits. All cash and chips transactions performed at the tables or the Casino Cage will be subjected to scanning.
- Slot machines employ the latest firmware on the bill validators.
- There is full camera coverage 24/7 of all cash and chips transactions.
- Operating in U.S. currency ensures that the latest techniques and software are immediately available as most of the research and development is conducted by U.S. companies.

In addition, we use the following measures:

Restricted-access to sensitive areas

Access to all sensitive areas is safeguarded with the use of physical access controls, including staff identification cards, passwords, radio-frequency identification keys, double-layered doors and security guards.

Monitoring of high-value transactions

We have a system of monitoring high-value transactions and other suspicious activity. All of our dealers are trained to identify high-value or suspicious transactions occurring at the gaming table and are required to report any such transaction to their supervisor for immediate and appropriate actions.

Management oversight

We drive a culture of compliance from the top down by building experienced management team that consists of seasoned executives with industry experience, Certified Money Laundering Specialists (CAMS) as well as legal, finance, risk and compliance professionals.

In addition, our gaming operations as well as internal controls and procedures are subject to strict management oversight.

Screening gaming promoters

We carry out due diligence on all of our gaming promoters including through the use of third party agencies. In addition, a list of players who have or are suspected of having committed cheating and fraud in other casinos is also maintained.

Administrative and accounting procedures

We have developed a comprehensive manual of policies and procedures for our internal audit and financial reporting process.

Employee recruitment and training

Our employees will undergo a screening process at the time of employment, in regard to past employment history, police clearance and references, etc. Our employees are trained to identify and detect suspicious activities in the conduct of gaming by players.

In addition, we provide training on policies and procedures relating to AML to all new and existing employees. To ensure effective implementation of, and compliance with, the Company's AML policies and procedures, employees attend briefing sessions which are conducted at the departmental level on a regular basis. Senior employees also observe, monitor, supervise and provide guidance to their subordinates on AML policies and procedures.

Internal control measures relating to chips and cards

All gaming activities at NagaWorld's table games are conducted exclusively through the use of gaming chips. All players are required to purchase gaming chips prior to gaming and the total amount of chips purchased is monitored and recorded.

We use high-quality chips with several security features, which cannot be reproduced and are solely used by NagaWorld. The casino chips supplier is a leading manufacturer in the world with its own compliance and strict security controls in order to maintain the highest standards of their product and is licensed by all major jurisdictions in the world. The types of each series of chips are different. Each series has different denominations and the appearance of each denomination is also different. In addition, we have implemented various measures to prevent the use of counterfeit chips, including:

- a number of security features embedded into our chips;
- inventory checks at the end of each shift to verify receipts and issues of chips from the inventory room; and
- storage of chips not in use in secure locations.

We have established detailed recording and controls with respect to chips inventory. Our staff periodically inspects all chips and withdraws chips which are worn or damaged.

We also use technology to prevent and detect potential fraudulent and counterfeit activities in our casino and gaming areas. These include the use of electronic equipment, ultraviolet and laser readers, money counters with security features. Our gaming areas, gaming activity and equipment inventory are closely monitored by our Surveillance department using the latest CCTV technology.

Our playing cards, similar to our chips, are manufactured at the highest standards of security and controls. Our supplier has one of the most secure and technologically advanced manufacturing facilities in the world. It has its own security and compliance department and is licensed by all major jurisdictions in the world. Similar to our chips, our playing cards have special security features limited to NagaWorld. We employ electronic dealing shoes which are able to detect foreign cards as well as fraudulent activity (swapping of cards). The entire process, from arrival of the new cards on the property until the destruction of used cards, is logged and supervised by table games staff and security and under full camera coverage at all times. Periodic audits are conducted to ensure compliance and detect any discrepancies.

Internal controls on money laundering and combating financing of terrorism (AML)

We have developed comprehensive anti-money laundering policies and procedures, which are regularly updated to ensure full compliance with applicable law and regulation. We comply with the recommendations of Financial Actions Task Force ("FATF").

Our anti-money laundering policies require:

- regular assessments of money laundering risks;
- reporting of suspicious activity in gaming operations based on a system of controls and procedures established to detect such activity;
- background checks in cases where suspicious activity is identified;
- verification of winnings;
- monitoring of the activities of our gaming promoters for possible money laundering;

- comprehensive training to all relevant staff on our anti-money laundering policies; and
- an annual review of the effectiveness of the anti-money laundering policies, implementation and compliance measures.

We believe that our long term sustainability and success is dependent on our integrity and transparency in daily gaming operations compared international best practices. We have in place a four-tier AML control structure comprising:

- Tier 1 – An AML Management Committee, led by our compliance officer and supported by senior managers from various key operational departments, tasked with ensuring that we adopt policies and procedures as governed by the AML Procedure Manual in its day to day operational activities.
- Tier 2 – Internal audit of AML procedures. Internal Audit Committee carries out bi-annual audit review on the AML procedures to ensure that we are in compliance with AML policies, with results of such audits reported to the Audit Committee and AML Oversight Committee.
- Tier 3 – AML Oversight Committee established at the Board level, chaired by the non-executive chairman of the Board, which meets on a quarterly basis to review the work and reports of the AML Management Committee and Internal Audit. Matters of significance are then reported to the Board for deliberation. The AML Oversight Committee is satisfied NagaWorld maintains full control of the gaming operations and these operations remain compliant with all relevant FATF recommendations.
- Tier 4 – External audit of the Company’s AML procedures. We engage an AML specialist firm which carries out a biannual audit of our AML procedures, which includes work conducted by the AML Management Committee. The report of this external AML audit is included in our annual financial reports.

As noted above, casino employees are trained to observe and identify “red-flag” transactions which are suspicious in nature, including but not limited to customers with high buy-ins but with minimal or no gaming, customers buy-ins with counterfeit notes, fake identification documents, buy-ins with small denomination and customers betting against each other.

Upon the occurrence of a suspicious transaction, front line casino employees raise a “Suspicious Incident Report” (“**SIR**”) which is then forwarded to the compliance officer of AML for assessment and evaluation. If the compliance officer concludes that such transaction is suspicious from the AML perspective, a Suspicious Transaction Report (“**STR**”) will be submitted to the Cambodia Financial Intelligence Unit (“**CAFIU**”).

The total number of SIRs had increased by approximately 8.7% from 115 cases in 2018 to 125 cases in 2019. Out of the 125 SIRs which were raised in 2019, 112 cases were submitted to CAFIU; compared to 78 cases submitted to CAFIU in 2018.

In addition, staff also conducts reviews and checks on the gaming equipment to help ensure that the integrity of the games has not been compromised and to ensure the prevention of collusion between gaming patrons and our staff.

During 2019, no legal cases regarding corruption were brought against us or, to the best of our knowledge, the employees.

Treasury

NagaWorld's treasury operations team's primary responsibilities are:

- verifying and reconciling results;
- computing, verifying and recording wins of each gaming table;
- collecting cash from electronic gaming machines and table games and preparing cash collection reports;
- managing and monitoring bank accounts; and
- auditing and ensuring compliance with anti-money laundering laws associated with high value transactions and suspicious transactions. See also "*Internal Controls – Internal Controls on Money Laundering and Combating Financing of Terrorism (AML)*."

Security and surveillance

Our security team's main function is to ensure the protection of the employees and guests during their time on the property. In addition, they are also responsible for the protection of the property and company assets against theft, vandalism and other criminal and unlawful activities. All members of the security team are carefully screened and selected, and extensively trained in law enforcement, crisis management, communication and guest services.

NagaWorld's gaming areas generally include: gaming tables, electronic gaming machines and cash desks. Security assigns at least one security officer to each cash desk and positions several security officers at key locations throughout the gaming area, such as the entrances and exits of the casino and gaming areas.

We employ the latest technology in IP cameras and digital recording of gaming areas is constantly monitored for all gaming activities, thereby minimizing the risk of cheating and other forms of fraud.

See also "*Risk factors – Risks relating to our business – We depend upon our ability to provide secure gaming products and to maintain the integrity of our employees and our reputation in order to attract players*" and "*Risk Factors – Risks relating to our business – If we fail to establish an effective system of internal controls, anti-money laundering and anti-corruption, we may be unable to accurately detect and prevent fraud and corporate governance lapses.*" and "*Risk factors – Risks relating to our business – We depend on the reputation and integrity of the parties with whom we engage in business activities. If they are unable to maintain required standards of probity and integrity, we may face reputational and other consequences.*"

NAGA VLADIVOSTOK

On September 6, 2013, we entered into an investment agreement with certain Russian governmental authorities pursuant to which we agreed to invest at least RUB 11.6 billion (approximately US\$350 million based on then current exchange rates), in a gaming and resort development project in Vladivostok, Russia. The first phase of Naga Vladivostok envisages the development of a casino with 55,839 square meter of gross floor area that will comprise an eleven story hotel (with 279 rooms), 1,758 square meter of food and beverage area and a multipurpose conference hall. It also is expected to have approximately 2,650 square meters of gaming area which accommodates approximately 48 gaming tables, 376 slot machines and 6 gaming suites. Naga Vladivostok is located in the gaming integrated entertainment zone of the Primorye Region of Russia which is one of the four legal designated casino gaming zones in Russia.

We, through a wholly-owned subsidiary, have entered into a fixed-price contract with a contractor for the development of Naga Vladivostok for a total construction cost of approximately US\$300 million. Our contractor commenced construction in 2016 and Naga Vladivostok is expected to open in 2022. As of December 31, 2019 we had invested a total of approximately US\$228.4 million in Naga Vladivostok.

Naga Russia Limited, which is our wholly owned subsidiary, is developing, through a third party contractor, and will operate Naga Vladivostok through its directly and indirectly owned subsidiaries (the “**Russia Group**”). Neither Naga Russia Limited nor any of the members of the Russia Group are “Restricted Subsidiaries” as defined in “*Description of the Notes*” and therefore are not generally subject to the covenants contained in the Notes.

See “*Risk Factors – Risks Relating to Russia – Sanctions imposed by the United States and the European Union on a number of Russian individuals and entities may have an adverse effect on us.*”

NAGA 3

On April 12, 2019, we, through our wholly and beneficially owned subsidiary, Naga 3 Company Limited as the employer and CCAG Asia Co., Ltd. as the contractor (the “**Contractor**”) entered into the guaranteed maximum sum design and build agreement (the “**DBA**”) for the purpose of the development of Naga 3. Pursuant to the DBA, the Contractor undertakes together with its sub-contractors to develop and deliver a fully completed and operational Naga 3 with a total built-up area of up to 544,801 square metres or a maximum sum of US\$3,515,011,000. Naga 3, a multi-entertainment, comprehensive and integrated resort complex set within three modern purpose-built towers, is expected to comprise one 75-story tower and two 61-story towers linked by an “Upper Podium” that has a recreational area overlooking the Mekong River and the city below. Three towers rest atop a mixed-use, resort “Lower Podium”, all connected by a system of horizontal and vertical “streets” (elevated amenity bridges and gaming facilities) that are accessible via a network of Naga Capsule exterior elevators. Naga 3 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 to impart a more satisfying, penetrating and complete visitation experience. 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. In addition, the Government has also provided approval-in-principle for the construction of a garden in front of the Naga 3 property, which will allow us to build a 3-story underground car park together with a garden through which Naga 3 will be connected to NagaCity Walk, Naga 1 and Naga 2. Construction of Naga 3 is expected to commence in the second half of 2020, and is expected to be completed in or around 2025. The conceptual design for Naga 3 by the project architects and soil tests and test piles have been completed, with piling expected to start in the second half of 2020. See “*Description of Material Contracts – Guaranteed Maximum Sum Design and Build Agreement.*”

It is expected that 50% development cost to be funded by way of internally generated funds and the remaining 50% of the development cost will be funded by Tan Sri Dr. Chen, who is an executive director, the Chief Executive Officer and the controlling shareholder of the Company. In connection with the funding by Tan Sri Dr. Chen, on April 14, 2019, the Company as the issuer entered into a subscription agreement (the “**Subscription Agreement**”) with ChenLipKeong Fund Limited, a special purpose vehicle wholly owned by Tan Sri Dr. Chen, as the subscriber (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 ordinary shares of the Company at the price of HK\$12.00 per ordinary share, subject to the adjustments under the terms of the Subscription Agreement (the “**Settlement Shares**”). See “*Description of Material Contracts – Subscription Agreement.*”

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 the other 50% of each progress billings (under the DBA) 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.

Up to 50% of the contract sum of the DBA, or US\$1,757,505,500 will be paid by the Group throughout the contract period of the DBA 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.

Naga 3 Company Limited will operate Naga 3 through its directly and indirectly owned subsidiaries.

INTELLECTUAL PROPERTY RIGHTS

We regard our trademarks and other intellectual property as being a significant factor of the brand recognition of our offerings. As of December 31, 2019, we had approximately 203 registered trademarks (in terms of class applications) and approximately 63 applications for trademark registrations pending. Trademarks that have been registered include NAGACORP logo, NAGAWORLD logo, NAGAHOTELS logo, device mark (a diamond shaped logo), NAGACORP and 金界 (in Hong Kong, Macau, Australia, Russia, Kazakhstan, Mongolia, Laos, the European Union, Singapore, Philippines, the United States, Japan, Vietnam, Brunei, Cambodia, Korea, India, Thailand and China). Our trademark protections are generally in one or more of the following classes (a) advertising, business, hotel administration and retail services, (b) arranging travel tour and cruises, transportation and storage services, (c) providing casino equipment and entertainment services and (d) restaurant and hotel services.

In addition, the "NAGACORP," "NAGAWORLD" and "NAGA" (in series) as well as "Naga Device" (in series) which is a diamond shaped logo have been registered in Hong Kong.

We also rely upon our trade secrets and know-how. Our intellectual property is protected through a variety of methods, including by trademark laws, as well as by means of signing confidentiality agreements with suppliers, gaming promoters and others who have access to our proprietary information.

See also "*Risk Factors – Risks relating to our business – We may fail to protect or enforce our intellectual property rights, in particular in relation to "NAGA" or "NAGAWORLD."*"

INFORMATION TECHNOLOGY

We operate an advanced information technology system. Among other things, the information technology system features gaming management and player tracking systems as well as systems for the efficient handling of human resource records.

We have various models of Bally systems for gaming management (table games and slot management) and player tracking (certain mass market player and VIP player information). We also use VirtualRoster and HR Payroll systems for staff shift scheduling, attendance, HR records and payroll matters.

SEASONALITY

Our operations are subject to some seasonality largely relating to the tourism industry in Cambodia and impacted by Chinese New Year in the first quarter of the year when footfall is typically lower during the new year period but returns to normal shortly afterwards.

INSURANCE

We maintain property damage, business interruption, and crime insurance. The fidelity coverage is under our crime insurance policy.

The electronic gaming machines in NagaWorld are owned by independent third parties and there is public liability coverage in respect of the operation of the machines in NagaWorld.

We have not made any material insurance claims since January 1, 2015.

See also “*Risk Factors – Risks relating to our business – Our insurance coverage may not be adequate to cover all potential losses that it could suffer, and our insurance costs could increase.*”

EMPLOYEES

As of December 31, 2019, we employed 8,625 employees (compared to 8,551 as of December 31, 2018), in Cambodia, China, Hong Kong, Macau, Malaysia, Singapore, Thailand, the United Kingdom, the United States and Russia with over 8,000 residing in Cambodia.

The following table provides a breakdown of our employees (by function) as of the dates indicated:

	As of December 31,		
	2017	2018	2019
Gaming			
Dealers	1,935	2,139	1,623
Supervisors	817	519	801
Marketing	158	149	143
Others (Supporting operations).....	2,376	2,619	3,098
Total (Gaming)	5,286	5,426	5,665
Non-Gaming			
Naga 1 Hotel.....	841	835	822
Naga 2 Hotel.....	539	517	510
Restaurants and Bars	1,910	1,712	1,561
Others (Non-Gaming).....	42	61	67
Total (Non-gaming)	3,332	3,125	2,960
Total	8,618	8,551	8,625

We are committed to ensuring equal employment opportunity to all qualified individuals. We enter into written employment agreements with our employees. The agreements typically specify the employee’s position, responsibilities, remuneration and grounds of termination consistent with relevant labor laws and regulations. We do not engage any employment agencies and recruit based on relevant work experience, education and language skills. All employees are free to join a trade union, and one union was active as of December 31, 2019 at NagaWorld. We meet with the union on a regular basis.

See also “*Risk Factors – Risks relating to NagaWorld – We may face labor disputes or disagreements with our employees, which may lead to a rise in wages.*”

SUPPLIERS

We depend on suppliers to provide us products and services such as electronic gaming machines, security and surveillance systems, retail goods, gaming equipment and construction and other administrative services.

We prioritize local suppliers whenever possible. In 2019, approximately 84% of our 643 frequent suppliers were Cambodian.

We have adopted policies to ensure that all products and services meet quality standards. As of December 31, 2019, we are in compliance with relevant laws and regulations relating to health and safety, advertising, labelling and privacy matters relating to products and services provided.

LEGAL PROCEEDINGS

We are not party to any material legal or administrative proceedings as of the date of this Offering Memorandum, except as described in “*Recent Developments – Labor Dispute.*”

PROPERTIES

As of December 31, 2019, we held leasehold rights in respect of the properties listed below:

<u>Location/Address</u>	<u>Square Meters</u>	<u>Existing use</u>	<u>Description, Tenure and Renewal</u>
Naga 1 Building located at the south of Samdech Hun Sen Park and the east of the Ministry of Cult and Religion Land, Phnom Penh, Cambodia.....	113,307	Integrated hotel and casino	Expiring on July 31, 2095
Naga 2 Building located at Lot 1, Village 1, Sangkat Tonle Basaac, Khan Chamkamon, Phnom Penh, Cambodia.....	108,764	Integrated hotel and casino	Expiring on December 14, 2110
NagaCity Walk Underground walkway located at the south sidewalk against the fence of the Buddhist Institute and Naga 1	9,832	Underground walkway and shopping center	Renewable for 50 years commencing from July 31, 2066 at the option of the Company
Office Unit no. 2806 on 28th Floor, Central Plaza, No. 18 Harbour Road, Wanchai, Hong Kong.....	462.17	Office	Expiring on December 14, 2021

See also “*Risk Factors – Risks relating to our business – We may be deprived of our rights in respect of the parcels of land on which NagaWorld is constructed.*”

COMPETITION

Although the Casino License assures us the exclusive right to operate casinos within the Designated Area, our business is subject to several competitive factors.

Casinos are popular in border towns, such as Poipet and Bavet, as well as in tourist areas, such as Koh Kong and Sihanoukville which primarily cater to foreign nationals. In addition to competition from other casinos in Cambodia, we also face intense competition from casinos in the Asia-Pacific region. With respect to VIP

gaming, competitive factors include relationships with gaming promoters, the existing base of VIP players, the number of VIP rooms and VIP gaming tables, the interior decoration and facilities of VIP gaming areas, knowledge of the preferences of VIP players, revenue-based incentive plans and commission offered to gaming promoters, the services and amenities provided, and the overall VIP gaming experience. In addition, unlike NagaWorld, certain other casinos in the Asia-Pacific region offer VIP players with credit facilities for high-stakes gaming.

With respect to mass market gaming, competitive factors include ambience, location, variety and diversity of games, promotions and other services, attractions and amenities. In particular, we face competition from casinos located in other areas of Asia, such as Genting Highlands, a major gaming and resort destination located outside of Kuala Lumpur, casinos in Macau, and casinos in the Philippines, Singapore and Vietnam, some of which are located nearby on the border of Cambodia. We also face competition from other major gaming centers in the region, including Australia, as well as from cruise ships in Asia (many based in Hong Kong) that offer gaming. See “*Risk Factors – Risks relating to the gaming and tourism industries in Cambodia – The gaming industry is highly competitive.*”

When Naga Vladivostok begins operations, we expect to face competition from other casinos, including some backed by international casino operations, since we will not have the benefit of an exclusive license arrangement in Russia.

See also “*Industry Overview.*”

DESCRIPTION OF MATERIAL CONTRACTS

The following is a summary of certain material contracts relating to the operation of our business. While we believe that the summary contains the material terms of such agreements, such agreements may be amended subsequent to the date of this offering memorandum and such amendments may be material.

Guaranteed Maximum Sum Design and Build Agreement

On April 12, 2019, we, via our wholly and beneficially owned subsidiary, Naga 3 Company Limited as the employer (the “**Employer**”) and CCAG Asia Co., Ltd. as the contractor (the “**Contractor**”) entered into the guaranteed maximum sum design and build agreement (the “**DBA**”) to develop Naga 3 for the maximum sum of US\$3,515,011,000. Pursuant to the DBA, the Contractor undertakes, together with its sub-contractors, to develop and deliver a fully completed and operational Naga 3 (the “**Naga 3 Project**”). The Contractor undertakes to perform and complete the development and construction of the Naga 3 as set out in the DBA (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.

Guaranteed Maximum Sum

In consideration of the Works to be developed and fully completed and fully operational by the Contractor or its 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\$3,515,011,000 (the “**Guaranteed Maximum Sum**”), inclusive of all relevant Cambodian tax pursuant to the DBA.

The Contractor guarantees that the Notes 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 Notes 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 Notes Guaranteed Maximum Sum. Any cost incurred by the Contractor over and above the Notes 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 Notes Guaranteed Maximum Sum.

The DBA is a lump sum contract. Unit rates will not be confirmed on the date of execution of the DBA, but rather, 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 sub-contractor appointed by the Employer or the project architect 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 such nominated sub-contractor shall be proportionally deducted from the Notes 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, labor and any other necessary tools and equipments to carry out and complete the Works.

Situations Resulting in a Decrease of the Notes Guaranteed Maximum Sum

The DBA 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. The final contract sum (the “**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 the guaranteed maximum sum of US\$3,515,011,000, or 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 labor, materials, equipment and other costs as may be reasonably and independently identifiable by the project consultants shall be the sole responsibility of the Contractor, and 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 (as defined below), 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 (a “**Project Resize**”). This adjustment for the decrease of the total built-up areas shall result in decrease of the Notes Guaranteed Maximum Sum depending on the site measurement.

Costs Overrun: A costs overrun occurs to build 544,801 square metres of built-up area if the Notes Guaranteed Maximum Sum contract shall exceed US\$3,515,011,000 (a “**Cost Overrun**”). Any cost incurred by the Contractor over and above the Notes 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 Notes Guaranteed Maximum Sum. There is no adjustment to the Notes Guaranteed Maximum Sum.

Costs Underrun: A costs underrun occurs to build 544,801 square metres of built-up area if the Notes Guaranteed Maximum Sum contract is less than US\$3,515,011,000 (a “**Cost Underrun**”). 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 labor, materials and equipment which have not been expressly laid down in the DBA, the adjustments for these changes as mentioned herein resulting in decrease of the Notes Guaranteed Maximum Sum and hence the savings deriving therefrom shall also go towards the benefits and account of the Employer.

Unless otherwise stated in the DBA, the Notes 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.

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

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 Notes 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**”). 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 liquidated and ascertained damages of US\$1,000,000 per day (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.

Subscription Agreement

On April 14, 2019, the Company as the issuer entered into a subscription agreement (the “**Subscription Agreement**”) with a special purpose vehicle called ChenLipKeong Fund Limited as the subscriber (the “**Subscriber**”). ChenLipKeong Fund Limited is a special purpose vehicle wholly owned by Tan Sri Dr. Chen, an executive director, the Chief Executive Officer and the controlling shareholder of the Company. Tan Sri Dr. Chen is the sole director and sole shareholder of the Subscriber.

Pursuant to the Subscription, the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for 1,142,378,575 ordinary shares of the Company (the “**Settlement Shares**”) or such adjusted number of ordinary shares (as described below) (the “**Adjusted Settlement Shares**”) at the price of HK\$12.00 per share (subject to adjustments as described below), which shall be paid by the Subscriber for the funding of the development of Naga 3 pursuant to the terms of the Subscription Agreement.

Term of the Subscription Agreement

The term of the Subscription Agreement is from 14 April 2019 to the date of completion of the DBA on or before 30 September 2025 and/or such other extension date that may be mutually agreeable between the Company and the Contractor.

Subscription Sum

The subscription sum is:

- (a) the sum of US\$1,757,505,500 subject to the final Contract Sum;
- (b) in the case of Project Resize, a sum of less than US\$1,757,505,500 subject to the final Contract Sum being less than US\$3,515,011,000 and the Total Built-Up Areas being less than 544,801 square metres; in such a 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 being less than US\$3,515,011,000. The savings arising from these changes shall go towards the benefits and account of the Company and not the controlling shareholder of the Company (through the Subscriber). 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 of the Company (through the Subscriber) 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 (the “**Subscription Price**”).

The issue price will be adjusted for dilutive effects of (a) consolidation, subdivision, redenomination or reclassification of the ordinary shares of the Company (the “**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 (other than the Settlement 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 of the Company.

Reduction of the number of the Settlement Shares

In the event of Project Resize and the total development cost falls below US\$3,515,011,000, the number of Adjusted Settlement Shares will be calculated with reference to 50% of the final Contract Sum in US dollars 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 date of this Offering Memorandum 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 each progress payment claimed by the Contractor and after independent certification by the project architect. The Subscriber shall pay 50% of each progress billings and the Company 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 Subscriber shall pay the amount of Cost Overrun. The Company shall not issue Settlement Shares for the amount of the Cost Overrun paid by the controlling shareholder of the Company (through the Subscriber).

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), and the Company’s obligation to issue the Settlement Shares or Adjusted Settlement Shares (whichever is relevant) are conditional upon the fulfilment or waiver of certain conditions precedent, including that the Shares remaining listed and traded on the Stock Exchange at all times prior to and on the issue date of the Settlement Shares or Adjusted Settlement Shares (whichever is relevant).

MANAGEMENT

The Board consists of seven Directors, three of whom are independent non-executive Directors:

<u>Name</u>	<u>Age⁽¹⁾</u>	<u>Position</u>
Mr. Timothy Patrick McNally	72	Chairman, Non-executive Director
Tan Sri Dr. Chen Lip Keong.....	72	Founder, Controlling Shareholder, Executive Director and Chief Executive Officer
Mr. Philip Lee Wai Tuck.....	57	Executive Director and Executive Deputy Chairman
Mr. Chen Yiy Fon.....	38	Executive Director
Mr. Lim Mun Kee.....	52	Independent Non-executive Director
Mr. Michael Lai Kai Jin	50	Independent Non-executive Director
Mr. Leong Choong Wah.....	51	Independent Non-executive Director

Note:

(1) As of December 31, 2019.

Non-executive Director

Timothy Patrick McNally

Mr. Timothy Patrick McNally joined the Company in February 2005 as chairman of the Board. He also serves as chairman of the AML Oversight Committee of the Company. From April 1999 until October 2005, Mr. McNally was the executive director of Security and Corporate Legal Services for the Hong Kong Jockey Club. He was a member of the Executive Board of Management responsible for corporate governance issues. Mr. McNally is currently an international security consultant and is the chairman of B2G Global Strategies headquartered in California. Mr. McNally was a Special Agent of the Federal Bureau of Investigation (“**FBI**”) for almost 25 years. His career focused on the investigation and prosecution of serious crimes including organized crime, drug trafficking, public corruption and fraud matters. During his career with the FBI, Mr. McNally was assigned for two years as a legislative counsel by the FBI to handle issues arising with the U.S. Congress. Mr. McNally held several senior positions within the FBI and was the head of the FBI’s Los Angeles Office at the time of his departure. During the period 1993 through 1999, he was cited on numerous occasions for exceptional leadership and meritorious performance by the director of the FBI, Attorney General, and President of the United States. Mr. McNally is a member of the Asian Society of Southern California, the National Executive Institute and the Society of Former Special Agents of the FBI. He is a graduate of the University of Wisconsin-Eau Claire, receiving a Bachelor’s degree in Political Science in 1969. He received a Juris Doctorate (JD) degree from Marquette University Law School in 1973 and was admitted to the State Bar of Wisconsin.

Executive Directors

Tan Sri Dr. Chen Lip Keong

Tan Sri Dr. Chen Lip Keong (“**TSCLK**”) is an executive director, the founder, controlling shareholder, Chief Executive Officer of the Company, and a member of the Remuneration Committee, the Nomination Committee and the AML Oversight Committee of the Board. TSCLK is also a director of several wholly-owned subsidiaries of the Company and a director of LIPKCO Group Limited which is a substantial shareholder of the Company. Mr. Chen Yiy Fon, executive director of the Company, is a son of TSCLK. TSCLK has many years of entrepreneurial, business and managerial experiences and in Malaysia, is currently the controlling shareholder of each of Karambunai Corp Bhd, FACB Industries Incorporated Berhad and Petaling Tin Berhad. Except for Karambunai Corp Bhd and Petaling Tin Berhad which have been privatized and the listing of their shares on the Bursa Malaysia Securities Berhad have been withdrawn with effect from November 21, 2019 and August 16, 2018, respectively, FACB Industries Incorporated Berhad is currently listed on the Bursa Malaysia Securities Berhad.

Philip Lee Wai Tuck

Mr. Philip Lee Wai Tuck is a qualified certified public accountant in Malaysia and Australia. Mr. Lee has experience in various industries before joining the Group in 2009 and was appointed as an executive director of the Company in May 2010. He has previously worked in or held directorships in various companies listed on the Bursa Malaysia Securities Berhad. Mr. Lee took on senior management positions in financial and management functions with wide experience in accounting, finance, treasury and corporate finance. He was the chief financial officer of the Company and is presently an executive deputy chairman of the Company. He is also a director of various wholly-owned subsidiaries of the Company. Mr. Lee is a member of the Malaysian Institute of Certified Public Accountants, Malaysian Institute of Accountants and CPA Australia.

Chen Yiy Fon

Mr. Chen Yiy Fon was appointed as an executive director of the Company on June 1, 2015. He is also a member of the AML Oversight Committee of the Board. Mr. Chen graduated with a Bachelor of Arts Degree in Economics from the University of Southern California, Los Angeles in 2003. In 2003, he interned at Morgan Stanley, Los Angeles, California and in 2004 he interned at Credit Suisse First Boston, Singapore. Mr. Chen was a non-executive director of the Company from May 2009 to February 2011 and is currently a director of several wholly-owned subsidiaries of the Company, and a director of LIPKCO Group Limited which is a substantial shareholder of the Company. Mr. Chen is also the chief executive officer and executive director of Karambunai Corp Bhd and Petaling Tin Berhad. He also serves as an executive director of FACB Industries Incorporated Berhad. Except for Karambunai Corp Bhd and Petaling Tin Berhad which have been privatized and the listing of their shares on the Bursa Malaysia Securities Berhad have been withdrawn with effect from November 21, 2019 and August 16, 2018, respectively, FACB Industries Incorporated Berhad is currently listed on the Bursa Malaysia Securities Berhad. Mr. Chen is a son of TSCLK.

Independent Non-executive Directors

Lim Mun Kee

Mr. Lim Mun Kee has been appointed as an independent non-executive director of the Company since September 17, 2007. Mr. Lim is the chairman of the Audit Committee, and a member of the Remuneration Committee and the Nomination Committee of the Company. Mr. Lim is a Chartered Accountant registered with the Malaysian Institute of Accountants and also a member of the Malaysian Institute of Certified Public Accountants since 1997. Mr. Lim started his career with KPMG Peat Marwick, Malaysia in 1989. He has more than 20 years of valuable experiences gained through his working career in various fields including auditing, financial, corporate and management level. Currently, Mr. Lim is also managing his own business in Malaysia. Mr. Lim is also an independent non-executive director of FACB Industries Incorporated Berhad and Karambunai Corp Bhd. He was an independent non-executive director of Petaling Tin Berhad from August 1, 2007 to September 18, 2018 and re-joined as an independent non-executive director on 27 September 2019. Except for Karambunai Corp Bhd and Petaling Tin Berhad which have been privatized and the listing of their shares on the Bursa Malaysia Securities Berhad have been withdrawn with effect from November 21, 2019 and August 16, 2018, respectively, FACB Industries Incorporated Berhad is currently listed on the Bursa Malaysia Securities Berhad.

Michael Lai Kai Jin

Mr. Michael Lai Kai Jin was a non-executive director of the Company from May 31, 2010 to April 5, 2011 and was re-designated as independent non-executive director of the Company on April 6, 2011. He is also the chairman of the Remuneration Committee and the Nomination Committee and a member of the Audit Committee and the AML Oversight Committee of the Board. Mr. Lai graduated from the National University of Singapore with a L.L.B (Hons) Degree in 1994 and was called to the Singapore Bar the following year. He was formerly a partner of Messrs. KhattarWong, one of the largest law firms in

Singapore with offices in Singapore, Shanghai, Hanoi and Ho Chi Minh. Mr. Lai's practice focused on marine and admiralty law and has handled numerous legal disputes in the area of international trade and transport. Mr. Lai was formerly the chairman of the Advisory Body Legal Matters, FIATA and the Legal Counsel for the Singapore Logistics Association. Mr. Lai was formerly the Group General Counsel for Ezra Holdings Limited, an integrated offshore support provider for the oil and gas industry which executes a full spectrum of life of field engineering, construction, marine and production services throughout the world. Mr. Lai was also an independent director of Interlink Petroleum Ltd until January 3, 2018, the securities of which are listed on the Mumbai Stock Exchange.

Leong Choong Wah

Mr. Leong Choong Wah was appointed as an independent non-executive director of the Company on September 10, 2018. He is also a member of the Audit Committee, Remuneration Committee and the Nomination Committee of the Company. He has more than 30 years of working experience in a wide range of industries such as property development, plantation and manufacturing, including cross border working experience in Indonesia and China encompassing operations, accounting, financial management and corporate finance and planning in both public listed and private companies. Mr. Leong started his career with Price Waterhouse in 1989 and is presently the chief financial officer of Inmage Group, a leading global creative ecosystem and technology group since May 2019. Prior to joining Inmage Group, Mr. Leong was the Group Executive Director of HCK Capital Group Berhad, a property development company listed on the Bursa Malaysia Securities Berhad from May 2015 to April 2019. He also served as an executive director of HCK Capital Group Berhad from October 2015 to April 2019. He also had working experience as a senior business controller of Agrindo, an Indonesian palm oil plantation group based in Jakarta, Indonesia from February 2013 to December 2014. Mr. Leong's other notable past working experience include acting as chief executive officer of Petaling Tin Berhad from 2008 to 2010, chief financial officer of FACB Industries Incorporated Berhad from 2000 to 2008 and holding senior positions in several other companies listed on the Bursa Malaysia Securities Berhad. Mr. Leong is currently a member of the Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants and CPA Australia respectively.

Audit Committee

The Board established the Audit Committee on March 16, 2005 with written terms of reference in compliance with the Listing Rules. The principal responsibilities of the Audit Committee include, amongst others, ensuring the objectivity and credibility of financial reporting and internal control principles, assuring adequate risk management and internal control systems.

As at the date of this Offering Memorandum, the Audit Committee has three members, namely Mr. Lim Mun Kee, Mr. Michael Lai Kai Jin and Mr. Leong Choong Wah, all being independent non-executive Directors. Mr. Lim Mun Kee is the chairperson of the Audit Committee.

Remuneration Committee

The Board established the Remuneration Committee on March 16, 2005 with written terms of reference. The principal responsibilities of the Remuneration Committee include, among others, formulating and making recommendations to the Board on the Company's policy and structure for the remuneration of the Directors and senior management of the Company.

As at the date of this Offering Memorandum, the members of the Remuneration Committee are Tan Sri Dr. Chen Lip Keong, Mr. Lim Mun Kee, Mr. Michael Lai Kai Jin and Mr. Leong Choong Wah. Mr. Michael Lai Kai Jin is the chairperson of the Remuneration Committee.

Nomination Committee

The Board established the Nomination Committee on March 16, 2005 with written terms of reference. The principal responsibilities of the Nomination Committee include, among others, to review the structure, size and composition of the Board.

As at the date of this Offering Memorandum, the members of the Nomination Committee are Tan Sri Dr. Chen Lip Keong, Mr. Lim Mun Kee, Mr. Michael Lai Kai Jin and Mr. Leong Choong Wah. Mr. Michael Lai Kai Jin is the chairperson of the Nomination Committee.

AML Oversight Committee

The AML Oversight Committee was set up by the Board on March 16, 2005 to formulate policies and strategies on AML development and implementation programmes, ensure quality control and act as an oversight committee on AML matters.

As at the date of this Offering Memorandum, the members of the AML Oversight Committee are Mr. Timothy Patrick McNally, Tan Sri Dr. Chen Lip Keong, Chen Yiy Fon and Michael Lai Kai Jin. Mr. Timothy Patrick McNally is the chairman of the AML Oversight Committee.

AML Sub-Committee

On April 1, 2004, we formalized the AML Sub-Committee, known as the AML Co-ordination Unit since October 2003, a management committee comprising senior representatives of key operational areas of the casino, including treasury, surveillance and gaming operations. The AML Sub-Committee's role is to monitor the Group's AML activities on a day-to-day basis, develop additional AML measures at an operational level as necessary and work with the relevant authorities in Cambodia, such as the MOI and the National Bank of Cambodia, on the prevention of money laundering. Some of the Sub-Committee members are trained in AML prevention and are members of the Association of Certified Anti-Money Laundering Specialists ("ACAMS"). ACAMS is a U.S. based association formed on November 7, 2001 to advance the professional knowledge, skills and experience of those dedicated to the detection and prevention of international money laundering, and to promote the development and implementation of sound AML policies and procedures. The AML Sub-Committee reports to the AML Oversight Committee, a committee of the Board.

Emoluments

In 2017, 2018 and 2019, the aggregate compensation including bonuses we paid to all Directors for their services to the Company was US\$19.5 million, US\$2.4 million and US\$32.6 million, respectively. In addition, the Directors are entitled to certain benefits such as housing, transportation and utility allowances, healthcare and association membership.

Senior Management

Our business features the following members of senior management.

Mike Ngai, Chief Marketing Officer/Chief Operating Officer

Mr. Ngai graduated from University of Houston with Bachelor of Arts in Accounting and has more than 20 years of experience holding top management positions for several major gaming companies across various regions, including Nevada Gold & Casinos Inc, Quest Entertainment Inc. in America, and one of the biggest Casino Operators in Macau, The Venetian Hotel Resort Ltd. He joined the Group in October 2009 initially as Chief Marketing Officer for a number of years and later his role was expanded to also oversee the Operational side of the business as Chief Operating Officer.

Tan Sean Cزون, Chief Financial Officer

Mr. Tan Sean Cزون was appointed as the Chief Financial Officer of the Company with effect from March 15, 2018. Mr. Tan joined the Group in 2013 and previously held the position of Vice President of Business Development. Prior to joining the Group, he worked in the asset management division of Deutsche Bank (Hong Kong). Mr. Tan graduated with a Bachelor of Commerce Degree (Accounting & Finance) from University of Queensland, Australia in 1999. Mr. Tan is a member of Chartered Accountants (Australia & New Zealand) and a CFA charterholder.

Hein Dames, Chief Human Resources Officer

Mr. Dames is a seasoned HR practitioner with more than 25 years International management experience and expertise in the hospitality and tourism industry – including blue chip hotelier groups such as Starwood, Sun International and most recently Jumeirah group. He has a successful track record of sourcing, hiring and developing people and a pragmatic collaborative approach to HR related matters. Hein has an Honours Degree in Employee Relations and is an affiliate member of the CIPD, the professional body for HR and people development. He has completed a HR Business Partner Master class and is also a certified professional coach. He joined the Group in January 2020.

Florian Pastiu, Vice President, Casino Operations

Prior to joining the Group, Mr. Pastiu worked at Star Cruises as a Casino Manager. Mr. Pastiu is responsible for overseeing the casino operations to ensure adherence to the operating standards, policies and procedures. Mr. Pastiu is a Certified Money Laundering Specialist (CAMS). He has over 20 years of casino operations experience in Asia, including nine years with the Group.

Stuart James Bruff, Vice President, Surveillance

Mr. Bruff has over 30 years' experience in the casino industry, of which 25 years being in management. Mr. Bruff joined the Company in 2010. He has run surveillance and security operations for a number of international companies worldwide including being part of the pre-opening team, project managing surveillance and security setups for 15 casinos worldwide. He is a member of the Board of the International Association of Casino Security and a member of the Asian Casino Surveillance Network.

PRINCIPAL SHAREHOLDERS

As of December 31, 2019, the following persons held 5% or more beneficial interests of the Company.

Name of Shareholders	Capacity	Number of Shares held	% of Total Issued Shares ⁽¹⁾
Tan Sri Dr. Chen Lip Keong....	Beneficial owner	1,917,807,166 (L)	44.17 (L)
Tan Sri Dr. Chen Lip Keong....	Founder of a discretionary trust ⁽²⁾	951,795,297 (L)	21.93 (L)
Tan Sri Dr. Chen Lip Keong....	Interest of controlled corporation ⁽³⁾	1,142,378,575 (L)	26.32(L)
ChenLa Foundation.....	Interest of controlled corporation ⁽²⁾	951,795,297 (L)	21.93 (L)
LIPKCO Group Limited	Beneficial owner	789,534,854 (L)	18.19 (L)
ChenLipKeong Fund Limited...	Beneficial owner ⁽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 of December 31, 2019.
- (2) These 951,795,297 Shares are held by LIPKCO Group Limited and LIPKCO ENTERPRISES LIMITED which in turn are controlled by ChenLa Foundation of which Tan Sri Dr. Chen Lip Keong is the founder.
- (3) Upon the completion of the DBA and the Subscription Agreement, these 1,142,378,575 Settlement Shares or such Adjusted Settlement Shares (both as defined in the shareholders' circular of the Company dated 22 July 2019) for the funding of the Naga 3 Project will be issued to ChenLipKeong Fund Limited. ChenLipKeong Fund Limited is wholly owned by Tan Sri Dr. Chen Lip Keong.
- (4) The letter "L" denotes the entity's long position in the Shares.

DESCRIPTION OF THE NOTES

You can find the definitions of certain terms used in this description under the subheading “*Certain Definitions*.” In this description, references to the “Issuer” refer only to NagaCorp Ltd. and not to any of its subsidiaries.

The Issuer will issue the Notes under an indenture to be dated as of the Issue Date (the “*Indenture*”) among itself, the Guarantors and GLAS Trust Company LLC, as trustee (the “*Trustee*”), in a private transaction that is not subject to the registration requirements of the Securities Act. See “*Transfer Restrictions*.” The Indenture will not be qualified under, incorporate or include, or be subject to any provision of, the U.S. Trust Indenture Act of 1939.

The following description is a summary of the material provisions of the Indenture and the Notes. It does not restate those agreements in their entirety. We urge you to read the Indenture because it, and not this description, defines your rights as holders of the Notes. Copies of the Indenture will be available as set forth below under “– *Additional Information*.” Certain defined terms used in this description but not defined below under “– *Certain Definitions*” have the meanings assigned to them in the Indenture.

The registered holder of a Note will be treated as the owner of such Note for all purposes. Only registered holders will have rights under the Indenture.

Brief Description of the Notes and the Note Guarantees

The Notes

The Notes will be general obligations of the Issuer and will:

- rank equally in right of payment with all existing and future obligations of the Issuer that are not subordinated in right of payment to the Notes, including the 2021 Notes;
- rank senior in right of payment to any existing and future obligations of the Issuer that are subordinated in right of payment to the Notes;
- be effectively subordinated in right of payment to any existing and future obligations of the Issuer that are secured by property or assets that do not secure the Notes, to the extent of the value of the property and assets securing such obligations;
- be structurally subordinated to all existing and future obligations of the Issuer’s Subsidiaries that do not guarantee the Notes; and
- be unconditionally guaranteed by the Guarantors.

The Note Guarantees

The Notes will be guaranteed by the Guarantors on the Issue Date. In addition, if required by the covenant described below under “– *Certain Covenants – Additional Guarantees*,” certain other Restricted Subsidiaries may provide a Note Guarantee in the future.

The Note Guarantee of each Guarantor will be a general, joint and several obligation of that Guarantor and will:

- rank equally in right of payment with all existing and future obligations of such Guarantor that are not subordinated in right of payment to such Note Guarantee, including the 2021 Notes;
- rank senior in right of payment to any existing and future obligations of such Guarantor that are subordinated in right of payment to such Note Guarantee; and
- be effectively subordinated in right of payment to any existing and future obligations of such Guarantor that are secured by property or assets that do not secure such Note Guarantee, to the extent of the value of the property and assets securing such obligations.

The obligations of each Guarantor under its Note Guarantee will be limited as necessary to prevent that Note Guarantee from constituting a fraudulent conveyance under applicable law. See *“Risk Factors – Risks Relating to the Notes and the Note Guarantees – The Note Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair their enforceability.”*

General

The Issuer’s Subsidiaries holding properties or assets in Russia, namely Naga Russia Limited and its Subsidiaries, will be deemed to be Unrestricted Subsidiaries as of the Issue Date for purposes of the Indenture. These Unrestricted Subsidiaries collectively generated negative EBITDA equal to 0.5% of the Issuer’s consolidated EBITDA for 2019, held 10.7% of the Issuer’s consolidated total assets as of December 31, 2019 and had no outstanding Indebtedness as of December 31, 2019. In addition, under the circumstances described below under the caption *“– Certain Covenants-Designation of Restricted and Unrestricted Subsidiaries,”* the Issuer will be permitted to designate certain of its other Subsidiaries as Unrestricted Subsidiaries. Although interactions between the Issuer and the Restricted Subsidiaries, on the one hand, and the Unrestricted Subsidiaries, on the other hand, will be restricted by the covenants set forth in the Indenture, the Unrestricted Subsidiaries will not be restricted by those covenants and will not guarantee the Notes. See *“Risk Factors – Risks Relating to the Notes and the Note Guarantees – Some of our subsidiaries will not be subject to the restrictive provisions in the Indenture governing the Notes, including restrictions on the incurrence of indebtedness.”*

The Notes will be guaranteed on the Issue Date by NagaCorp (HK) Limited, NagaWorld Limited, NagaCity Walk Limited, Naga 2 Land Limited and Naga 3 Company Limited. No other Restricted Subsidiaries will guarantee the Notes on the Issue Date. Any right of the Issuer or any Guarantor to receive assets of any of their respective Subsidiaries that are not Guarantors upon that Subsidiary’s liquidation or reorganization (and the consequent right of the holders of the Notes to participate in the distribution of those assets) will be effectively subordinated to the claims of that Subsidiary’s creditors. See *“Risk Factors – Risks Relating to the Notes and the Note Guarantees – The Notes and the Note Guarantees will be structurally subordinated to the liabilities of our non-Guarantor subsidiaries.”*

The Issuer and the Guarantors generated 99.7% of the Issuer’s consolidated EBITDA for 2019 and held 84.6% of the Issuer’s consolidated total assets as of December 31, 2019.

Principal, Maturity and Interest

The Issuer will issue US\$350 million in aggregate principal amount of Notes in this offering. The Issuer may issue additional Notes under the Indenture from time to time after this offering (*“Additional Notes”*). Any issuance of Additional Notes is subject to all of the covenants in the Indenture, including the covenant described below under the caption *“– Certain Covenants-Incurrence of Indebtedness and Issuance of Preferred Stock.”* The Notes and any Additional Notes subsequently issued under the Indenture (or a supplement thereto) will be treated as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase; *provided* that, if any issuance of Additional Notes is not fungible with the Notes for U.S. federal income tax purposes, such Additional Notes shall have a different CUSIP number than any previously issued Notes but shall otherwise be treated as a single class with all other Notes issued under the Indenture. The Issuer will issue Notes in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. The Notes will mature on July 6, 2024.

Interest on the Notes will accrue at the rate of 7.95% per annum and will be payable semi-annually in arrears on January 6 and July 6, commencing on January 6, 2021. Interest on overdue principal, interest and premium, if any, will accrue at a rate that is 1% higher than the then applicable interest rate on the Notes. The Issuer will make each interest payment to the holders of record on the immediately preceding June 21 and December 22.

Interest on the Notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Additional Amounts

All payments by or on behalf of the Issuer under the Notes and all payments under the Note Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, including penalties and interest and other similar liabilities related thereto (“**Taxes**”) imposed or levied by or within any jurisdiction in which the Issuer or any applicable Guarantor is incorporated, organized or resident for tax purposes or engaged in business for tax purposes (or any political subdivision or taxing authority thereof or therein) or any jurisdiction from or through which payment is made by or on behalf of the Issuer or any Guarantor (including the jurisdiction of any paying agent) (or any political subdivision or taxing authority thereof or therein) (each, as applicable, a “*Relevant Jurisdiction*”), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In such event, the Issuer or the applicable Guarantor, as the case may be, will make such withholding or deduction, make payment of the amount so withheld or deducted to the appropriate governmental authority and will pay such additional amounts (“*Additional Amounts*”) as will result in receipt of such amounts as would have been received had no such withholding or deduction been required, *provided* that no Additional Amounts will be payable:

- (1) for or on account of:
 - (a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:
 - (i) the existence of any present or former connection between the holder of the Note or beneficial owner of such Note or Note Guarantee, as the case may be, and the Relevant Jurisdiction including, without limitation, such holder or beneficial owner being or having been a citizen or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein, other than merely by acquisition, holding or disposition of such Note or Note Guarantee or the enforcement of or receipt of payments thereunder or under the Note Guarantee;
 - (ii) the presentation of such Note (where presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, or interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;
 - (iii) the failure of the holder or beneficial owner of such Note or Note Guarantee to comply (to the extent such holder or beneficial owner is legally eligible to do so) with a timely request of the Issuer or any applicable Guarantor addressed to the holder or beneficial owner, as the case may be, to provide information concerning such holder’s or beneficial owner’s nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request would have reduced or eliminated any withholding or deduction as to which Additional Amounts would have otherwise been payable to such holder; or
 - (iv) the presentation of such Note (where presentation is required) for payment in the Relevant Jurisdiction, unless such withholding or deduction could have been avoided by presentation of such Note in any other Relevant Jurisdiction;
 - (b) any withholding or deduction that is required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “*Code*”), or otherwise pursuant to Section 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing any inter-government approach thereto;
 - (c) any estate, inheritance, gift, sale, transfer, excise or personal property or similar tax, assessment or other governmental charge;

- (d) any taxes that are payable other than by withholding or deduction from payments of principal of, or premium (if any) or interest on the Note or payments under the Note Guarantees; or
 - (e) any combination of taxes referred to in the preceding clauses (a), (b) and (c); or
- (2) with respect to any payment of the principal of, or premium (if any) or interest on, such Note or any payment under such Note Guarantee to or for the account of a fiduciary, partnership or other fiscally transparent entity or any other person (other than the sole beneficial owner of such payment) to the extent that a beneficiary or settlor with respect to that fiduciary, or a partner or member of that partnership or fiscally transparent entity or a beneficial owner with respect to such other person, as the case may be, who would not have been entitled to such Additional Amounts had such beneficiary, settlor, partner, member or beneficial owner held directly the Note with respect to which such payment was made.

In addition to the foregoing, the Issuer and the Guarantors will pay and indemnify the holder and beneficial owners for any present or future stamp, issue, registration, transfer, court, documentary, excise, property, or other similar Tax levied by any Relevant Jurisdiction (or in the case of enforcement, any jurisdiction) in connection with the execution, delivery, registration or enforcement (in each case, other than on or in connection with a transfer of the Notes that occurs after the initial sale by the initial purchasers) of any of the Notes, the Note Guarantees or any other document or instrument referred to therein, or the receipt of any payments with respect thereto (limited, solely in the case of Taxes attributable to the receipt of any payments with respect thereto, to any such Taxes imposed in a relevant Tax Jurisdiction that are not excluded under immediately preceding clauses (1)(a), 1(b) and (2) or any combination thereof).

If the Issuer or any Guarantor, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes or any Note Guarantee, the Issuer or the relevant Guarantor, as the case may be, will deliver to the Trustee on a date at least 30 days prior to the date of payment (unless the obligation to pay Additional Amounts arises after the 30th day prior to that payment date, in which case the Issuer or the relevant Guarantor shall notify the Trustee promptly thereafter) an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Officer's Certificate must also set forth any other information reasonably necessary to enable the paying agent to pay Additional Amounts on the relevant payment date. The Trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary. The Issuer or the relevant Guarantor will provide the Trustee with documentation satisfactory to the Trustee evidencing the payment of Additional Amounts.

Whenever there is mentioned in the Indenture or this "Description of the Notes" in any context any payment under any Note or Note Guarantee, such mention will be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The above obligations will survive any termination, defeasance or discharge of the Indenture, any transfer by a holder or beneficial owner of its Notes, and will apply, *mutatis mutandis*, to any jurisdiction in which any successor Person to the Issuer or any Guarantor is then incorporated, organized, resident for tax purposes or engaged in business for tax purposes (or any political subdivision or taxing authority thereof or therein) or any jurisdiction from or through which payment under, or with respect to, the Notes or any Note Guarantee is made by or on behalf of such successor Person (including the jurisdiction of any paying agent) (or any political subdivision or taxing authority thereof or therein).

Paying Agent and Registrar for the Notes

The Trustee will initially act as paying agent and registrar. The Issuer may change the paying agent or registrar with prior written notice to the Trustee but without prior notice to the holders of the Notes, and the Issuer or any of its Subsidiaries may act as paying agent or registrar.

Transfer and Exchange

A holder may transfer or exchange Notes in accordance with the Indenture. Holders will be required to furnish, among other things, appropriate endorsements and transfer documents in connection with a transfer of Notes. Holders of the Notes will be required to pay all taxes due on transfer. The Issuer will not be required to transfer or exchange any Note selected for redemption. Also, the Issuer will not be required to transfer or exchange any Note for a period of 15 days prior to the mailing of a notice of redemption of Notes to be redeemed.

If and for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, if the global certificate is exchanged for certificates in definitive form, the Issuer will appoint and maintain a paying agent in Singapore where the Notes may be presented or surrendered for payment or redemption. If a global certificate is exchanged for certificates in definitive form, an announcement of the exchange will be made by or on behalf of the Issuer through the SGX-ST that will include all material information with respect to the delivery of the definitive certificates, including details of the Singapore paying agent, if and for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

Note Guarantees

The Issuer's obligations under the Notes and the Indenture will be guaranteed by (i) NagaCorp (HK) Limited, NagaWorld Limited, NagaCity Walk Limited, Naga 2 Land Limited and Naga 3 Company Limited on the Issue Date and (ii) each future Restricted Subsidiary as set forth under “– *Additional Note Guarantees*” (subject to the limitations described therein). The Issuer will use commercially reasonable efforts to obtain such consents as may be required to enable Ariston to become a Guarantor, as described further under “– *Additional Note Guarantees*.”

The Note Guarantees will be joint and several obligations of the Guarantors. The obligations under the Note Guarantee of each Guarantor will rank *pari passu* in right of payment with all existing and future senior Indebtedness of that Guarantor. The obligations of each Guarantor under its Note Guarantee will be limited as necessary to prevent that Note Guarantee from constituting a fraudulent conveyance under applicable law. See “*Risk Factors – Risks Relating to the Notes and the Note Guarantees – The Note Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair their enforceability.*”

The Note Guarantee of a Guarantor will be released:

- (1) in connection with any sale or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger or consolidation) to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary, if the sale or other disposition does not violate the “Asset Sale” provisions of the Indenture;
- (2) in connection with any sale or other disposition of the Capital Stock of that Guarantor to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary, if the sale or other disposition does not violate the “Asset Sale” provisions of the Indenture and the Guarantor ceases to be a Restricted Subsidiary as a result of the sale or other disposition;
- (3) upon the merger or consolidation of any Guarantor with and into the Issuer or a Wholly Owned Guarantor (or a Wholly Owned Restricted Subsidiary that becomes a Guarantor concurrently with the transaction) that is the surviving Person in such merger or consolidation, or upon the liquidation of such Guarantor following the transfer of all or substantially all of its assets to the Issuer or a Wholly Owned Guarantor (or a Wholly Owned Restricted Subsidiary that becomes a Guarantor concurrently with the transaction);
- (4) if the Issuer designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary in accordance with the Indenture;

- (5) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided below under the captions “– *Legal Defeasance and Covenant Defeasance*” and “– *Satisfaction and Discharge*”;
- (6) as described under “– Amendment, Supplement and Waiver,” or
- (7) upon repayment of the Notes in full.

Optional Redemption

At any time prior to July 6, 2022, the Issuer may on any one or more occasions redeem up to 35% of the aggregate principal amount of Notes issued under the Indenture at a redemption price of 107.95% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date, with the net cash proceeds of one or more Equity Offerings; *provided* that:

- (1) at least 65% of the aggregate principal amount of Notes originally issued under the Indenture (excluding Notes held by the Issuer and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and
- (2) the redemption occurs within 45 days of the date of the closing of such Equity Offering.

Any redemption notice given in respect of the redemption referred to in the preceding paragraph may be given prior to completion of the related Equity Offering, and any such redemption or notice may, at the discretion of the Issuer, be subject to the satisfaction of one or more conditions precedent, including the completion of the related Equity Offering.

At any time prior to July 6, 2022, the Issuer may also redeem all or a part of the Notes, upon not less than 10 nor more than 60 days’ prior notice to each holder of Notes, at a redemption price equal to 100% of the principal amount of Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to the date of redemption (the “*Redemption Date*”), subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date. Any such redemption and notice may, at the discretion of the Issuer, be subject to the satisfaction of one or more conditions precedent.

Except pursuant to the preceding paragraphs and “– *Gaming Redemption*” and “– *Redemption for Taxation Reasons*” below, the Notes will not be redeemable at the Issuer’s option prior to July 6, 2022.

On or after July 6, 2022, the Issuer may redeem all or a part of the Notes upon not less than 10 nor more than 60 days’ notice to each holder of Notes, at the redemption prices (expressed as percentages of the principal amount) set forth below, plus accrued and unpaid interest, if any, on the Notes redeemed, to the applicable redemption date, if redeemed during the twelve-month period beginning on July 6 of the years indicated below, subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant interest payment date.

Year	Redemption Price
2022	103.9750%
2023	101.9875%

Unless the Issuer defaults in the payment of the redemption price or fails to satisfy the conditions precedent to the redemption and thereby terminates the redemption, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

Gaming Redemption

Each holder, by accepting a Note, shall be deemed to have agreed that if the Gaming Authority of any jurisdiction in which the Issuer or any of its Subsidiaries or any Permitted Holder conducts or proposes to conduct gaming requires that a person who is a holder or beneficial owner of Notes be licensed, qualified or found suitable under applicable Gaming Laws, such holder or beneficial owner, as the case may be, shall apply for a license, qualification or a finding of suitability within the required time period. If such person fails to apply or become licensed or qualified or is found unsuitable, the Issuer shall have the right, at its option:

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

The Issuer shall notify the Trustee in writing of any such redemption as soon as practicable. Neither the Issuer nor the Trustee shall be responsible for any costs or expenses any holder or beneficial owner of Notes may incur in connection with its application for a license, qualification or a finding of suitability.

Redemption for Taxation Reasons

The Notes may be redeemed, at the option of the Issuer, as a whole but not in part, upon giving not less than 10 days' nor more than 60 days' notice to the holders (which notice will be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest and Additional Amounts, if any, to the date fixed by the Issuer for redemption if, as a result of:

- (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or
- (2) any change in, or amendment to, an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment becomes effective or, in the case of an official position, is announced on or after the date of the Indenture with respect to any payment due or to become due under the Notes, the Indenture or a Note Guarantee, the Issuer or a Guarantor (but, in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the Issuer or another Guarantor without the obligation to pay Additional Amounts), as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the Issuer or a Guarantor, as the case may be, taking reasonable measures available to it; *provided* that for the avoidance of doubt changing

the jurisdiction of the Issuer or a Guarantor is not a reasonable measure for the purposes of this section; *provided, further*, that no such notice of redemption will be given earlier than 90 days prior to the earliest date on which the Issuer or a Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due and unless at the time such notice is given, the obligation to pay Additional Amounts remains in effect.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer or a Guarantor, as the case may be, will deliver to the Trustee:

- (1) an Officer's Certificate certifying that such change or amendment referred to in the prior paragraph has occurred, and describing the facts related thereto and certifying that such requirement cannot be avoided by the Issuer or a Guarantor (but, in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the Issuer or another Guarantor without the obligation to pay Additional Amounts), as the case may be, taking reasonable measures available to it; and
- (2) a legal opinion of counsel or an opinion of a tax consultant of recognized international standing certifying that the requirement to pay such Additional Amounts results from such change or amendment referred to in the prior paragraph, and that all conditions precedent to such redemption have been met.

The Trustee will accept, and shall be fully indemnified in relying upon, such certificate and legal opinion or opinion of tax consultant as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it will be conclusive and binding on the holders.

Any Notes that are redeemed will be cancelled.

No Sinking Fund

The Issuer will not be required to make any sinking fund payments with respect to the Notes.

Open Market Purchases

The Issuer may at any time and from time to time purchase Notes in the open market or otherwise. Any Notes, while held by the Issuer or any of its Affiliates, will not entitle the holder to vote the Notes and shall not be deemed outstanding for purposes of waivers and consents or other actions by holders of the Notes. Any Notes repurchased must be cancelled.

Repurchase at the Option of Holders

Change of Control

Upon the occurrence of a Change of Control, each holder of Notes will have the right to require the Issuer to repurchase all or any part of such holder's Notes pursuant to a Change of Control Offer (as defined below) on the terms set forth in the Indenture. In the Change of Control Offer, the Issuer will offer to purchase the Notes at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Within ten days following any Change of Control, the Issuer will mail a notice to each holder describing the transaction or transactions that constitute the Change of Control and offering to repurchase Notes on the Change of Control Payment Date specified in the notice, which date will be no earlier than 10 days and no later than 60 days from the date such notice is mailed, pursuant to the procedures required by the Indenture and described in such notice.

The Issuer will comply with the applicable requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations in connection with the repurchase of Notes pursuant to the Change of Control provisions of the Indenture. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of such compliance.

On the Change of Control Payment Date, the Issuer will, to the extent lawful:

- (1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;
- (2) deposit with the paying agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and
- (3) deliver or cause to be delivered to the Trustee the Notes properly accepted together with an Officer's Certificate certifying the aggregate principal amount of Notes or portions of Notes being purchased by the Issuer, certifying that all conditions precedent to such repurchase have been met.

The paying agent will mail to each holder of Notes properly tendered the Change of Control Payment for such Notes as soon as practicable, and the Trustee will authenticate and mail as soon as practicable (or cause to be transferred by book entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any. The Issuer will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The provisions described above that require the Issuer to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the holders of the Notes to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer, or (2) notice of redemption has been given pursuant to the Indenture as described above under the caption "*– Optional Redemption,*" unless and until there is a default in payment of the applicable redemption price. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made. The closing date of any such Change of Control Offer made in advance of a Change of Control may be changed to conform to the actual closing date of the Change of Control, provided that such closing date is not earlier than 10 days nor later than 60 days from the date the Change of Control Offer notice is mailed as described in the first paragraph of this section.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of the Issuer and its Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require the Issuer to repurchase its Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Issuer and its Subsidiaries taken as a whole to another Person or group may be uncertain.

Asset Sales

The Issuer will not, and will not permit any Restricted Subsidiary to, consummate an Asset Sale unless:

- (1) the Issuer (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets or Equity Interests issued or sold or otherwise disposed of; and
- (2) at least 75% of the consideration received in the Asset Sale by the Issuer or such Restricted Subsidiary is in the form of cash. For purposes of making this calculation under this clause (2), each of the following will be deemed to be cash:
 - (a) any liabilities, as shown on the Issuer's most recent consolidated balance sheet, of the Issuer or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Note Guarantee) that are assumed by the transferee of any such assets pursuant to a customary novation agreement that releases the Issuer or such Restricted Subsidiary from further liability;
 - (b) any securities, notes or other obligations received by the Issuer or any such Restricted Subsidiary from such transferee that are converted by the Issuer or such Restricted Subsidiary into cash or Cash Equivalents within 90 days following the closing of such Asset Sale, to the extent of the cash or Cash Equivalents received in that conversion; and
 - (c) any Capital Stock or assets of the kind referred to in clauses (2) or (4) of the next paragraph of this covenant.

The preceding paragraph will not apply to any Event of Loss.

Within 360 days after the receipt of any Net Proceeds from an Asset Sale, the Issuer (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Proceeds:

- (1) to repay (a) Indebtedness, other than Subordinated Indebtedness, of the Issuer or a Guarantor, (b) Indebtedness of the Issuer or a Guarantor secured by the asset that is the subject of such Asset Sale or (c) Indebtedness of a Restricted Subsidiary that is not a Guarantor, and in each case if the Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto;
- (2) to acquire all or substantially all of the assets of, or any Capital Stock of, a Person undertaking a Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Person is or becomes a Restricted Subsidiary (*provided* that (a) such acquisition funded with any proceeds from an Event of Loss occurs within the date that is 545 days after receipt of the Net Proceeds from the relevant Event of Loss to the extent that a binding agreement to acquire such assets or Capital Stock is entered into on or prior to the date that is 360 days after receipt of the Net Proceeds from the relevant Event of Loss, and (b) if such acquisition is not consummated within the period set forth in clause (a), the Net Proceeds not so applied will be deemed to be Excess Proceeds);
- (3) to make a capital expenditure (*provided* that (a) such capital expenditure funded with any proceeds from an Event of Loss occurs within the date that is 545 days after receipt of the Net Proceeds from the relevant Event of Loss to the extent that filings with the relevant Gaming Authorities have been made within 360 days of such Event of Loss, and (b) if such capital expenditure is not commenced in the time period set forth in clause (a), the Net Proceeds not so applied will be deemed to be Excess Proceeds);

- (4) to acquire other assets that are not classified as current assets under GAAP or that replace the properties or assets that were the subject of such Asset Sale and that are used or useful in a Permitted Business (*provided* that (a) such acquisition funded from an Event of Loss occurs within the date that is 545 days after receipt of the Net Proceeds from the relevant Event of Loss to the extent that a binding agreement to acquire such assets is entered into on or prior to the date that is 360 days after receipt of the Net Proceeds from the relevant Event of Loss, and (b) if such acquisition is not consummated within the period set forth in clause (a), the Net Proceeds not so applied will be deemed to be Excess Proceeds); or
- (5) enter into a binding commitment regarding clauses (2), (3) or (4) above (in addition to the binding commitments expressly referenced in those clauses); *provided* that such binding commitment shall be treated as a permitted application of Net Proceeds from the date of such commitment until the earlier of (x) the date on which such acquisition or expenditure is consummated and (y) the 180th day following the expiration of the aforementioned 360-day period. To the extent such acquisition or expenditure is not consummated on or before such 180th day and the Issuer or such Restricted Subsidiary shall not have applied such Net Proceeds pursuant to clauses (2), (3) or (4) above on or before such 180th day, such commitment shall be deemed not to have been a permitted application of Net Proceeds, and such Net Proceeds will constitute Excess Proceeds.

Pending the final application of any Net Proceeds, the Issuer may temporarily reduce revolving credit borrowings or invest the Net Proceeds in any manner that is not prohibited by the Indenture.

Any Net Proceeds from Asset Sales that are not applied or invested as provided in the second paragraph of this covenant will constitute “*Excess Proceeds*.” No later than five days after the aggregate amount of Excess Proceeds exceeds US\$5.0 million, the Issuer will make an Asset Sale Offer to all holders of Notes and all holders of other Indebtedness that is *pari passu* with the Notes containing provisions similar to those set forth in the Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets to purchase the maximum principal amount of Notes and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of the principal amount plus accrued and unpaid interest, if any, to the date of purchase, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Issuer may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and other *pari passu* Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Notes and such other *pari passu* Indebtedness will be purchased on a pro rata basis based on the principal amount of the Notes and such other *pari passu* Indebtedness tendered. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

The Issuer will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations, in each case to the extent those laws and regulations are applicable in connection with the repurchase of Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the Indenture, the Issuer will comply with applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue thereof.

The agreements governing other Indebtedness of the Issuer and its Subsidiaries may contain prohibitions of certain events, including events that would constitute a Change of Control or an Asset Sale and including repurchases of or other prepayments in respect of the Notes. The exercise by the holders of Notes of their right to require the Issuer to repurchase the Notes upon a Change of Control or an Asset Sale may cause a default under these other agreements, even if the Change of Control or Asset Sale itself does not, due to the financial effect of such repurchases on the Issuer. If a Change of Control or Asset Sale occurs at a time when the Issuer is prohibited from purchasing Notes, the Issuer could seek the consent of its lenders to the purchase of Notes or could attempt to refinance the borrowings that contain such prohibition. If the Issuer does not obtain a consent or repay those borrowings, the Issuer will remain prohibited from purchasing Notes. In that case, the Issuer’s failure to purchase tendered Notes would constitute an Event of Default which could, in turn, constitute a default under the other indebtedness. Finally, the Issuer’s ability to pay cash to the holders of Notes upon a repurchase may be limited by the Issuer’s then existing financial resources. See “*Risk Factors – Risks Relating to the Notes and the Note Guarantees – We may not be able to repurchase the Notes upon a change of control.*”

Selection and Notice

If less than all of the Notes are to be redeemed at any time, the Trustee, in accordance with the procedures of the depositary, will select Notes for redemption on a pro rata basis unless otherwise required by law or applicable clearing system or stock exchange requirements. No Notes of US\$200,000 or less can be redeemed in part.

Notices of redemption will be delivered electronically or otherwise in accordance with the procedures of the depositary or mailed by first class mail at least 10 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address, except that redemption notices may be delivered more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of that Note that is to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the holder of Notes upon cancellation of the original Note; *provided* that the unredeemed portion has a minimum denomination of US\$200,000. Notes called for redemption become due on the date fixed for redemption. Unless the Issuer defaults in the payment of the redemption price or fails to satisfy the conditions precedent to the redemption and thereby terminates the redemption, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

Certain Covenants

Restricted Payments

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly:

- (1) declare or pay any dividend or make any other payment or distribution on account of the Issuer's or any Restricted Subsidiary's Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Issuer or any Restricted Subsidiary) or to the direct or indirect holders of the Issuer's or any Restricted Subsidiary's Equity Interests in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Issuer and other than dividends or distributions payable to the Issuer or a Restricted Subsidiary);
- (2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Issuer) any Equity Interests of the Issuer or any direct or indirect parent of the Issuer;
- (3) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Subordinated Indebtedness of the Issuer or any Guarantor (excluding any intercompany Indebtedness between or among the Issuer and/or any of the Restricted Subsidiaries), except a payment of interest or principal at the Stated Maturity thereof; or
- (4) make any Restricted Investment

(all such payments and other actions set forth in these clauses (1) through (4) above being collectively referred to as "*Restricted Payments*"), unless, at the time of and after giving effect to such Restricted Payment:

- (1) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;
- (2) the Issuer would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable two semi-annual period, have been permitted to incur at least US\$1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described below under the caption "*– Incurrence of Indebtedness and Issuance of Preferred Stock*"; and

- (3) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Issuer and the Restricted Subsidiaries since the date of the Indenture (excluding Restricted Payments permitted by clauses (2), (3), (4), (6), (7), (8) and (11) of the next succeeding paragraph), is less than the sum, without duplication, of:
- (a) 75% of the Consolidated Cash Flow of the Issuer less 2.25 times Fixed Charges for the period (taken as one accounting period) from January 1, 2020 to the end of the Issuer's most recently ended semi-annual period for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Cash Flow for such period is a deficit, less 100% of such deficit); *plus*
 - (b) 100% of the aggregate net cash proceeds received by the Issuer since the date of the Indenture as a contribution to its common equity capital or from the issue or sale of Equity Interests of the Issuer (other than Disqualified Stock) or from the issue or sale of convertible or exchangeable Disqualified Stock or convertible or exchangeable debt securities of the Issuer that have been converted into or exchanged for such Equity Interests (other than Equity Interests (or Disqualified Stock or debt securities) sold to a Subsidiary of the Issuer) or from the exercise by a Person who is not a Subsidiary of the Issuer of any options, warrants or other rights to acquire Capital Stock of the Issuer; *plus*
 - (c) to the extent that any Restricted Investment that was made after the date of the Indenture is (i) reduced as a result of payments of dividends or interest or repayments of loans or advances to the Issuer or a Restricted Subsidiary, (ii) sold for cash or otherwise liquidated or repaid for cash, the lesser of (A) the cash return of capital with respect to such Restricted Investment (less the cost of disposition, if any) and (B) the initial amount of such Restricted Investment or (iii) is reduced upon the release of a Guarantee granted by the Issuer or a Restricted Subsidiary that constituted a Restricted Investment, to the extent that the initial granting of such Guarantee reduced the restricted payment capacity under this clause (iii); *plus*
 - (d) to the extent that any Unrestricted Subsidiary designated as such after the date of the Indenture is redesignated as a Restricted Subsidiary after the date of the Indenture, the lesser of (i) the Fair Market Value of the Issuer's Investment in such Subsidiary as of the date of such redesignation or (ii) such Fair Market Value as of the date on which such Subsidiary was originally designated as an Unrestricted Subsidiary after the date of the Indenture; *plus*
 - (e) 100% of any dividends received by the Issuer or a Restricted Subsidiary after the date of the Indenture from an Unrestricted Subsidiary, to the extent that such dividends were not otherwise included in the Consolidated Cash Flow of the Issuer for such period; *plus*
 - (f) 100% of the aggregate amount of net cash proceeds received by the Issuer or a Restricted Subsidiary from the sale of any Capital Stock of any Unrestricted Subsidiary.

The preceding provisions will not prohibit:

- (1) the payment of any dividend or the consummation of any irrevocable redemption within 60 days after the date of declaration of the dividend or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of the Indenture;
- (2) the making of any Restricted Payment in exchange for, or out of the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary of the Issuer) of, Equity Interests of the Issuer (other than Disqualified Stock) or from the substantially concurrent contribution of common equity capital to the Issuer; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded from clause (3)(b) of the preceding paragraph;
- (3) the repurchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Issuer or any Guarantor with the net cash proceeds from a substantially concurrent incurrence of Permitted Refinancing Indebtedness;

- (4) the payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary to the holders of its Equity Interests on a pro rata basis or a basis more favorable to the Issuer;
- (5) the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Issuer or any Restricted Subsidiary held by any current or former officer, director or employee of the Issuer or any Restricted Subsidiary or acquired at fair market value in broker's transactions pursuant to any equity subscription agreement, stock option agreement, shareholders' agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed US\$2.0 million in any twelve-month period;
- (6) the repurchase of Equity Interests deemed to occur upon the exercise of stock options to the extent such Equity Interests represent a portion of the exercise price of those stock options;
- (7) the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Issuer or any Restricted Subsidiary issued on or after the date of the Indenture in accordance with the Fixed Charge Coverage Ratio test described below under the caption "*– Incurrence of Indebtedness and Issuance of Preferred Stock*";
- (8) cash payments in lieu of the issuance of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Issuer or any Restricted Subsidiary;
- (9) so long as no Default has occurred and is continuing or would be caused thereby, any other Restricted Payments in an aggregate amount, when taken together with all other Restricted Payments made pursuant to this clause (9), not to exceed US\$25.0 million; and
- (10) any Restricted Payment to the extent required to be made by any Gaming Authority having jurisdiction over the Issuer or any of the Restricted Subsidiaries.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The Fair Market Value of any assets or securities that are required to be valued by this covenant will be determined by the Board of Directors of the Issuer whose resolution with respect thereto will be delivered to the Trustee. The Board of Directors' determination must be based upon an opinion or appraisal issued by an accounting, appraisal or investment banking firm of international standing if the Fair Market Value exceeds US\$30.0 million.

Incurrence of Indebtedness and Issuance of Preferred Stock

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "*incur*") any Indebtedness (including Acquired Debt), and the Issuer will not issue any Disqualified Stock and will not permit any Restricted Subsidiary to issue any shares of preferred stock; *provided, however*, that the Issuer may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock, any Guarantor may incur Indebtedness (including Acquired Debt) or issue preferred stock and any Non-Guarantor Subsidiary may incur Permitted Subsidiary Indebtedness (including Acquired Debt), in each case if the Fixed Charge Coverage Ratio for the Issuer's most recently ended two semi-annual periods for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or such preferred stock is issued, as the case may be, would have been at least 2.25 to 1, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Stock or the preferred stock had been issued, as the case may be, at the beginning of such two semi-annual period.

The first paragraph of this covenant will not prohibit the incurrence of any of the following Indebtedness (collectively, “*Permitted Debt*”):

- (1) [*intentionally left blank*]
- (2) the incurrence by the Issuer and the Restricted Subsidiaries of Existing Indebtedness (other than Indebtedness described in clause (3) of this paragraph);
- (3) the incurrence by the Issuer and the Guarantors of Indebtedness represented by the Notes and the related Note Guarantees to be issued on the date of the Indenture;
- (4) the incurrence by the Issuer or any Restricted Subsidiary of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case, incurred for the purpose of financing all or any part of the purchase price or cost of design, construction, installation or improvement of property, plant or equipment used in a Permitted Business of the Issuer or any Restricted Subsidiary, in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (4), not to exceed the greater of US\$50.0 million and 2.0% of Total Assets at any time outstanding;
- (5) the incurrence by the Issuer or any Restricted Subsidiary of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Indebtedness (other than intercompany Indebtedness) that was permitted by the Indenture to be incurred under the first paragraph of this covenant or clauses (2), (3), (5) or (15) of this paragraph;
- (6) the incurrence by the Issuer or any Restricted Subsidiary of intercompany Indebtedness between or among the Issuer and/or any Restricted Subsidiaries; *provided* that:
 - (a) if the Issuer or any Guarantor is the obligor on such Indebtedness and the payee is not the Issuer or a Guarantor, such Indebtedness must be expressly subordinated to the prior payment in full in cash of all Obligations then due with respect to the Notes, in the case of the Issuer, or the applicable Note Guarantee, in the case of a Guarantor; and
 - (b) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Issuer or a Restricted Subsidiary and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Issuer or a Restricted Subsidiary, will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Issuer or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);
- (7) the issuance by any Restricted Subsidiary to the Issuer or to any other Restricted Subsidiary of shares of preferred stock; *provided, however,* that:
 - (a) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than the Issuer or a Restricted Subsidiary; and
 - (b) any sale or other transfer of any such preferred stock to a Person that is not either the Issuer or a Restricted Subsidiary,
will be deemed, in each case, to constitute an issuance of such preferred stock by such Restricted Subsidiary that was not permitted by this clause (7);
- (8) the incurrence by the Issuer or any Restricted Subsidiary of Hedging Obligations in the ordinary course of business and not for speculative purposes;

- (9) the guarantee by the Issuer or any Guarantors of Indebtedness of the Issuer or a Guarantor that was permitted to be incurred by another provision of this covenant; *provided* that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes, then the guarantee shall be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness guaranteed;
- (10) the incurrence by the Issuer or any Restricted Subsidiary of Indebtedness in respect of workers' compensation claims, self-insurance obligations, bankers' acceptances, performance, bid, appeal and surety bonds or completion of performance guarantees in the ordinary course of business;
- (11) the incurrence by the Issuer or any Restricted Subsidiary of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is extinguished within five business days of its incurrence;
- (12) the incurrence by the Issuer or any Restricted Subsidiary of Indebtedness with a maturity of one year or less used by the Issuer or any Restricted Subsidiary for working capital in an aggregate principal amount at any time outstanding not to exceed 2.0% of Total Assets;
- (13) the incurrence by the Issuer or any Restricted Subsidiary of additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (13), not to exceed US\$50.0 million;
- (14) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from guarantees or letters of credit, surety bonds, or performance bonds securing any obligation of the Issuer or any Restricted Subsidiary pursuant to such agreements, in each case incurred or assumed in connection with the acquisition or disposition of any business, assets or Capital Stock of a Restricted Subsidiary, other than guarantees of Indebtedness incurred by any Person acquiring all or any portion of such business, assets or Capital Stock for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received in connection with such disposition; and
- (15) Indebtedness of any Person incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Restricted Subsidiary (other than Indebtedness incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (ii) otherwise in connection with or contemplation of such acquisition); *provided, however*, that at the time of such acquisition or other transaction, the Issuer would have been able to incur US\$1.00 of additional Indebtedness pursuant to the first paragraph of this covenant after giving pro forma effect to the relevant acquisition or other transaction and the incurrence of such Indebtedness pursuant to this clause (15).

The Issuer will not incur, and will not permit any Guarantor to incur, any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer or such Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the applicable Note Guarantee on substantially identical terms; *provided, however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer solely by virtue of being unsecured or by virtue of being secured on a first or junior Lien basis.

For purposes of determining compliance with this "Incurrence of Indebtedness and Issuance of Preferred Stock" covenant, if an item of proposed Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (2) through (15) above, or is entitled to be incurred pursuant to the first paragraph of this covenant, the Issuer will be permitted to classify such item of Indebtedness on the date of its incurrence, or later reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant.

The accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, the reclassification of preferred stock as Indebtedness due to a change in accounting principles, and the payment of dividends on Disqualified Stock in the form of additional shares of the same class of Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of Disqualified Stock for purposes of this covenant; *provided*, in each such case, that the amount of any such accrual, accretion or payment is included in Fixed Charges of the Issuer as accrued. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or any Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

The amount of any Indebtedness outstanding as of any date will be:

- (1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;
- (2) the principal amount of the Indebtedness, in the case of any other Indebtedness; and
- (3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:
 - (a) the Fair Market Value of such assets at the date of determination; and
 - (b) the amount of the Indebtedness of the other Person.

Liens

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume or permit to exist any Lien of any kind on any asset now owned or hereafter acquired, except Permitted Liens, or, if such Lien is not a Permitted Lien, unless the Notes and the Note Guarantees are equally and ratably secured with the obligations so secured until such time as such obligations are no longer secured by a Lien.

Limitation on Sale and Leaseback Transactions

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into any Sale and Leaseback Transaction; provided that the Issuer or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

- (1) the Issuer or such Restricted Subsidiary, as the case may be, could have (a) incurred Indebtedness in an amount equal to the Attributable Debt relating to such Sale and Leaseback Transaction under the covenant described under the caption “– *Incurrence of Indebtedness and Issuance of Preferred Stock*” and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption “– *Liens*,” in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;
- (2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and
- (3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Issuer or such Restricted Subsidiary, as the case may be, applies the proceeds of such transaction in compliance with, the covenant described under the caption “– *Repurchase at the Option of Holders – Asset Sales*.”

Dividend and Other Payment Restrictions Affecting Subsidiaries

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

- (1) pay dividends or make any other distributions on its Capital Stock to the Issuer or any Restricted Subsidiary, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Issuer or any Restricted Subsidiary;
- (2) make loans or advances to the Issuer or any Restricted Subsidiary; or
- (3) sell, lease or transfer any of its properties or assets to the Issuer or any Restricted Subsidiary.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

- (1) agreements governing Indebtedness or any other agreements as in effect on the date of the Indenture and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other restrictions than those contained in those agreements on the date of the Indenture;
- (2) the Indenture, the Notes and the Note Guarantees;
- (3) applicable law, rule, regulation or order, or governmental license, permit or concession;
- (4) agreements governing other Indebtedness permitted to be incurred under the provisions of the covenant described above under the caption “– *Incurrence of Indebtedness and Issuance of Preferred Stock*” and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the restrictions therein are not materially more restrictive, taken as a whole, than those contained in the Indenture, the Notes and the Note Guarantees;
- (5) any agreement or instrument governing Indebtedness or Capital Stock of a Person or assets acquired by the Issuer or any Restricted Subsidiary as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired (and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements or instruments; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other restrictions than those contained in those agreements or instruments at the time of such acquisition); *provided, further*, that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the Indenture to be incurred;
- (6) customary non-assignment provisions in contracts and licenses entered into in the ordinary course of business;
- (7) purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clause (3) of the preceding paragraph;

- (8) any agreement for the sale or other disposition of Equity Interests or property or assets of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending the sale or other disposition;
- (9) Permitted Refinancing Indebtedness; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;
- (10) Liens permitted to be incurred under the provisions of the covenant described above under the caption “– *Liens*” that limit the right of the debtor to dispose of the assets subject to such Liens;
- (11) provisions limiting dividends or the disposition or distribution of assets or property or Equity Interests in joint venture or operating agreements, asset sale agreements, sale leaseback agreements, stock sale agreements, merger agreements and other similar agreements entered into with the approval of the Issuer’s Board of Directors, which limitation is applicable only to the assets, property or Equity Interests that are the subject of such agreements;
- (12) restrictions on cash or other deposits or net worth imposed by customers or suppliers under contracts entered into in the ordinary course of business; and
- (13) any agreement or instrument with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Subsidiary or its subsidiaries or the property or assets of such Subsidiary or its subsidiaries, and any extensions, refinancing, renewals, supplements or amendments or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal, supplement, amendment or replacement, taken as a whole, are no more restrictive in any material respect than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed, supplemented, amended or replaced.

Merger, Consolidation or Sale of Assets

The Issuer will not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not the Issuer survives); or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Issuer and the Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

- (1) either: (a) the Issuer is the surviving Person; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Issuer) or to which such sale, assignment, transfer, conveyance or other disposition has been made is an entity organized and existing under the laws of the British Virgin Islands, the Cayman Islands, Cambodia, Hong Kong, Malaysia, the United States, any state of the United States or the District of Columbia;
- (2) the Person formed by or surviving any such consolidation or merger (if other than the Issuer) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made assumes all the obligations of the Issuer under the Notes and the Indenture pursuant to a supplemental indenture reasonably satisfactory to the Trustee;
- (3) immediately after such transaction, no Default or Event of Default exists;

- (4) the Issuer or the Person formed by or surviving any such consolidation or merger (if other than the Issuer), or to which such sale, assignment, transfer, conveyance or other disposition has been made, would, on the date of such transaction after giving pro forma effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable two semi-annual period, be permitted to incur at least US\$1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption “– *Incurrence of Indebtedness and Issuance of Preferred Stock*”; and
- (5) the Issuer shall deliver to the Trustee (a) an Officer’s Certificate (attaching the arithmetic computations to demonstrate compliance with clause (4) of this paragraph) and (b) a legal opinion of counsel, in each case stating that such consolidation, merger or transfer and any relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with.

In addition, the Issuer will not, directly or indirectly, lease all or substantially all of the properties and assets of it and the Restricted Subsidiaries taken as a whole, in one or more related transactions, to any other Person.

Subject to the provisions in the Indenture governing release of a Guarantor upon the sale or disposition of a Restricted Subsidiary that is a Guarantor, the Issuer will not permit any Guarantor to, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not such Guarantor survives); or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of such Guarantor in one or more related transactions, to another Person, unless:

- (1) either: (a) such Guarantor is the surviving Person; or (b) the Person formed by or surviving any such consolidation or merger (if other than such Guarantor) or to which such sale, assignment, transfer, conveyance or other disposition has been made is a corporation organized or existing under the laws of the British Virgin Islands, Cayman Islands, Malaysia, any member state of the European Union, Singapore, Hong Kong, the United States, any state of the United States or the District of Columbia;
- (2) the Person formed by or surviving any such consolidation or merger (if other than such Guarantor) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made assumes all the obligations of such Guarantor under the Notes, the Indenture and the Note Guarantees pursuant to a supplemental indenture satisfactory to the Trustee;
- (3) immediately after such transaction, no Default or Event of Default exists; and
- (4) with respect to the consolidation, or merger of, or the sale, assignment, transfer, conveyance or other disposition of all or substantially all of the properties or assets of a Guarantor, the Issuer would, on the date of such transaction after giving pro forma effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable two semi-annual period, be permitted to incur at least US\$1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption “– *Incurrence of Indebtedness and Issuance of Preferred Stock*.”

This “Merger, Consolidation or Sale of Assets” covenant will not apply to:

- (1) a merger of the Issuer or a Guarantor, as the case may be, with an Affiliate solely for the purpose of reincorporating or reorganizing the Issuer or a Guarantor, as the case may be, in another jurisdiction, *provided* such jurisdiction is a jurisdiction listed in clause (1) of the preceding paragraph; or
- (2) any consolidation or merger, or any sale, assignment, transfer, conveyance or other disposition of assets between or among the Issuer and the Guarantors or between or among Guarantors.

Transactions with Affiliates

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, (a) any holder (or any Affiliate of such holder) of 10% or more of any class of Capital Stock of the Issuer or (b) any Affiliate of the Issuer or any Restricted Subsidiary (each, an “*Affiliate Transaction*”), unless:

- (1) the Affiliate Transaction is on terms that are no less favorable to the Issuer or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Restricted Subsidiary with a Person that is not such a holder or Affiliate of the Issuer or such Restricted Subsidiary; and
- (2) the Issuer delivers to the Trustee:
 - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$30.0 million, a resolution of the Board of Directors of the Issuer set forth in an Officer’s Certificate certifying that such Affiliate Transaction complies with this covenant and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors of the Issuer; and
 - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$45.0 million, an opinion as to the fairness to the Issuer or such Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of international standing, or other recognized independent expert of international standing with experience appraising the terms and conditions of the type of transaction or series of related transactions.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

- (1) any employment agreement, service agreement (including with officers and directors), employee benefit plan (including compensation, retirement, disability, severance and other similar plan), officer or director indemnification agreement, stock option or incentive plan or agreement, employee equity subscription agreement or any similar arrangement entered into by the Issuer or any Restricted Subsidiary in the ordinary course of business and payments pursuant thereto;
- (2) transactions between or among the Issuer and/or the Restricted Subsidiaries;
- (3) transactions with a Person (other than an Unrestricted Subsidiary) that is an Affiliate of the Issuer solely because the Issuer owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;
- (4) payment of reasonable and customary fees and reimbursement of expenses (pursuant to indemnity arrangements or otherwise) of officers, directors, employees or consultants of the Issuer or any Restricted Subsidiary;
- (5) any issuance of Equity Interests (other than Disqualified Stock) of the Issuer to any holder of 10% or more of any class of Capital Stock of the Issuer or to Affiliates of the Issuer;
- (6) Restricted Payments that do not violate the provisions of the Indenture described above under the caption “– *Restricted Payments*”;

- (7) transactions contemplated pursuant to agreements or arrangements in effect on the Issue Date and described or disclosed in this Offering Memorandum, or any amendment or modification or replacement thereof that is not materially more disadvantageous to the Issuer or any Restricted Subsidiary than the agreement or arrangement in effect on the Issue Date;
- (8) transactions or arrangements with customers, clients, suppliers or sellers of goods or services in the ordinary course of business and otherwise in compliance with the terms of the Indenture, on terms that are fair to the Issuer or any Restricted Subsidiary, as applicable, or are no less favorable than those that might reasonably have been obtained in a comparable transaction at such time on an arms-length basis from a Person that is not an Affiliate of the Issuer;
- (9) any agreement between any Person and an Affiliate of such Person existing at the time such Person is acquired by or merged into the Issuer or any Restricted Subsidiary; *provided* that such agreement was not entered into in connection with such acquisition or merger, or any amendment or modification or replacement thereof that is not materially more disadvantageous to such Person, the Issuer or any Restricted Subsidiary than the agreement or arrangement in effect on the date of such acquisition or merger;
- (10) loans or advances to employees in the ordinary course of business not to exceed US\$1.0 million in the aggregate at any time outstanding; and
- (11) the payment of compensation to employees, officers and directors of the Issuer or any Restricted Subsidiary pursuant to an employee stock or share option scheme, so long as such scheme is approved by the Board of Directors in good faith, or if the Issuer or such Restricted Subsidiary is listed on an internationally recognized stock exchange, in compliance with the listing rules of such stock exchange.

Business Activities

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; *provided, however*, that the Issuer or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or a joint venture or another entity that is not a Subsidiary that is engaged in businesses other than Permitted Businesses as long as any Investment therein was not prohibited when made under the covenant described under the caption “– *Restricted Payments.*”

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Issuer will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell, any shares of Capital Stock of a Restricted Subsidiary (including in each case options, warrants or other rights to purchase shares of such Capital Stock) except:

- (1) to the Issuer or a Restricted Subsidiary;
- (2) to the extent such Capital Stock represents director’s qualifying shares or is required by law to be held by a Person other than the Issuer or a Restricted Subsidiary;
- (3) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided* that the Issuer or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the covenant described under the caption “– *Repurchase at the Option of Holders – Asset Sales*”; and
- (4) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer be a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the “Restricted Payments” covenant if made on the date of such issuance or sale and *provided* that the Issuer complies with the covenant described under the caption “– *Repurchase at the Option of Holders – Asset Sales.*”

Additional Note Guarantees

The Issuer will cause Ariston (i) to apply, as soon as practicable, to Bank Negara (the central bank of Malaysia) for consent to guarantee the Notes, (ii) to use commercially reasonable efforts to obtain such consent and any other consent or approval required to enable Ariston to become a Guarantor and (iii) promptly after receiving such consent (if at all), to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which Ariston will become a Guarantor. No assurance can be made that such consent will be obtained or that Ariston will become a Guarantor. The Issuer will use commercially reasonable efforts to cause any other License Holder (to the extent not already a Guarantor), as soon as practicable after such Person becomes a License Holder, to obtain such consents or approvals required to enable such Person to become a Guarantor and to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such License Holder will become a Guarantor. No assurance can be made that such consents or approvals will be obtained or that such Person will become a Guarantor.

The Issuer will cause each future Restricted Subsidiary (other than any Listed Subsidiary), within 30 days after becoming a Restricted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will become a Guarantor. The Issuer will cause each Listed Subsidiary (if any), within 30 days after ceasing to be a Listed Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will become a Guarantor. Notwithstanding the foregoing, the Issuer may elect to have any Restricted Subsidiary (including any Listed Subsidiary that ceases to be a Listed Subsidiary) not become a Guarantor, *provided* that, after giving effect to the Consolidated Assets and Consolidated Revenues of such Restricted Subsidiary, the Consolidated Assets and Consolidated Revenues of all Restricted Subsidiaries that are not Guarantors (other than any Listed Subsidiaries) do not account for more than 10.0% of Total Assets or 10.0% of Total Revenues. Restricted Subsidiaries that are not Guarantors are referred to as “*Non-Guarantor Subsidiaries*.”

If, at any time, the Consolidated Assets or Consolidated Revenues of all Non-Guarantor Subsidiaries (excluding any Listed Subsidiaries) exceed 10.0% of Total Assets or 10.0% of Total Revenues, the Issuer must promptly (i) cause one or more such Non-Guarantor Subsidiaries to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Non-Guarantor Subsidiaries will become Guarantors, (ii) designate one or more Non-Guarantor Subsidiaries as Unrestricted Subsidiaries, *provided* that such designation is permitted under the Indenture, and/or (iii) cause one or more Non-Guarantor Subsidiaries to pay dividends or make distributions on or with respect to their respective Capital Stock pro rata to their respective shareholders or on a basis more favorable to the Issuer, *provided* that such payment of dividends or distribution is permitted under the Indenture, such that the Consolidated Assets and Consolidated Revenues of all Non-Guarantor Subsidiaries (excluding any Listed Subsidiaries) no longer exceed 10.0% of Total Assets or 10.0% of Total Revenues.

Such execution and delivery of a supplemental indenture, designation as an Unrestricted Subsidiary and/or payment of dividends or distributions, as the case may be, must be made no later than 30 days after the date any consolidated financial statements of the Issuer (which the Issuer shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements) which show that the Consolidated Assets and Consolidated Revenues of all Non-Guarantor Subsidiaries (excluding any Listed Subsidiary) exceed 10.0% of Total Assets or 10.0% of Total Revenues.

Notwithstanding the foregoing, the Issuer will not be obligated to cause any Restricted Subsidiary to Guarantee the Notes to the extent that such Note Guarantee would reasonably be expected to give rise to or result in a violation of applicable law.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors of the Issuer may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Issuer and the Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under the covenant described above under the caption “– *Restricted Payments*” or under one or more clauses of the definition of Permitted Investments, as determined by the Issuer. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary so designated otherwise meets the definition of an Unrestricted Subsidiary. Any designation of a Restricted Subsidiary as an Unrestricted Subsidiary will be evidenced to the Trustee by delivering to the Trustee a certified copy of a resolution of the Board of Directors giving effect to such designation and an Officer’s Certificate certifying that such designation complied with the preceding conditions and was permitted by the covenant described above under the caption “– *Restricted Payments*.”

The Board of Directors of the Issuer may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under the covenant described under the caption “– *Incurrence of Indebtedness and Issuance of Preferred Stock*,” calculated on a pro forma basis as if such designation had occurred at the beginning of the reference period; and (2) no Default or Event of Default would be in existence following such designation.

Payments for Consent

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is paid to all holders of the Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

Notwithstanding the foregoing, the Issuer and any Restricted Subsidiary shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes, to exclude holders of the Notes in any jurisdiction where (a) the solicitation of such consent, waiver or amendment, including in connection with an offer to purchase for cash or an exchange offer, or (b) the payment of the consideration therefor, would require the Issuer or any Restricted Subsidiary to (i) file a registration statement, prospectus or similar document or subject the Issuer or any Restricted Subsidiary to ongoing periodic reporting or similar requirements under any securities laws (including but not limited to, the United States federal securities laws and the laws of the European Union or its member states), (ii) qualify as a foreign corporation or other entity as a dealer in securities in such jurisdiction if it is not otherwise required to so qualify, (iii) generally consent to service of process in any such jurisdiction or (iv) subject the Issuer or any Restricted Subsidiary to taxation in any such jurisdiction if it is not otherwise so subject, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Issuer in its sole discretion.

Use of Proceeds

The Issuer will use the proceeds from the offering of the Notes as set forth in the Offering Memorandum (or, in the case of Additional Notes, as set forth in the offering memorandum for the offering of such Additional Notes).

Maintenance of Insurance

The Issuer will, and will cause each Restricted Subsidiary to, maintain insurance with reputable and financially sound carriers against such risks and in such amounts as in effect on the Issue Date or as otherwise it reasonably and in good faith determines to be prudent, including, without limitation, property and casualty insurance.

Government Approvals and Licenses; Compliance with Law

The Issuer will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Business; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Issuer and the Restricted Subsidiaries taken as a whole or (b) the ability of the Issuer or any Guarantor to perform its obligations under the Notes, the relevant Note Guarantee or the Indenture.

Maintenance of Ratings

The Issuer will use commercially reasonable best efforts to maintain a rating of the Notes from at least two “nationally recognized statistical rating organizations” (as defined in Section 3(a)(62) of the Exchange Act).

Reports

So long as any of the Notes remain outstanding, the Issuer will file with the Trustee and furnish to the holders upon request, as soon as they are available but in any event not more than 10 days after they are filed with The Stock Exchange of Hong Kong Limited or any other internationally recognized stock exchange on which the Issuer’s Common Stock is at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided* that, if at any time the Issuer’s Common Stock ceases to be listed for trading on The Stock Exchange of Hong Kong Limited or any other internationally recognized stock exchange, the Issuer will file with the Trustee and furnish to the holders:

- (1) as soon as they are available, but in any event within 90 days after the end of each fiscal year of the Issuer, copies of its consolidated financial statements for such financial year (including a statement of income, balance sheet and cash flow statement), in English and audited by a member firm of an internationally recognized firm of independent accountants together with management’s discussion and analysis comparing the financial results of such fiscal year to the prior fiscal year;
- (2) as soon as they are available, but in any event within 60 days after the end of the first semi-annual period of each fiscal year of the Issuer, copies of its consolidated financial statements for such semi-annual period (including a statement of income, balance sheet and cash flow statement) in English and reviewed by a member firm of an internationally recognized firm of independent accountants; and
- (3) promptly after the occurrence of (i) any Material Acquisition or Disposition or material restructuring, (ii) any senior executive officer changes at the Issuer, or change in auditors of the Issuer, or (iii) any other material event not in the ordinary course of business, solely with respect to this sub-clause (iii), that the Issuer announces publicly, a report containing a description of such event and, in the event of the occurrence of any Material Acquisition or Disposition, within 75 days following the occurrence of such Material Acquisition or Disposition, unaudited *pro forma* consolidated income statement information and balance sheet information of the Issuer, in English (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any such Material Acquisition or Disposition.

The Trustee will have no responsibility to determine whether any filings have occurred and the delivery of such reports, information and documents to the Trustee is for informational purposes only. The Trustee’s receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer’s compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on an Officer’s Certificate certifying compliance with such covenants and conditions precedent).

The annual and semi-annual financial statements required by the preceding paragraphs will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, and in the management's discussion and analysis, of the financial condition and results of operations of the Issuer and the Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries.

In addition, so long as any of the Notes remain outstanding, the Issuer will provide to the Trustee (1) within 120 days after the end of each fiscal year of the Issuer, an Officer's Certificate stating the Fixed Charge Coverage Ratio and the Consolidated Cash Flow with respect to the two most recent semi-annual periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio and the Consolidated Cash Flow, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio and the Consolidated Cash Flow with a certificate from the Issuer's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; and (2) as soon as possible and in any event within 30 days after the Issuer becomes aware or should reasonably become aware of the occurrence of a Default or an Event of Default, an Officer's Certificate setting forth the details of the Default or the Event of Default, and the action which the Issuer proposes to take with respect thereto.

Events of Default and Remedies

Each of the following is an "*Event of Default*":

- (1) default for 30 days in the payment when due of interest on, and Additional Amounts, if any, with respect to, the Notes;
- (2) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Notes;
- (3) failure by the Issuer or any Restricted Subsidiary to comply with its obligations under the provisions described under the captions "*– Repurchase at the Option of Holders*" or "*– Certain Covenants – Merger, Consolidation or Sale of Assets*";
- (4) failure by the Issuer or any Restricted Subsidiary to comply with any of the other agreements in the Indenture, the Note Guarantees or the Notes (other than a default specified in clauses (1), (2) and (3) of this paragraph), which failure is continuing for 60 days after notice to the Issuer by the Trustee or the holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class;
- (5) default under any agreement, mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any Restricted Subsidiary (or the payment of which is guaranteed by the Issuer or any Restricted Subsidiary), whether such Indebtedness or Guarantee now exists, or is incurred after the date of the Indenture, if that default:
 - (a) is caused by a failure to pay principal of, or interest or premium, if any, on, such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "*Payment Default*"); or
 - (b) results in the acceleration of such Indebtedness prior to its express maturity,

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates US\$20.0 million or more;

- (6) failure by the Issuer or any Restricted Subsidiary to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of US\$20.0 million, which judgments are not paid, discharged or stayed for a period of 60 days;

- (7) except as permitted by the Indenture or the applicable Note Guarantee, any Note Guarantee is held in any judicial proceeding in a competent jurisdiction to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor, or any Person acting on behalf of any Guarantor, denies or disaffirms its obligations under its Note Guarantee;
- (8) certain events of bankruptcy or insolvency described in the Indenture with respect to the Issuer or any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary; and
- (9) revocation, termination or rescission of the Casino License which is continuing for a period of 60 days.

In the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to the Issuer, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in aggregate principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately.

Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding Notes may direct the Trustee in writing in its exercise of any trust or power. The Trustee may withhold from holders of the Notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal, interest or premium, or Additional Amounts, if any.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any holders of Notes unless such holders have offered (and if requested, provided) to the Trustee indemnity or security satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium, if any, or interest, or Additional Amounts, if any, when due, no holder of a Note may pursue any remedy with respect to the Indenture or the Notes unless:

- (1) such holder has previously given the Trustee written notice that an Event of Default is continuing;
- (2) holders of at least 25% in aggregate principal amount of the then outstanding Notes have requested the Trustee in writing to pursue the remedy;
- (3) such holders have offered the Trustee (and if requested, provided) security or indemnity satisfactory to the Trustee against any loss, liability or expense;
- (4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity; and
- (5) holders of a majority in aggregate principal amount of the then outstanding Notes have not given the Trustee a direction inconsistent with such request within such 60-day period.

The holders of a majority in aggregate principal amount of the then outstanding Notes by written notice to the Trustee may, on behalf of the holders of all of the Notes, rescind an acceleration or waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest, premium, or Additional Amounts, if any, on, or the principal of, the Notes.

The Issuer is required to deliver to the Trustee annually a statement regarding compliance with the Indenture.

The Trustee shall not be deemed to have knowledge of a Default or Event of Default (other than a payment default on a scheduled interest payment date) unless a Responsible Officer of the Trustee receives written notice thereof, stating it is a notice of default and referencing the applicable section of the Indenture.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator or stockholder of the Issuer or any Guarantor, as such, will have any liability for any obligations of the Issuer or the Guarantors under the Notes, the Indenture or the Note Guarantees, or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the U.S. federal securities laws.

Legal Defeasance and Covenant Defeasance

The Issuer may at any time, at the option of its Board of Directors evidenced by a resolution set forth in an Officer's Certificate, elect to have all of its obligations discharged with respect to the outstanding Notes and all obligations of the Guarantors discharged with respect to their Note Guarantees ("*Legal Defeasance*") except for:

- (1) the rights of holders of outstanding Notes to receive payments in respect of the principal of, or interest or premium, and Additional Amounts, if any, on, such Notes when such payments are due from the trust referred to below;
- (2) the Issuer's obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;
- (3) the rights, powers, trusts, duties and immunities of the Trustee, the paying agent and the registrar, and the Issuer's and the Guarantors' obligations in connection therewith; and
- (4) the Legal Defeasance and Covenant Defeasance provisions of the Indenture.

In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer and the Guarantors released with respect to certain covenants (including its obligation to make Change of Control Offers and Asset Sale Offers) that are described in the Indenture ("*Covenant Defeasance*") and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default. If Covenant Defeasance occurs, certain events (not including non-payment, bankruptcy, receivership, rehabilitation and insolvency events) described under "*Events of Default and Remedies*" will no longer constitute an Event of Default.

In order to exercise either Legal Defeasance or Covenant Defeasance:

- (1) the Issuer must irrevocably deposit with the Trustee, in trust, for the benefit of the holders of the Notes, cash in U.S. dollars, non-callable U.S. Government securities, or a combination of cash in U.S. dollars and non-callable U.S. Government securities, in amounts as will be sufficient, in the opinion of an internationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, or interest and premium, and Additional Amounts, if any, on, the outstanding Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Issuer must specify whether the Notes are being defeased to such stated date for payment or to a particular redemption date;
- (2) in the case of Legal Defeasance, the Issuer must deliver to the Trustee a legal opinion of counsel reasonably acceptable to the Trustee confirming that (a) the Issuer has received from, or there has been published by, the Internal Revenue Service a ruling or (b) since the date of the Indenture, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion of counsel will confirm that, the holders and beneficial owners of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

- (3) in the case of Covenant Defeasance, the Issuer must deliver to the Trustee a legal opinion of counsel reasonably acceptable to the Trustee confirming that the holders and beneficial owners of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;
- (4) no Default or Event of Default has occurred and is continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit and any other deposit used to defease or discharge other Indebtedness substantially concurrently with the Notes) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Issuer or any Guarantor is a party or by which the Issuer or any Guarantor is bound (other than any instrument governing or evidencing Indebtedness being defeased or discharged substantially concurrently with the Notes);
- (5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the Indenture and any agreement or instrument governing or evidencing other Indebtedness being defeased or discharged substantially concurrently with the Notes) to which the Issuer or any of its Subsidiaries is a party or by which the Issuer or any of its Subsidiaries is bound;
- (6) the Issuer must deliver to the Trustee an Officer's Certificate certifying that the deposit was not made by the Issuer with the intent of preferring the holders of Notes over the other creditors of the Issuer with the intent of defeating, hindering, delaying or defrauding any creditors of the Issuer or others; and
- (7) the Issuer must deliver to the Trustee an Officer's Certificate and a legal opinion of counsel, each certifying that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Amendment, Supplement and Waiver

Except as provided in the next two succeeding paragraphs, the Indenture, the Notes or the Note Guarantees may be amended or supplemented with the consent of the holders of a majority in aggregate principal amount of the Notes then outstanding (including Additional Notes, if any) voting as a single class (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), and any existing Default or Event of Default or compliance with any provision of the Indenture, the Notes or the Note Guarantees may be waived with the consent of the holders of a majority in aggregate principal amount of the then outstanding Notes (including Additional Notes, if any) voting as a single class (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes).

Without the consent of each holder of Notes affected, an amendment, supplement or waiver may not (with respect to any Notes held by a non-consenting holder):

- (1) reduce the principal amount of Notes whose holders must consent to an amendment, supplement or waiver;
- (2) reduce the principal of, premium, if any, or change the fixed maturity of any Note or alter or waive any provisions with respect to the redemption of the Notes (other than (a) notice periods for redemption and conditions to redemptions and (b) provisions relating to the covenants described above under the caption "*– Repurchase at the Option of Holders*");
- (3) reduce the rate of or change the time for payment of interest, including default interest, on any Note;

- (4) waive a Default or Event of Default in the payment of principal of, or interest or premium, or Additional Amounts, if any, on, the Notes (except a rescission of acceleration of the Notes by the holders of at least a majority in aggregate principal amount of the then outstanding Notes and a waiver of the payment default that resulted from such acceleration);
- (5) make any Note payable in money other than that stated in the Notes;
- (6) make any change in the provisions of the Indenture relating to waivers of past Defaults or the contractual rights of any holders of Notes expressly set forth in the Indenture to receive payments of principal of, or interest or premium, or Additional Amounts, if any, on, the Notes;
- (7) waive a redemption payment with respect to any Note (other than a payment required by one of the covenants described above under the caption “– *Repurchase at the Option of Holders*”);
- (8) release any Guarantor from any of its obligations under its Note Guarantee or the Indenture, except in accordance with the Indenture and the Note Guarantee; or
- (9) make any change in the preceding amendment and waiver provisions.

Notwithstanding the preceding, without the consent of any holder of Notes, the Issuer, the Guarantors and the Trustee, as the case may be, may amend or supplement the Indenture, the Notes or the Note Guarantees:

- (1) to cure any ambiguity, defect or inconsistency;
- (2) to provide for uncertificated Notes in addition to or in place of certificated Notes (*provided* that such uncertificated Notes are issued in registered form for purposes of Section 163(f) of the U.S. Internal Revenue Code of 1986, as amended);
- (3) to comply with the provisions described under the caption “– *Certain Covenants – Merger, Consolidation or Sale of Assets*”;
- (4) to make any change that would provide any additional rights or benefits to the holders of Notes or that does not adversely affect the legal rights under the Indenture of any such holder;
- (5) to conform the text of the Indenture, the Notes or the Note Guarantees to any provision of this “Description of the Notes” to the extent that such provision in this “Description of the Notes” was intended to be a verbatim recitation of a provision of the Indenture, the Notes or the Note Guarantees as provided in an Officer’s Certificate to the Trustee;
- (6) to provide for the issuance of Additional Notes in accordance with the Indenture; or
- (7) to allow any Guarantor to execute a supplemental indenture to the Indenture and/or a Note Guarantee or to release any Guarantor from its Note Guarantee in accordance with the Indenture.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder, when:

- (1) either:
 - (a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Issuer, have been delivered to the Trustee for cancellation; or

- (b) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year or are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name and at the expense of the Issuer, and the Issuer or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee, the paying agent or another person designated by the paying agent as trust funds in trust solely for the benefit of the holders, cash in U.S. dollars, non-callable U.S. Government securities, or a combination of cash in U.S. dollars and non-callable U.S. Government securities, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Trustee for cancellation for principal, premium, if any, and accrued interest to the date of maturity or redemption;
- (2) no Default or Event of Default has occurred and is continuing on the date of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit and any other deposit relating to other Indebtedness being defeased or discharged substantially concurrently with the Notes) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Issuer or any Guarantor is a party or by which the Issuer or any Guarantor is bound (other than any instrument governing or evidencing Indebtedness being defeased or discharged substantially concurrently with the Notes);
- (3) the Issuer or any Guarantor has paid or caused to be paid all sums payable by it under the Indenture; and
- (4) the Issuer has delivered irrevocable instructions to the Trustee, the paying agent or another person designated by the paying agent under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

In addition, the Issuer must deliver an Officer's Certificate and a legal opinion of counsel to the Trustee certifying that all conditions precedent to satisfaction and discharge have been satisfied.

Concerning the Trustee

If the Trustee becomes a creditor of the Issuer or any Guarantor, the Indenture limits the right of the Trustee to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days or resign.

The holders of a majority in aggregate principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that if an Event of Default occurs and is continuing, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of Notes, unless such holder has offered to the Trustee (and if requested, provided) security and indemnity satisfactory to the Trustee against any loss, liability or expense.

Governing Law

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

Additional Information

Anyone who receives this Offering Memorandum may obtain a copy of the Indenture without charge by writing to the paying agent.

Book-Entry, Delivery and Form

The Notes will initially be represented by a global note in registered form without interest coupons attached (the “*Global Note*”). Beneficial interests in the Global Note may be offered, sold or otherwise transferred only: (i) to the Issuer or any subsidiary thereof, (ii) outside the United States in a transaction complying with Rule 904 under the Securities Act, (iii) pursuant to an available exemption from the registration requirements of the Securities Act or (iv) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any State of the United States. On the Issue Date, the Global Note will be deposited with a common depository and registered in the name of the common depository or its nominee for the accounts of Euroclear and Clearstream.

Global Note

Ownership of beneficial interests in the Global Note (the “*book-entry interests*”) will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under “– *Individual Definitive Notes,*” the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depository for Euroclear and Clearstream (or its nominee) will be considered the sole holder of the Global Note for all purposes under the Indenture and “holders” of book-entry interests will not be considered the owners or “holders” of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of holders of the Notes under the Indenture. None of the Issuer, the Trustee or the paying agent or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

Payments on the Global Note

Payments of any amounts owing in respect of the Global Note will be made to the paying agent. The paying agent will, in turn, make such payments to Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. The Issuer will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under “– *Additional Amounts.*”

Under the terms of the Indenture, the Issuer, the Trustee and the paying agent will treat the registered holder of the Global Note (i.e., the common depository or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee or the paying agent or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or
- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

Redemption of Global Note

If the Global Note, or any portion thereof, is redeemed, the paying agent will distribute the amount received by it in respect of the Global Note to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in the Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the paying agent, Euroclear or Clearstream, as applicable, in connection with the redemption of the Global Note (or any portion thereof). The Issuer understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no book-entry interest of US\$200,000 principal amount, or less, as the case may be, will be redeemed in part.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the book-entry interests in the Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note. If there is an Event of Default, however, each of Euroclear and Clearstream reserves the right to exchange the Global Note for individual definitive notes in certificated form, and to distribute such individual definitive notes to their participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a holder of Notes requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global Note will be subject to the restrictions on transfer discussed under "Transfer Restrictions" in this Offering Memorandum.

Global Clearance and Settlement Under the Book-Entry System

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Information Concerning Euroclear and Clearstream

We understand as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

Individual Definitive Notes

If (1) the common depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed by the Issuer within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system, is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with “– *Events of Default and Remedies*” and the Issuer has received a written request from a holder of Notes, the Issuer will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depositary or the Trustee, as the case may be, the Issuer will use its best efforts to make arrangements with the common depositary for the exchange of interests in the Global Note for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the registrar for delivery to holders of Notes. Persons exchanging interests in the Global Note for individual definitive notes will be required to provide the registrar, through the relevant clearing system, with written instruction and other information required by the Issuer and the registrar to complete, execute and deliver such individual definitive notes.

Furthermore, if there is an Event of Default, each of Euroclear and Clearstream reserves the right to exchange the Global Note for individual definitive notes in certificated form, and to distribute such individual definitive notes to their participants. In all cases, individual definitive notes delivered in exchange for the Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

Certain Definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

“2021 Notes” means the Issuer’s US\$300,000,000 9.375% Senior Notes due 2021.

“Acquired Debt” means, with respect to any specified Person:

- (1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary of, such specified Person; and
- (2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

“Affiliate” of any specified Person means any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew or niece of a Person described in clause (1) or (2) of this definition. For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Applicable Premium” means, with respect to any Note on any redemption date, the greater of:

- (1) 1.0% of the principal amount of the Note; or
- (2) the excess of:
 - (a) the present value at such redemption date of (i) the redemption price of the Note at July 6, 2022 (such redemption price being set forth in the table appearing above under the caption “– *Optional Redemption*”) plus (ii) all required interest payments due on the Note through July 6, 2022 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over
 - (b) the principal amount of the Note, if greater.

“Ariston” means Ariston Sdn. Bhd., a company incorporated under the laws of Malaysia and, as of the Issue Date, a Wholly Owned Subsidiary.

“Asset Sale” means:

- (1) the sale, lease, conveyance or other disposition of any assets or rights; *provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Issuer and the Restricted Subsidiaries taken as a whole will be governed by the provisions of the Indenture described above under the caption “– *Repurchase at the Option of Holders – Change of Control*” and/or “– *Certain Covenants – Merger, Consolidation or Sale of Assets*” and not by the provisions of the Asset Sale covenant;
- (2) the issuance of Equity Interests in any of the Issuer’s Restricted Subsidiaries or the sale of Equity Interests in any of its Subsidiaries; and
- (3) any Event of Loss.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

- (1) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than US\$5.0 million;
- (2) a transfer of assets between or among the Issuer and/or the Restricted Subsidiaries;
- (3) an issuance of Equity Interests by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary;
- (4) the sale, license, transfer, lease (including the right to use) or other disposal of products, services or accounts receivable or other current assets in the ordinary course of business and any sale or other disposition of damaged, worn-out, surplus or obsolete assets in the ordinary course of business;
- (5) operating leases, licenses, right to use or equivalent interest under applicable law entered into in the ordinary course of business in connection with the operation of a Permitted Business;
- (6) the sale or other disposition of cash or Cash Equivalents;
- (7) a Restricted Payment that does not violate the provisions of the covenant described above under the caption “– *Certain Covenants – Restricted Payments*” or a Permitted Investment;
- (8) the granting of easements, rights of way, rights of access and/or similar rights to any governmental authority, utility provider, cable or other communication providers and/or other parties providing services or benefits to the Issuer or a Restricted Subsidiary;
- (9) transfers, assignments or dispositions constituting an incurrence of a Permitted Lien (but not the actual sale or other disposition of the property subject to such Lien);
- (10) any surrender or waiver of contractual rights or settlement, release, recovery on or surrender of contract, tort or other claims in the ordinary course of business;
- (11) any disposition of Capital Stock, Indebtedness or other securities, or assets of, an Unrestricted Subsidiary; and
- (12) any transfer, termination or unwinding or other disposition of Hedging Obligations entered into in accordance with the Indenture in the ordinary course of business and not for speculative purposes.

“*Asset Sale Offer*” has the meaning assigned to that term in the Indenture.

“*Attributable Debt*” in respect of a Sale and Leaseback Transaction means, at the time of determination, the present value of the obligation of the lessee for net rental payments during the remaining term of the lease included in such Sale and Leaseback Transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with GAAP.

“*Beneficial Owner*” has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular “person” (as that term is used in Section 13(d)(3) of the Exchange Act), such “person” will be deemed to have beneficial ownership of all securities that such “person” has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms “Beneficially Owns” and “Beneficially Owned” have a corresponding meaning.

“*Board of Directors*” means:

- (1) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board;
- (2) with respect to a partnership, the board of directors of the general partner of the partnership;
- (3) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and
- (4) with respect to any other Person, the board or committee of such Person serving a similar function.

“*Capital Lease Obligation*” means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet prepared in accordance with GAAP, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

“*Capital Stock*” means:

- (1) in the case of a corporation, corporate stock or share capital or shares;
- (2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;
- (3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and
- (4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

“*Cash Equivalents*” means:

- (1) securities issued or directly and fully guaranteed or insured by the government of Hong Kong, the United Kingdom, the United States or any member state of the European Union or any agency or instrumentality of the United States government (*provided* that the full faith and credit of the United States is pledged in support of those securities) having maturities of not more than one year from the date of acquisition;
- (2) demand deposits, current accounts, certificates of deposit, time deposits and eurodollar time deposits with maturities of six months or less from the date of acquisition, bankers’ acceptances with maturities not exceeding six months and overnight bank deposits, in each case, with any commercial bank organized under the laws of Cambodia, Hong Kong, Malaysia, a member state of the European Union or of the United States or any state thereof having capital and surplus in excess of US\$100.0 million and whose long-term debt is rated “A-3” or higher by Moody’s or “A-” or higher by S&P or the equivalent rating category of another “nationally recognized statistical rating organizations” (as defined in Section 3(a)(62) of the Exchange Act);

- (3) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (1) and (2) above entered into with any financial institution meeting the qualifications specified in clause (2) above;
- (4) commercial paper having one of the two highest ratings obtainable from Moody's or S&P and, in each case, maturing within 12 months after the date of acquisition;
- (5) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (4) of this definition;
- (6) demand deposits, current deposits, certificates of deposit, time deposits and eurodollar time deposits with maturities of six months or less from the date of acquisition, bankers' acceptances with maturities not exceeding six months and overnight bank deposits, in each case with (i) CIMB Group Holdings Berhad, Malayan Banking Berhad or RHB Bank Berhad or any of their respective subsidiaries licensed as a commercial bank or (ii) a commercial bank organized under the laws of Cambodia, Hong Kong, Malaysia, a member state of the European Union or of the United States or any state thereof; *provided* that for purposes of sub-clause (ii), such deposits or acceptances do not exceed US\$20.0 million with any single bank or US\$50.0 million in the aggregate at any time;
- (7) any corporate debt securities which, at the date of acquisition, are rated "A" (or such similar equivalent rating) or higher by at least one "nationally recognized statistical rating organization" (as defined in Section 3(a)(62) of the Exchange Act) and have maturities of not more than one year from the date of acquisition; and
- (8) structured deposit products with any bank or trust company organized under the laws of the Hong Kong or the United States or any state thereof or any jurisdiction where the Issuer or any Restricted Subsidiary conducts Permitted Business that (a) are 100% principal protected if held to maturity (which shall not be more than one year) and (b) can be withdrawn at any time with no more than six months' notice.

"*Casino License*" means the license to operate NagaWorld issued by the Cambodian government to Ariston on January 2, 1995 and any amendment or successor thereto or replacement thereof.

"*Casualty*" means any casualty, loss, damage, destruction or other similar loss with respect to real or personal property or improvements.

"*Change of Control*" means the occurrence of any of the following:

- (1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Issuer and its Subsidiaries taken as a whole to any "person" (as that term is used in Section 13(d) of the Exchange Act) (other than a Permitted Holder);
- (2) the adoption of a plan relating to the liquidation or dissolution of the Issuer;
- (3) the Permitted Holders cease collectively to beneficially own, directly or indirectly, at least 30% of the outstanding Capital Stock of the Issuer (including any and all agreements, warrants, rights or options to acquire any Capital Stock) (measured in each case by both voting power and size of equity interests);
- (4) the consummation of the first transaction (including, without limitation, any merger or consolidation) the result of which is that any Person (including any "person" (as defined above)) becomes the Beneficial Owner, directly or indirectly, of more of the Voting Stock of the Issuer (measured by voting power rather than number of shares) than is at the time Beneficially Owned by the Permitted Holders in the aggregate; or

- (5) the Issuer ceases to own, directly or indirectly, 100% of the outstanding Capital Stock of the License Holder (including any and all agreements, warrants, rights or options to acquire any Capital Stock) (measured in each case by both voting power and size of equity interests).

“*Change of Control Offer*” has the meaning assigned to that term in the Indenture.

“*Condemnation*” means any taking by a governmental authority of assets or property, or any part thereof or interest therein, for public or quasi-public use under the power of eminent domain, by reason of any public improvement or condemnation or in any other manner.

“*Consolidated Assets*” means, with respect to any Restricted Subsidiary as of any date, the Issuer and the Restricted Subsidiaries’ proportionate interest in the total consolidated assets of that Restricted Subsidiary and its Subsidiaries that are Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent semi-annual period for which the Issuer’s consolidated financial statements (which the Issuer will use commercially reasonable best efforts to compile in a timely manner) are available.

“*Consolidated Cash Flow*” means, with respect to the Issuer for any period, the Consolidated Net Income of the Issuer for such period plus, without duplication,

- (1) an amount equal to any extraordinary loss plus any net loss realized by the Issuer or any Restricted Subsidiary in connection with an Asset Sale, to the extent such losses were deducted in computing such Consolidated Net Income; *plus*
- (2) provision for taxes, obligation payments or similar payments based on income or profits of the Issuer and the Restricted Subsidiaries for such period, to the extent that such provision for taxes, obligation payments or similar payments was deducted in computing such Consolidated Net Income; *plus*
- (3) the Fixed Charges of the Issuer and the Restricted Subsidiaries for such period, to the extent that such Fixed Charges were deducted in computing such Consolidated Net Income; *plus*
- (4) depreciation, amortization (including amortization of intangibles but excluding amortization of period cash expenses that were paid in a prior period) and other non-cash expenses (excluding any such non-cash expense to the extent that it represents an accrual of or reserve for cash expenses in any future period or amortization of a prepaid cash expense that was paid in a prior period) of the Issuer and the Restricted Subsidiaries for such period to the extent that such depreciation, amortization and other non-cash expenses were deducted in computing such Consolidated Net Income; *plus*
- (5) any non-cash compensation charge arising from any grant of stock, stock options or other equity-based awards; *minus*
- (6) non-cash items increasing such Consolidated Net Income for such period, other than the accrual of revenue in the ordinary course of business,

in each case, on a consolidated basis and determined in accordance with GAAP.

“*Consolidated Net Income*” means, with respect to the Issuer for any period, the aggregate of the Net Income of the Issuer and the Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP, *provided* that:

- (1) the Net Income (but not loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the Issuer or a Restricted Subsidiary;

- (2) the Net Income of any Restricted Subsidiary will be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that Net Income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its stockholders; and
- (3) the cumulative effect of a change in accounting principles will be excluded.

“*Consolidated Net Worth*” means, as of any date, the sum of:

- (1) the total equity of the Issuer and the Restricted Subsidiaries as of such date; *plus*
- (2) the respective amounts reported on the Issuer’s consolidated balance sheet as of such date with respect to any series of preferred stock (other than Disqualified Stock) that by its terms is not entitled to the payment of dividends unless such dividends may be declared and paid only out of net earnings in respect of the year of such declaration and payment.

“*Consolidated Revenues*” means, with respect to any Restricted Subsidiary as of any date, the total consolidated revenues of that Restricted Subsidiary and its Subsidiaries that are Restricted Subsidiaries measured in accordance with GAAP for the most recent semi-annual period for which the Issuer’s consolidated financial statements (which the Issuer will use commercially reasonable best efforts to compile in a timely manner) are available.

“*Default*” means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

“*Disqualified Stock*” means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 91 days after the date on which the Notes mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the Issuer to repurchase such Capital Stock upon the occurrence of a change of control or an asset sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the Issuer may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption “– *Certain Covenants – Restricted Payments.*” The amount of Disqualified Stock deemed to be outstanding at any time for purposes of the Indenture will be the maximum amount that the Issuer and the Restricted Subsidiaries may become obligated to pay upon the maturity of, or pursuant to any mandatory redemption provisions of, such Disqualified Stock, exclusive of accrued dividends.

“*Equity Interests*” means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

“*Equity Offering*” means any public sale or private issuance of Capital Stock (other than Disqualified Stock) of (1) the Issuer or (2) a direct or indirect parent of the Issuer to the extent the net proceeds from such issuance are contributed in cash to the common equity capital of the Issuer (in each case other than pursuant to a registration statement on Form S-8 or otherwise relating to equity securities issuable under any employee benefit plan of the Issuer).

“*Event of Loss*” means, with respect to the Issuer or any Restricted Subsidiary that is a Significant Subsidiary, any (1) Casualty, (2) Condemnation or seizure (other than pursuant to foreclosure) or (3) settlement in lieu of clause (2) above, in each case having a fair market value in excess of US\$10.0 million.

“*Exchange Act*” means the U.S. Securities Exchange Act of 1934, as amended.

“*Existing Indebtedness*” means the Indebtedness of the Issuer and its Subsidiaries in existence on the date of the Indenture after giving pro forma effect to the offering and use of proceeds therefrom as set forth under “– *Use of Proceeds*.”

“*Fair Market Value*” means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress or necessity of either party, determined in good faith by the Board of Directors of the Issuer (unless otherwise provided in the Indenture).

“*Fixed Charge Coverage Ratio*” means with respect to the Issuer for any period, the ratio of the Consolidated Cash Flow of the Issuer for such period to the Fixed Charges of the Issuer for such period. If the Issuer or any Restricted Subsidiary incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the “*Calculation Date*”), then the Fixed Charge Coverage Ratio will be calculated giving pro forma effect to such incurrence, assumption, Guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable two semi-annual reference period.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

- (1) acquisitions that have been made by the Issuer or any Restricted Subsidiary, including through mergers or consolidations, or any Person acquired by the Issuer or any Restricted Subsidiary, and including any related financing transactions and including increases in ownership of Restricted Subsidiaries, during such reference period or subsequent to such reference period and on or prior to the Calculation Date will be given pro forma effect (in accordance with Regulation S-X under the Securities Act) as if they had occurred on the first day of such reference period;
- (2) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;
- (3) the Fixed Charges attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the Issuer or any Restricted Subsidiary following the Calculation Date;
- (4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such reference period;
- (5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such reference period; and
- (6) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months).

“*Fixed Charges*” means, with respect to the Issuer for any period, the sum, without duplication, of:

- (1) the consolidated interest expense of the Issuer and the Restricted Subsidiaries for such period, whether paid or accrued, including, without limitation, amortization of debt issuance costs and original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to Attributable Debt, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers’ acceptance financings, and net of the effect of all payments made or received pursuant to Hedging Obligations in respect of interest rates; *plus*
- (2) the consolidated interest expense of the Issuer and the Restricted Subsidiaries that was capitalized during such period; *plus*
- (3) any interest on Indebtedness of another Person that is guaranteed by the Issuer or a Restricted Subsidiary or secured by a Lien on assets of the Issuer or a Restricted Subsidiary, whether or not such Guarantee or Lien is called upon; *plus*
- (4) the product of (a) all dividends, whether paid or accrued and whether or not in cash, on any series of preferred stock of the Issuer or any Restricted Subsidiary, other than dividends on Equity Interests payable solely in Equity Interests of the Issuer (other than Disqualified Stock) or to the Issuer or a Restricted Subsidiary, times (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined national, state and local statutory tax rate of such Person, expressed as a decimal, in each case, determined on a consolidated basis in accordance with GAAP.

“*GAAP*” means the accounting standards issued by the International Accounting Standards Board as in effect from time to time.

“*Gaming Authority*” means, in any jurisdiction in which the Issuer or any of its Subsidiaries or any Permitted Holder manages or conducts any casino, gaming business or activities, the applicable gaming board, commission, or other governmental gaming regulatory body or agency which (a) has, or may at any time after issuance of the Notes have, jurisdiction over the gaming activities of the Issuer or any of its Subsidiaries, or any successor to such authority or (b) is, or may at any time after the issuance of the Notes be, responsible for interpreting, administering and enforcing the Gaming Laws.

“*Gaming Laws*” means all applicable constitutions, treatises, resolutions, laws, regulations, instructions and statutes pursuant to which any Gaming Authority possesses regulatory, licensing or permit authority over gaming, gambling or casino activities, and all rules, rulings, orders, ordinances, regulations of any Gaming Authority applicable to the gambling, casino, gaming businesses or activities of the Issuer or any of its Subsidiaries or any Permitted Holder in any jurisdiction, as in effect from time to time, including the policies, interpretations and administration thereof by the Gaming Authorities.

“*Guarantee*” means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take or pay or to maintain financial statement conditions or otherwise).

“*Guarantors*” means:

- (1) NagaCorp (HK) Limited, NAGAWORLD LIMITED, NagaCity Walk Limited, Naga 2 Land Limited and Naga 3 Company Limited; and
- (2) any other Subsidiary of the Issuer that in the future provides a Note Guarantee in accordance with the Indenture,

and their respective successors and assigns, in each case, until the Note Guarantee of such Person has been released in accordance with the Indenture.

“*Hedging Obligations*” means, with respect to any specified Person, the obligations of such Person under:

- (1) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;
- (2) other agreements or arrangements designed to manage interest rates or interest rate risk; and
- (3) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or commodity prices.

“*Indebtedness*” means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables), whether or not contingent:

- (1) in respect of borrowed money;
- (2) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);
- (3) in respect of banker’s acceptances;
- (4) representing Capital Lease Obligations or Attributable Debt in respect of Sale and Leaseback Transactions;
- (5) representing the balance deferred and unpaid of the purchase price of any property or services due more than six months after such property is acquired or such services are completed; or
- (6) representing any Hedging Obligations,

if and to the extent any of the preceding items (other than letters of credit, Attributable Debt and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with GAAP. In addition, the term “*Indebtedness*” includes all *Indebtedness* of others secured by a Lien on any asset of the specified Person (whether or not such *Indebtedness* is assumed by the specified Person) and, to the extent not otherwise included, the Guarantee by the specified Person of any *Indebtedness* of any other Person.

“*Investments*” means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees or other obligations), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of *Indebtedness*, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP. If the Issuer or any of its Subsidiaries sells or otherwise disposes of any Equity Interests of any direct or indirect Subsidiary of the Issuer such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary of the Issuer, the Issuer will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Issuer’s Investments in such Subsidiary that were not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption “– *Certain Covenants – Restricted Payments.*” The acquisition by the Issuer or any of its Subsidiaries of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Issuer or such Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of the covenant described above under the caption “– *Certain Covenants – Restricted Payments.*” Except as otherwise provided in the Indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value.

“*Issue Date*” means the date on which the Notes (other than any Additional Notes) are originally issued.

“*License Holder*” means any Person that holds the Casino License (which, as of the Issue Date, is Ariston).

“*Lien*” means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction.

“*Listed Subsidiary*” means any Restricted Subsidiary any class of the Capital Stock of which is listed on a Qualified Exchange and any Subsidiary of a Listed Subsidiary.

“*Material Acquisitions or Dispositions*” means any transaction that would require the preparation of pro forma financial information pursuant to Rule 11-01(a) or (b) of Regulation S-X promulgated under the Securities Act, assuming that such Rule is applicable to the Issuer and the Restricted Subsidiaries.

“*Moody’s*” means Moody’s Investors Service, Inc.

“*Net Income*” means, with respect to the Issuer, the net income (loss) of the Issuer, determined in accordance with GAAP and before any reduction in respect of preferred stock dividends, excluding, however:

- (1) any gain (but not loss), together with any related provision for taxes on such gain (but not loss), realized in connection with: (a) any Asset Sale; or (b) the disposition of any securities by the Issuer or any Restricted Subsidiary or the extinguishment of any Indebtedness of the Issuer or any Restricted Subsidiary; and
- (2) any extraordinary gain (but not loss), together with any related provision for taxes on such extraordinary gain (but not loss).

“*Net Proceeds*” means the aggregate cash proceeds received by the Issuer or any Restricted Subsidiary in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale, in each case, after taking into account any available tax credits or deductions and any tax sharing arrangements and any reserve for adjustment in respect of the sale price of such asset or assets established in accordance with GAAP.

“*Non-Recourse Debt*” means Indebtedness:

- (1) as to which neither the Issuer nor any Restricted Subsidiary (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (b) is directly or indirectly liable as a guarantor or otherwise, or (c) constitutes the lender;
- (2) no default with respect to which (including any rights that the holders of the Indebtedness may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time or both any holder of any other Indebtedness of the Issuer or any Restricted Subsidiary to declare a default on such other Indebtedness or cause the payment of the Indebtedness to be accelerated or payable prior to its Stated Maturity; and
- (3) as to which the lenders have been notified in writing that they will not have any recourse to the stock or assets of the Issuer or any Restricted Subsidiary.

“*Note Guarantee*” means the Guarantee by each Guarantor of the Issuer’s obligations under the Indenture and the Notes.

“*Obligations*” means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

“*Officer’s Certificate*” means a certificate signed on behalf of the Issuer by an executive officer of the Issuer which meets the requirements set forth in the Indenture.

“*Permitted Business*” means any business which is the same as or related, ancillary, connected, incidental or complementary to any of the businesses of the Issuer and the Restricted Subsidiaries on the Issue Date (which includes the tourism, travel and hospitality businesses).

“*Permitted Holder*” means:

- (1) Tan Sri Dr Chen Lip Keong and his immediate family members;
- (2) any Affiliate (other than an Affiliate as defined in clause (1) or (2) of the definition of Affiliate) of the Persons specified in clause (1) of this definition; and
- (3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are more than 80% owned by Persons specified in clauses (1) and (2) of this definition.

For purposes of this definition, “immediate family member” means a spouse, child, child-in-law, parent or sibling.

“*Permitted Investments*” means:

- (1) any Investment in the Issuer or in a Restricted Subsidiary;
- (2) any Investment in cash or Cash Equivalents;
- (3) any Investment by the Issuer or any Restricted Subsidiary in a Person, if as a result of such Investment:
 - (a) such Person becomes a Restricted Subsidiary; or
 - (b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Issuer or a Restricted Subsidiary;
- (4) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with the covenant described above under the caption “–*Repurchase at the Option of Holders – Asset Sales*”;
- (5) any acquisition of assets or Capital Stock in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Issuer;
- (6) any Investments received in compromise or resolution of (A) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Issuer or any Restricted Subsidiary, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (B) litigation, arbitration or other disputes with Persons who are not Affiliates;
- (7) Investments represented by Hedging Obligations;

- (8) loans or advances to employees, officers or directors made in the ordinary course of business of the Issuer or any Restricted Subsidiary in an aggregate principal amount not to exceed US\$1.0 million at any time outstanding;
- (9) purchases of the Notes;
- (10) any Investments consisting of gaming credit extended to customers, gaming operators and junket operators in the ordinary course of business and consistent with applicable law;
- (11) advances to contractors and suppliers and accounts, trade and notes receivables created or acquired in the ordinary course of business;
- (12) deposits made by the Issuer or any Restricted Subsidiary in the ordinary course of business to comply with statutory or regulatory obligations (including land grants) to maintain deposits for the purposes specified by the applicable statute or regulation or which are in accordance with customary trade terms;
- (13) any Investment existing on the Issue Date or made pursuant to binding commitments in effect on the Issue Date, in each case so long as described in this Offering Memorandum, or an Investment consisting of any extension, modification or renewal of any Investment existing on the Issue Date; *provided* that the amount of any such Investment may be increased (x) as required by the terms of such Investment as in existence on the Issue Date of the Indenture or (y) as otherwise permitted under the Indenture;
- (14) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (14) that are at the time outstanding, not to exceed the greater of (a) US\$50.0 million and (b) 3% of Total Assets;
- (15) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary; and
- (16) investments held by a Person that becomes a Restricted Subsidiary, *provided* that such Investments were not acquired in contemplation of the acquisition of such Person; and
- (17) Guarantees permitted under the “– Incurrence of Indebtedness and Issuance of Preferred Stock” covenant.

“*Permitted Liens*” means:

- (1) Liens on assets of the Issuer or any Restricted Subsidiary securing Indebtedness incurred pursuant to clauses (12) and (13) of the second paragraph of the covenant set forth under the caption “– *Certain Covenants – Incurrence of Indebtedness and Issuance of Preferred Stock*”;
- (2) Liens in favor of the Issuer or the Guarantors;
- (3) Liens on property of a Person existing at the time such Person becomes a Restricted Subsidiary or is merged with or into or consolidated with the Issuer or any Restricted Subsidiary; *provided* that such Liens were not created in connection with or contemplation of such Person becoming a Restricted Subsidiary or such merger or consolidation and do not extend to any assets other than those of the Person that becomes a Restricted Subsidiary or is merged into or consolidated with the Issuer or Restricted Subsidiary;
- (4) Liens on property (including Capital Stock) existing at the time of acquisition of the property by the Issuer or any Restricted Subsidiary; *provided* that such Liens were not created in connection with, or in contemplation of, such acquisition;

- (5) Liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature incurred in the ordinary course of business, any netting or set-off arrangement entered into by the Issuer or any Restricted Subsidiary in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances of the Issuer or any Restricted Subsidiary but only so long as: (i) such arrangement does not permit credit balances of the Issuer or the Restricted Subsidiaries to be netted or set off against debit balances of persons which are other Persons; and (ii) such arrangement does not give rise to other Liens over the assets of the Issuer or any Restricted Subsidiary in support of liabilities of persons other than the Issuer or Restricted Subsidiaries;
- (6) Liens created in favor of a plaintiff or defendant in any proceedings as security for costs or expenses;
- (7) Liens arising under any retention of title, hire purchase or conditional sale arrangement or arrangements having similar effect in respect of goods supplied to the Issuer or Restricted Subsidiaries in the ordinary course of trading and on the supplier's standard or usual terms and not arising as a result of any default or omission by the Issuer or Restricted Subsidiaries, *provided* that the aggregate value of all assets subject to any such Liens shall not exceed US\$5.0 million;
- (8) Liens incurred or deposits made in the ordinary course of business in connection with workmen's compensation or unemployment obligations or other obligations of a like nature, including any Lien securing letters of credit issued in the ordinary course of business in connection therewith, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);
- (9) Liens to secure Indebtedness (including Capital Lease Obligations) permitted by clause (4) of the second paragraph of the covenant entitled "*– Certain Covenants-Incurrence of Indebtedness and Issuance of Preferred Stock*" covering only the assets acquired with or financed by such Indebtedness;
- (10) Liens existing on the date of the Indenture;
- (11) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; *provided* that any reserve or other appropriate provision as is required in conformity with GAAP has been made therefor;
- (12) Liens over goods, documents of title to goods and related documents and insurances and their proceeds to secure liabilities of the Issuer or any Restricted Subsidiary in respect of letters of credit, trust receipts, import loans or shipping guarantees issued or granted for all or part of the purchase price and costs of shipment, insurance and storage of goods acquired by the Issuer or any Restricted Subsidiary in the ordinary course of business;
- (13) Liens upon specific items of inventory or other goods and proceeds the Issuer or any Restricted Subsidiary securing obligations in respect of bankers' acceptances issued or created to facilitate the purchase, shipment or storage of such inventory or other goods in the ordinary course of business;
- (14) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of custom duties in connection with the importation of goods in the ordinary course of business;
- (15) Liens or deposits in connection with workers' compensation, unemployment insurance and other social security legislation of all applicable laws *provided* that such Liens are contested in good faith by appropriate measures and sufficient reserves in cash or other liquid assets are available to discharge such Liens;

- (16) Liens on assets deemed to arise in connection with and solely as a result of the execution, delivery or performance of contracts to sell such assets if such sale is otherwise permitted under the Indenture;
- (17) Liens arising, subsisting or imposed by law, including but not limited to carrier's, warehousemen's, landlord's and mechanics' Liens, in each case, incurred in the ordinary course of business;
- (18) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;
- (19) Liens created for the benefit of (or to secure) the Notes or the Note Guarantees;
- (20) Liens to secure any Permitted Refinancing Indebtedness permitted to be incurred under the Indenture; *provided, however*, that:
 - (a) the new Lien shall be limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and
 - (b) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, committed amount, of the Permitted Refinancing Indebtedness and (y) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;
- (21) Liens securing Hedging Obligations so long as the related Indebtedness is, and is permitted to be under the Indenture, secured by a Lien on the same assets or property securing such Hedging Obligations;
- (22) Liens that are contractual rights of set-off (i) relating to the establishment of depository relations with banks not given in connection with the money borrowed, (ii) relating to pooled deposit or sweep accounts of the Issuer or any Restricted Subsidiary to permit satisfaction of overdraft or similar obligations incurred in the ordinary course of business of the Issuer and the Restricted Subsidiaries or (iii) relating to purchase orders and other agreements entered into with customers of the Issuer or any Restricted Subsidiary in the ordinary course of business;
- (23) Liens arising out of judgments against such Person not giving rise to an Event of Default, with respect to which such Person shall then be proceeding with an appeal or other proceedings for review; *provided* that any reserve or other appropriate provision as shall be required in conformity with GAAP shall have been made therefor;
- (24) Liens granted to the Trustee for its compensation and indemnities pursuant to the Indenture;
- (25) Liens arising out of or in connection with licenses, sublicenses, leases (other than capital leases) and subleases (including rights to use) of assets (including, without limitation, intellectual property) entered into in the ordinary course of business;
- (26) Liens on deposits made in the ordinary course of business to secure liability to insurance carriers;
- (27) Liens incurred in the ordinary course of business of the Issuer or any Subsidiary of the Issuer with respect to obligations that do not exceed US\$10.0 million at any time outstanding;
- (28) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Issuer or any Restricted Subsidiary relating to such property or assets;

- (29) Liens arising under customary provisions limiting the disposition or distribution of assets or property or any related restrictions thereon in operating agreements, joint venture agreements, partnership agreements, contracts for sale and other agreements arising in the ordinary course of business, *provided* that such Liens do not extend to any assets of the Issuer or any Restricted Subsidiary other than the assets subject to such agreements of contracts;
- (30) Liens on the Equity Interests of Unrestricted Subsidiaries;
- (31) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries of the Issuer securing obligations of such joint ventures (*provided* the recourse under such Liens is limited to such ownership interests in, or assets owned by, such joint ventures); and
- (32) Liens securing obligations under a debt service reserve account or an interest reserve account (including all dividends, instruments, cash and Cash Equivalents and other property, as applicable, on deposit in such account) established for the benefit of creditors securing Indebtedness Incurred in accordance with the Indenture to the extent such account is established in the ordinary course of business consistent with market practice.

“*Permitted Refinancing Indebtedness*” means any Indebtedness of the Issuer or any Restricted Subsidiary issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge other Indebtedness of the Issuer or any Restricted Subsidiary (other than intercompany Indebtedness); *provided* that:

- (1) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);
- (2) such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged;
- (3) if the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged is subordinated in right of payment to the Notes, such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and is subordinated in right of payment to, the Notes with subordination terms at least as favorable to the holders of Notes as those contained in the documentation governing the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged; and
- (4) such Indebtedness is incurred either by the Issuer or by the Restricted Subsidiary who is the obligor on the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged.

“*Permitted Subsidiary Indebtedness*” means Indebtedness of, and all preferred stock issued by, Non-Guarantor Subsidiaries, taken as a whole, *provided* that, on the date of the Incurrence of such Indebtedness or issuance of such preferred stock, as the case may be, and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness and preferred stock does not exceed an amount equal to 10.0% of Total Assets.

“*Person*” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

“*Qualified Exchange*” means (1) a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act), or (2) the Bursa Malaysia, the Singapore Exchange Securities Trading Limited or the Nasdaq Stock Market.

“*Restricted Investment*” means an Investment other than a Permitted Investment.

“*Restricted Subsidiary*” means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

“*S&P*” means Standard & Poor’s Ratings Group.

“*Sale and Leaseback Transaction*” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired, whereby the Issuer or any Restricted Subsidiary transfers such property to another Person and the Issuer or any Restricted Subsidiary leases it from such Person.

“*Securities Act*” means the U.S. Securities Act of 1933, as amended.

“*SGX-ST*” means Singapore Exchange Securities Trading Limited.

“*Significant Subsidiary*” means any Subsidiary that would be a “significant subsidiary” as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the date of the Indenture.

“*Stated Maturity*” means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the first date it was incurred in compliance with the Indenture, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

“*Subordinated Indebtedness*” means (a) with respect to the Issuer, any Indebtedness of the Issuer which is by its terms subordinated in right of payment to the Notes, and (b) with respect to any Guarantor, any Indebtedness of such Guarantor which is by its terms subordinated in right of payment to such Guarantor’s Obligations in respect of its Note Guarantee.

“*Subsidiary*” means, with respect to any specified Person:

- (1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders’ agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and
- (2) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are that Person or one or more Subsidiaries of that Person (or any combination thereof).

“*Total Assets*” means, as of any date, the total consolidated assets of the Issuer and the Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent semi-annual period for which the Issuer’s consolidated financial statements (which the Issuer will use commercially reasonable best efforts to compile in a timely manner) are available.

“*Total Revenues*” means, as of any date, the total consolidated revenues of the Issuer and the Restricted Subsidiaries measured in accordance with GAAP for the most recent semi-annual period for which the Issuer’s consolidated financial statements (which the Issuer will use commercially reasonable best efforts to compile in a timely manner) are available.

“*Treasury Rate*” means, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to July 6, 2022; *provided, however*, that if the period from the redemption date to July 6, 2022 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

“*Unrestricted Subsidiary*” means any Subsidiary of the Issuer that is designated by the Board of Directors of the Issuer as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors, but only to the extent that such Subsidiary, on the date of designation:

- (1) has no Indebtedness other than Non-Recourse Debt;
- (2) except as permitted by the covenant described above under the caption “– *Certain Covenants – Transactions with Affiliates*,” is not party to any agreement, contract, arrangement or understanding with the Issuer or any Restricted Subsidiary unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Issuer;
- (3) is a Person with respect to which none of the Issuer or any of the Restricted Subsidiaries has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person’s financial condition or to cause such Person to achieve any specified levels of operating results; and
- (4) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of the Issuer or any Restricted Subsidiary,

provided that, as of the date of the Indenture, the only Unrestricted Subsidiaries are Naga Russia Limited, Naga Russia One Limited, Naga Hotels Russia Limited, Naga Primorsky Entertainment Limited, Naga Entertainment No. 3 Limited, Naga Primorsky Beach Resorts Limited, Primorsky Entertainment Resorts City LLC and Primorsky Entertainment Resorts City No. 2 LLC.

“*Voting Stock*” of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

“*Weighted Average Life to Maturity*” means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

- (1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by
- (2) the then outstanding principal amount of such Indebtedness.

“*Wholly Owned Guarantor*” is any Wholly Owned Subsidiary that is a Guarantor.

“*Wholly Owned Restricted Subsidiary*” is any Wholly Owned Subsidiary that is a Restricted Subsidiary.

“*Wholly Owned Subsidiary*” of any Person means a Subsidiary of such Person 100% of the outstanding Capital Stock or other ownership interests of which (other than directors’ qualifying shares, Investments by foreign nationals mandated by law or a minimum number of shares owned by a second shareholder as mandated by law) shall at the time be owned by such Person or by one or more Wholly Owned Subsidiaries of such Person.

TAXATION

The following discussion is a summary of certain Cayman Islands tax consequences under present law of the purchase, ownership and disposition of the Notes. It addresses only purchasers who will hold Notes as capital assets; it does not address the tax treatment of investors subject to special rules including banks, dealers, insurance companies, tax-exempt entities, and persons holding Notes as part of a hedge, straddle, conversion or constructive sale transaction. It does not address state, local and foreign tax consequences of ownership and disposition of Notes.

Cayman Islands Taxation

Under existing Cayman Islands laws, payments of interest and principal on the Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal to any holder of the Notes nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.

No stamp duty is payable in respect of the issue of the Notes. An instrument of transfer in respect of a Note is stampable if executed in or brought into the Cayman Islands.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN NOTES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a purchase agreement dated June 24, 2020 (the “**Purchase Agreement**”), we have agreed to sell to Credit Suisse, Morgan Stanley and UBS (the “**Initial Purchasers**”), and each of the Initial Purchasers has agreed, severally and not jointly, to purchase from us, the principal amount of the Notes set forth opposite its name below.

Initial Purchaser	Principal Amount of Notes
Credit Suisse	US\$116,666,000
Morgan Stanley	US\$116,667,000
UBS	US\$116,667,000
Total	US\$350,000,000

The Purchase Agreement provides that the Initial Purchasers are obligated to purchase all of the Notes if any are purchased. The Purchase Agreement also provides that if an Initial Purchaser defaults the purchase commitments of non-defaulting Initial Purchasers may be increased or the offering may be terminated.

The Initial Purchasers are offering the Notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Notes, and other conditions in the Purchase Agreement, such as the receipt by the Initial Purchasers of officer’s certificates and legal opinions. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

The Initial Purchasers propose to offer the Notes initially at the offering price on the cover page of this Offering Memorandum. After the initial offering, the offering price may be changed. The Initial Purchasers may offer and sell the Notes in various jurisdictions through certain of their affiliates.

We have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments which they may be required to make in respect of those liabilities. We have also agreed to reimburse the Initial Purchasers for certain expenses incidental to the sale of the Notes.

We have agreed with the Initial Purchasers that private banks resident outside the United States may, to the extent permitted by any applicable legal and regulatory framework, be paid a placement fee in connection with the purchase of the Notes on behalf of their private bank clients resident outside the United States under Regulation S under the Securities Act. The amount of the placement fee will be based upon the principal amount of the Notes so purchased and may be deducted from the purchase price for the Notes payable by such private banks upon settlement.

Purchasers of Notes sold outside the United States may be required to pay stamp taxes and other charges in compliance with the laws and practices of the country of purchase in addition to the price to investors on the cover page of this Offering Memorandum.

The Initial Purchasers and their respective affiliates may purchase Notes and be allocated Notes for asset management or proprietary purposes and not with a view to distribution. The Initial Purchasers and their respective affiliates may purchase Notes for their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or our other securities, at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any sale or resale of the Notes to which this Offering Memorandum relates (notwithstanding that such selected counterparties may also purchase the Notes).

No Sales of Similar Securities

We have agreed that we will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the U.S. Securities and Exchange Commission a registration statement under the Securities Act relating to, any debt securities issued or guaranteed by us, or publicly disclose our intention to make any offer, sale, pledge, disposition or filing, without the prior written consent of the Initial Purchasers for a period of 90 days after the date of this Offering Memorandum.

New Issue of Securities

The Notes are a new issue of securities for which there currently is no market. Although approval in-principle has been received for the listing of the Notes on the SGX-ST, such listing might not be obtained or maintained. The Initial Purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law. They are not obligated, however, to make a market in the Notes and any market-making may be discontinued at any time at their sole discretion. Accordingly, no assurance can be given as to the development or liquidity of any market for the Notes.

Settlement and Delivery

We expect that delivery of the Notes will be made against payment therefor on or about the closing date specified on the cover page of this Offering Memorandum, which will be the fifth business day following the date of pricing of the Notes (this settlement cycle being referred to as “T+5”). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of pricing or the next two succeeding business days will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers who wish to trade Notes on the date of pricing or the next two succeeding business days should consult their own advisor.

Stabilization

The Initial Purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids.

- Over-allotment involves sales in excess of the offering size, which creates a short position for the Initial Purchasers.
- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- Covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions.
- Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker/dealer when the Notes originally sold by such broker/dealer are purchased in a stabilizing or covering transaction to cover short positions.

These transactions may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions, if commenced, may be discontinued at any time and must in any event be brought to an end after a limited time.

Neither we nor the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor the Initial Purchasers make any representation that the Initial Purchasers will engage in such transactions or that any such transaction, once commenced, will not be discontinued without notice.

Other Relationships

Some of the Initial Purchasers and their respective affiliates from time to time have provided and may provide in the future investment banking, commercial lending, consulting and financial advisory services to us and our affiliates in the ordinary course of business for which they have received and may receive customary fees and expense reimbursement.

In addition, in the ordinary course of their business activities, the Initial Purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The Initial Purchasers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

In connection with the offering of the Notes, Tan Sri Dr. Chen Lip Keong, who is the founder, an executive director, the Chief Executive Officer and the controlling shareholder of the Company, is purchasing US\$45 million in principal amount of the Notes (via his wholly-owned company ChenLipKeong Capital Limited), at the same price and on the same terms as other investors who purchase Notes.

Selling Restrictions

General

We and the Initial Purchasers have not taken any action, nor will we and the Initial Purchasers take any action, in any jurisdiction that would permit a public offering of the Notes, or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us, the Notes in any jurisdiction where action for that purpose is required. Accordingly, an investor may not offer or sell, directly or indirectly, any Note and may not distribute or publish either this Offering Memorandum or any other offering material or advertisements in connection with the Notes, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

Persons into whose hands this Offering Memorandum comes are required by us and the Initial Purchasers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Offering Memorandum or any other offering material relating to the Notes, in all cases at their own expense.

If a jurisdiction requires that the offering be made by a licenced broker or dealer and the Initial Purchasers or any of their respective affiliates is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the Issuer in such jurisdiction.

United States

The Notes and the Notes Guarantees have not been and will not be registered under the Securities Act or any state securities laws and, unless so registered, may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Notes are being offered and sold only outside the United States in offshore transactions in accordance with Regulation S. Resales of the Notes are restricted as described under “*Transfer Restrictions.*”

Until 40 days after the commencement of this offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in this offering) may violate the registration requirements of the Securities Act.

As used herein, the term “**United States**” has the meaning given to it in Regulation S.

United Kingdom

Each Initial Purchaser has severally represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (“**FSMA**”)) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to it; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Regulation (each, a “**Relevant Member State**”), each Initial Purchaser has represented and agreed that with effect from and including the date on which the Prospectus Regulation is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Memorandum as completed by the Pricing Supplement in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Regulation, subject to obtaining the prior consent of the Initial Purchasers for any such offer; or
- (c) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation, provided that no such offer of Notes shall require the Company or any Initial Purchaser to publish a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an offer of Notes to the public in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Regulation in that Member State, the expression Prospectus Regulation means Regulation (EU) 2017/1129.

PRIIPs Regulation/Prospectus Directive/Prohibition of sales to EEA and UK retail investors

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA or in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MIFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

Hong Kong

Each Initial Purchaser has represented, warranted and agreed that: (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and (b) it has not issued or had in its possession for the purposes of issue and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

Singapore

Each Initial Purchaser has acknowledged that this Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Initial Purchaser has represented, warranted and agreed that it has not offered or sold the Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell the Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than:

- (i) to an institutional investor (as defined in Section 4A of SFA pursuant to Section 274 of the SFA;
- (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018; or
- (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (a) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (b) where no consideration is or will be given for the transfer;
- (c) where the transfer is by operation of law;

- (d) as specified in Section 276(7) of the SFA; or
- (e) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Notification under Section 309B of the Securities and Futures Act – The Issuer has determined, and hereby notifies all persons (including relevant persons (as defined in Section 309A(1) of the SFA)), that the Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948) (as amended) (the “**FIEL**”), and disclosure under the FIEL has not been made with respect to the Notes. Accordingly, the Notes may not be offered or sold, directly or indirectly in Japan or to, or for the account of, any resident of Japan, or to others for reoffering or re-sale, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan, except pursuant to any exemption from the registration requirements of the FIEL and otherwise in compliance with the FIEL and other applicable provisions of Japanese laws and regulations. As used in this paragraph, “**resident of Japan**” means any person residing in Japan, including any corporation or other entity organized under the laws of Japan.

TRANSFER RESTRICTIONS

Because the following restrictions will apply to the Notes, investors should consult legal counsel prior to making any offer, resale, pledge or transfer of the Notes.

This Offering is being made in accordance with Regulation S under the U.S. Securities Act. The Notes (including the Notes Guarantees) have not been and will not be registered under the Securities Act or with a securities regulatory authority of any state or other jurisdiction and, accordingly, may not be offered, sold, pledged or otherwise transferred or delivered within the United States (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes (including the Notes Guarantees) are being offered and sold only outside the United States in offshore transactions, in reliance upon Regulation S under the Securities Act.

Each purchaser of the Notes, by accepting delivery of this Offering Memorandum and the Notes, will be deemed to have made the following acknowledgements, representations to, and agreements with us and the Initial Purchasers:

1. It understands and acknowledges that:
 - (i) the Notes (including the Notes Guarantees) have not been registered under the Securities Act or any other applicable securities laws;
 - (ii) the Notes (including the Notes Guarantees) are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws;
 - (iii) the Notes (including the Notes Guarantees) are being offered and sold only outside of the United States in offshore transactions in reliance on Rule 903 of Regulation S under the Securities Act; and
 - (iv) unless so registered, the Notes (including the Notes Guarantees) may not be sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws.
2. It represents that it is not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that it are not acting on our behalf, other than a distributor, and that it is purchasing Notes (including the Notes Guarantees) in an offshore transaction in accordance with Regulation S.
3. It acknowledges that neither we nor the Initial Purchasers nor any person representing us or the Initial Purchasers has made any representation to it with respect to us or the offering of the Notes (including the Notes Guarantees), other than the information contained in this Offering Memorandum. It represents that it is relying only on this Offering Memorandum in making its investment decision with respect to the Notes. It agrees that it has had access to such financial and other information concerning us and the Notes as it has deemed necessary in connection with its decision to purchase the Notes (including the Notes Guarantees) including an opportunity to ask questions of and request information from us.
4. It represents that it is purchasing the Notes (including the Notes Guarantees) for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes (including the Notes Guarantees) in violation of the Securities Act.

5. It also acknowledges that each Note will contain a legend substantially to the following effect:

THIS NOTE AND THE NOTE GUARANTEES HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS ACQUIRING THIS NOTE IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

6. It acknowledges that we, the Initial Purchasers, the Registrar, the Transfer Agent, their affiliates and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. It agrees that if any of the acknowledgments, representations or agreements it is deemed to have made by its purchase of Notes is no longer accurate, it will promptly notify us, the Initial Purchasers and the Transfer Agent. If it is purchasing any Notes (including the Notes Guarantees) as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the above acknowledgments, representations and agreements on behalf of each account.

Private Banks

Each purchaser of the Notes, by accepting delivery of this Offering Memorandum, will be deemed to have represented, agreed and acknowledged that if it is a private bank that is entitled to a placement fee in connection with its purchase of the Notes on behalf of its private bank clients and that: (1) it and all its private bank clients purchasing the Notes are resident outside the United States and purchasing the Notes in an offshore transaction in accordance with Regulation S; and (2) it is permitted to receive and retain such fee by any applicable legal and regulatory framework. We, the Initial Purchasers, the Registrar, the Transfer Agent, their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and, if any such acknowledgments, representations or agreements deemed to have been made by virtue of its purchase of the Notes are no longer accurate, it agrees to promptly notify us.

LEGAL MATTERS

Certain legal matters in connection with the Offering will be passed upon for us by Ashurst LLP as to certain matters of U.S. federal, New York State and Hong Kong law, by Maples and Calder (Hong Kong) LLP as to certain matters of Cayman Islands and British Virgin Islands law, and by HML Law Group & Consultants as to certain matters of Cambodian law. Certain legal matters in connection with the Offering will be passed upon for the Initial Purchasers by Latham & Watkins LLP as to certain matters of U.S. federal and New York State law and by DFDL and Sarin & Associates as to certain matters of Cambodian law.

INDEPENDENT PUBLIC ACCOUNTANTS

Our consolidated financial statements as of and for the years ended December 31, 2017, 2018 and 2019 were audited by BDO Limited, independent public accountants, in accordance with IFRS, as stated in their reports included elsewhere in this Offering Memorandum.

GAMING INDUSTRY CONSULTANT

The information contained in the section “Industry Overview” in this Offering Memorandum, including all statistics and data therein, was prepared by Global Market Advisors, independent gaming industry consultants in the gaming industry, in a report dated June 2020. Global Market Advisors has given and not withdrawn its written consent to the issue of the Offering Memorandum with the inclusion herein of their name and all references thereto and to the inclusion of the “Industry Overview” section of this Offering Memorandum, in the form and context in which it appears, and to act in such capacity in relation thereto. The “Industry Overview” section does not include all of the information that may be important for an investment decision.

GENERAL INFORMATION

Consents

We have, where required under applicable law, obtained all necessary consents, approvals and authorizations in the Cayman Islands, Hong Kong, the British Virgin Islands and Cambodia in connection with the issue and performance of the Notes and the Notes Guarantees. The entering into of the Indenture and the issue of the Notes and the Notes Guarantees have been authorized by a resolution of our board of directors dated June 21, 2020.

Litigation

Neither we nor any of our subsidiaries are involved in any litigation or arbitration proceedings which are material in the context of the Notes, nor are we aware that any such proceedings are pending or threatened.

No Material Adverse Change

Other than as disclosed in this Offering Memorandum, there has been no adverse change, or any development reasonably likely to involve an adverse change, in our condition (financial or otherwise) or general affairs since December 31, 2019 that is material in the context of the issue of the Notes.

Documents Available

For so long as any of the Notes are outstanding, copies of the Indenture may be inspected during normal business hours on any weekday (except public holidays) at the office of each Paying Agent.

For so long as any of the Notes are outstanding, copies of our audited financial statements for the last two financial years, if any, may be obtained during normal business hours on any weekday (except public holidays) at the office of each Paying Agent.

Clearing System and Settlement

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream under the Common Code number 219769326 and the International Securities Identification Number for the Notes is XS2197693265. Only Notes evidenced by a Global Note have been accepted for clearance through Euroclear and Clearstream.

Listing of the Notes

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

If and for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, if the global certificate is exchanged for certificates in definitive form, we will appoint and maintain a paying agent in Singapore where the Notes may be presented or surrendered for payment or redemption. If a global certificate is exchanged for certificates in definitive form, an announcement of the exchange will be made by or on behalf of us through the SGX-ST that will include all material information with respect to the delivery of the definitive certificates, including details of the Singapore paying agent, if and for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

Ratings

The Notes are expected to be rated “B1” by Moody’s and “B+” by Standard & Poor’s. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page</u>
Consolidated Financial Statements as of and for the Year Ended December 31, 2019	
Independent Auditor’s Report of BDO Limited relating to the consolidated financial statements as of and for the year ended December 31, 2019	F-2
Consolidated Statement of Income for the year ended December 31, 2019	F-7
Consolidated Statement of Comprehensive Income for the year ended December 31, 2019	F-8
Consolidated Statement of Financial Position as at December 31, 2019	F-9
Consolidated Statement of Changes in Equity for the year ended December 31, 2019	F-11
Consolidated Statement of Cash Flows for the year ended December 31, 2019	F-12
Notes to the Consolidated Financial Statements as of and for the year ended December 31, 2019	F-14
Consolidated Financial Statements as of and for the Year Ended December 31, 2018	
Independent Auditor’s Report of BDO Limited relating to the consolidated financial statements as of and for the year ended December 31, 2018	F-92
Consolidated Statement of Income for the year ended December 31, 2018	F-97
Consolidated Statement of Comprehensive Income for the year ended December 31, 2018	F-98
Consolidated Statement of Financial Position as at December 31, 2018	F-99
Consolidated Statement of Changes in Equity for the year ended December 31, 2018	F-101
Consolidated Statement of Cash Flows for the year ended December 31, 2018	F-102
Notes to the Consolidated Financial Statements as of and for the year ended December 31, 2018	F-104

Independent Auditor's Report

Independent auditor's report to the members of NagaCorp Ltd.

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of NagaCorp Ltd. (the "Company") and its subsidiaries (together the "Group") set out on pages 126 to 210, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the International Accounting Standards Board's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

Obligation payment

Refer to notes 11 and 33(ii) to the consolidated financial statements, and the accounting policy 4(h) on page 153.

The Group is a gaming and hotel and leisure operator in Cambodia. As explained in note 11 to the consolidated financial statements, the Group paid monthly obligation payments to the government of Cambodia in respect of its activities in Cambodia in accordance with practices as agreed with the Ministry of Economy and Finance of Cambodia ("MOEF") in the past and as the Casino Law which is to cover taxation of gaming activities in Cambodia, has yet to be promulgated. As disclosed in note 11 the Group paid additional obligation payments of \$20.7 million during the year in addition to the monthly obligation payments.

Due to the inherent nature of this matter and as further explained in note 33(ii) to the consolidated financial statements, the measurement of a reliable estimate of such additional obligation payment (if any) required significant judgement and is dependent on future development of this matter.

Our responses:

- Inquiring the management of the Group and the local component auditor pertaining to this subject matter;
- Obtaining correspondences with the MOEF relevant to gaming and non-gaming obligation payments and evaluating the legal opinion of the Group obtained in the past to assess the Group's exposure to gaming and non-gaming obligation payments;
- Checking the payments of monthly obligation payments to supporting information that we considered relevant;
- Checking the payment of additional obligation payment to supporting information that we considered relevant and reviewing the acknowledgement of receipt for the additional obligation payment issued by the MOEF;
- Evaluating the management's accounting judgement and treatment of the additional obligation payment; and
- Evaluating the adequacy of disclosure of this matter under note 11 of the consolidated financial statements.

Other Information in the Annual Report

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Independent Auditor's Report

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited

Certified Public Accountants

Chiu Wing Cheung Ringo

Practising Certificate Number P04434

25th Floor, Wing On Centre,
111 Connaught Road Central,
Hong Kong

Hong Kong, 10 February 2020

Consolidated Statement of Income

for the year ended 31 December 2019
(Expressed in United States dollars)

	Note	2019 \$' 000	2018 \$' 000
Revenue	6	1,755,466	1,474,287
Cost of sales		(909,162)	(800,806)
Gross profit		846,304	673,481
Other income	7	10,806	10,275
Administrative expenses		(61,256)	(79,307)
Other operating expenses		(224,002)	(185,588)
Profit from operations		571,852	418,861
Finance costs	8	(20,210)	(19,469)
Profit before taxation	9	551,642	399,392
Income tax	11	(30,364)	(8,814)
Profit attributable to owners of the Company		521,278	390,578
Earnings per share (US cents)			
Basic	13	12.01	9.00
Diluted	13	12.01	9.00

The notes on page 133 to 210 form part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2019
(Expressed in United States dollars)

	2019 \$' 000	2018 \$' 000
Profit for the year	521,278	390,578
Other comprehensive income for the year		
Item that maybe reclassified subsequently to profit or loss		
– exchange differences from translation of foreign operations	555	(797)
Total comprehensive income attribute to the owners of the Company for the year	521,833	389,781

The notes on pages 133 to 210 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

as at 31 December 2019
(Expressed in United States dollars)

	Note	2019 \$' 000	2018 \$' 000
Non-current assets			
Property, plant and equipment	15	1,594,848	1,275,596
Right-of-use assets	16	85,758	–
Interest in leasehold land held for own use under operating lease	15	–	26,634
Intangible assets	17	70,631	59,107
Prepayments for acquisition, construction and fitting-out of property, plant and equipment	18	129,523	84,364
Promissory notes	19	9,992	9,372
		1,890,752	1,455,073
Current assets			
Consumables	20	2,767	2,051
Trade and other receivables	21	126,772	117,140
Certificates of deposit, fixed deposits and other liquid funds	22	53,353	76,441
Cash and cash equivalents	22	273,377	316,536
		456,269	512,168
Current liabilities			
Trade and other payables	23	159,407	79,711
Contract liabilities	24	9,963	10,023
Lease liabilities	16	2,761	–
Current tax liability		2,968	2,374
		175,099	92,108
Net current assets		281,170	420,060
Total assets less current liabilities		2,171,922	1,875,133
Non-current liabilities			
Other payables	23	4,502	–
Senior notes	25	294,813	291,118
Contract liabilities	24	35,396	44,146
Lease liabilities	16	48,840	–
		383,551	335,264
NET ASSETS		1,788,371	1,539,869

	Note	2019 \$' 000	2018 \$' 000
CAPITAL AND RESERVES	26		
Share capital		54,263	54,263
Reserves		1,734,108	1,485,606
TOTAL EQUITY		1,788,371	1,539,869

Approved and authorised for issue by the Board on 10 February 2020.

Timothy Patrick McNally
Chairman

Philip Lee Wai Tuck
Executive Deputy Chairman

The notes on pages 133 to 210 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2019
(Expressed in United States dollars)

	Share capital \$'000	Share premium \$'000	Capital redemption reserve \$'000	Merger reserve \$'000	Capital contribution reserve \$'000	Exchange reserve \$'000	Retained profits \$'000	Total \$'000
Balance at 1 January 2018 as originally presented	54,263	751,356	151	(12,812)	55,568	(799)	534,818	1,382,545
Initial application of IFRS 15	-	-	-	-	-	-	(61,646)	(61,646)
Restated balance at 1 January 2018	54,263	751,356	151	(12,812)	55,568	(799)	473,172	1,320,899
Profit for the year	-	-	-	-	-	-	390,578	390,578
Other comprehensive income – exchange differences from translation of foreign operations	-	-	-	-	-	(797)	-	(797)
Total comprehensive income for the year	-	-	-	-	-	(797)	390,578	389,781
Dividend declared and paid	-	-	-	-	-	-	(170,811)	(170,811)
	-	-	-	-	-	(797)	219,767	218,970
Balance at 31 December 2018	54,263	751,356	151	(12,812)	55,568	(1,596)	692,939	1,539,869

Note	Share capital \$'000	Share premium \$'000	Capital redemption reserve \$'000	Merger reserve \$'000	Capital contribution reserve \$'000	Exchange reserve \$'000	Retained profits \$'000	Total \$'000
Balance at 1 January 2019	54,263	751,356	151	(12,812)	55,568	(1,596)	692,939	1,539,869
Profit for the year	-	-	-	-	-	-	521,278	521,278
Other comprehensive income – exchange differences from translation of foreign operations	-	-	-	-	-	555	-	555
Total comprehensive income for the year	-	-	-	-	-	555	521,278	521,833
Dividend declared and paid	12	-	-	-	-	-	(273,331)	(273,331)
	-	-	-	-	-	555	247,947	248,502
Balance at 31 December 2019	54,263	751,356	151	(12,812)	55,568	(1,041)	940,886	1,788,371

The notes on page 133 to 210 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2019
(Expressed in United States dollars)

	2019 \$' 000	2018 \$' 000
Operating activities		
Profit before taxation	551,642	399,392
Adjustments for:		
– Depreciation and amortisation	96,369	89,433
– Amortisation of casino licence premium	3,478	3,547
– Interest income	(4,282)	(3,272)
– Finance costs	20,210	19,469
– Unrealised exchange gain	494	(121)
– Impairment loss on trade receivables	2,400	2,200
– Gain on disposal of property, plant and equipment	(50)	(5)
– Write-off of property, plant and equipment	23	1,003
Operating profit before changes in working capital	670,284	511,646
Increase in consumables	(716)	(256)
Increase in trade and other receivables	(14,374)	(17,923)
Increase in trade and other payables	73,604	186
Decrease in contract liabilities	(8,810)	(8,750)
Cash generated from operations	719,988	484,903
Tax paid	(29,770)	(8,221)
Net cash generated from operating activities	690,218	476,682
Investing activities		
Interest received	3,746	2,808
Decrease/(increase) in certificates of deposit, fixed deposits and other liquid funds	23,088	(76,441)
Payment for the purchase of property, plant and equipment and for the construction cost of property	(432,484)	(243,275)
Payment for purchase of right-of-use assets	(8,000)	–
Premium paid for extension of exclusivity of casino licence	(10,500)	–
Proceeds from disposal of property, plant and equipment	50	5
Net cash used in investing activities	(424,100)	(316,903)

Consolidated Statement of Cash Flows

for the year ended 31 December 2019
(Expressed in United States dollars)

	2019 \$' 000	2018 \$' 000
Financing activities		
Interest paid	(28,125)	(14,062)
Payment for lease liabilities	(7,821)	–
Dividends paid	(273,331)	(170,811)
Net proceeds from issue of senior notes	–	288,836
Net cash (used in)/generated from financing activities	(309,277)	103,963
Net (decrease)/increase in cash and cash equivalents	(43,159)	263,742
Cash and cash equivalents at beginning of year	316,536	52,794
Cash and cash equivalents at end of year	273,377	316,536
Analysis of cash and cash equivalents		
Cash and bank balances	273,377	222,639
Non-pledged fixed deposits with original maturity of less than three months when acquired	–	16,000
Money market fund	–	77,897
Cash and cash equivalents as stated in the consolidated statement of cash flows	273,377	316,536

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

1 General

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

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

Information about subsidiaries

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

Name of subsidiary	Place of incorporation	Place of business	Issued and paid up share capital	Effective equity held by the Company	Effective equity held by subsidiary	Principal activities
NagaCorp (HK) Limited	Hong Kong	Hong Kong	HK\$10	100%	-	Investment holding
Naga Russia Limited	Cayman Islands	Russia	\$1	100%	-	Investment holding
Naga Russia One Limited	Cayman Islands	Russia	\$1	-	100%	Investment holding
Naga Hotels Russia Limited	Cayman Islands	Russia	\$1	-	100%	Investment holding
NAGAWORLD LIMITED ("NWL")	Hong Kong	Cambodia	HK\$78,000,000	-	100%	Gaming, hotel and entertainment operations
Ariston Sdn. Bhd ("Ariston")	Malaysia	Malaysia & Cambodia	Malaysian Ringgit ("RM") 56,075,891	-	100%	Holding casino licence and Investment holding
Neptune Orient Sdn. Bhd.	Malaysia	-	RM250,000	-	100%	Inactive
ARISTON (CAMBODIA) LIMITED	Cambodia	-	Cambodian Riel ("KHR") 120,000,000	-	100%	Inactive
Naga Primorsky Entertainment Limited	Cyprus	Russia	Euro1,000	-	100%	Investment holding
Naga Primorsky Beach Resorts Limited	Cyprus	Russia	Euro1,000	-	100%	Investment holding
Naga Entertainment No.3 Limited	Cyprus	Russia	Euro1,000	-	100%	Investment holding
Naga Sports Limited	Hong Kong	-	HK\$2	-	100%	Inactive
Naga Travel Limited	Hong Kong	Hong Kong	HK\$2	-	100%	Investment holding
Naga Retail Limited	Hong Kong	Cambodia	HK\$2	-	100%	Operation of retail business

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

1 General (continued)

Information about subsidiaries (continued)

Name of subsidiary	Place of incorporation	Place of business	Issued and paid up share capital	Effective equity held by the Company	Effective equity held by a subsidiary	Principal activities
Naga Entertainment Limited	Hong Kong	-	HK\$2	-	100%	Inactive
Naga Services Limited	Hong Kong	Hong Kong	HK\$2	-	100%	Investment holding
Naga Media Limited	Hong Kong	-	HK\$2	-	100%	Inactive
Naga Management Limited	Hong Kong	-	HK\$2	-	100%	Inactive
Naga Services Company Limited	Vietnam	-	\$50,000	-	100%	In liquidation
Naga Management Services Limited	Thailand	Thailand	Thai Baht 3,000,000	-	100%	Management consulting services
NagaJet Management Limited	Cayman Islands	Cambodia	\$1	-	100%	Management of company aircraft
NAGA TRANSPORT LIMITED	Cambodia	Cambodia	KHR200,000,000	-	100%	Transportation support activities
GOLDEN PASSAGE DESTINATIONS CO., LTD.	Cambodia	Cambodia	KHR200,000,000	-	100%	Travel agency services
NagaWorld (Macau) Limitada	Macau	Macau	MOP25,000	-	100%	Marketing, sales, consultancy & services in connection with travelling, hotels and resorts
Primorsky Entertainment Resorts City LLC	Russia	Russia	RUB677,360,138	-	100%	Gaming, hotel and entertainment operations
Primorsky Entertainment Resorts City No.2 LLC	Russia	Russia	RUB10,000	-	100%	Inactive
NagaWorld Three Limited	British Virgin Islands	-	\$1	-	100%	Inactive
Naga Lease Limited	Hong Kong	-	HK\$1	-	100%	Inactive
Naga 2 Land Limited (formerly known as TanSriChen Inc.)	British Virgin Islands	Cambodia	\$285,000,000	100%	-	Asset holding

1 General (continued)

Information about subsidiaries (continued)

Name of subsidiary	Place of incorporation	Place of business	Issued and paid up share capital	Effective equity held by the Company	Effective equity held by a subsidiary	Principal activities
NagaCity Walk Limited (formerly known as TanSriChen (Citywalk) Inc.)	British Virgin Islands	Cambodia	\$95,000,000	100%	-	Investment holding
NAGACITY WALK LAND COMPANY LIMITED (formerly known as Tan Sri Chen Inc. (TSCI))	Cambodia	Cambodia	\$1,000,000	-	100%	Management of NagaCity Walk Project
TALENT TREE MANPOWER SOLUTIONS CO, LTD.	Cambodia	Cambodia	KHR4,000,000	-	100%	Employment placement agencies
BASSAKA HOLDING COMPANY LIMITED	Cambodia	Cambodia	KHR4,000,000	100%	-	Investment holding and management consulting
NAGAi Limited	Cayman Islands	-	\$1	100%	-	Inactive
NAGAHOTEL Limited	Cayman Islands	-	\$1	100%	-	Inactive
NagaGroup Global Limited	Cayman Islands	-	\$1	100%	-	Inactive
NagaGroup Global Limited	British Virgin Islands	-	\$1	100%	-	Inactive
NAGAi Inc	British Virgin Islands	-	\$1	100%	-	Inactive
NAGAHOTEL Limited	British Virgin Islands	-	\$1	100%	-	Inactive
NAGA Limited	British Virgin Islands	-	\$1	100%	-	Inactive
NAGA 3 COMPANY LIMITED	Cambodia	Cambodia	KHR4,000,000	100%	-	Property development and property investment
NAGAWORLD FOOTBALL CLUB COMPANY LIMITED	Cambodia	Cambodia	KHR4,000,000	-	100%	Operating football club

The class of shares held is ordinary.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

2 Adoption of new or revised International Financial Reporting Standards

Impact of new amendments, standards and interpretations which are effective during the year

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

IFRS 16	Leases
IFRIC-Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 3, Business Combinations
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 11, Joint Arrangements
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 12, Income Taxes
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 23, Borrowing Costs

Except for IFRS 16 Leases ("IFRS 16"), none of the new or revised standards and interpretations have had a material effect on the Group's accounting policies. The Group has not applied any new standard or interpretation that is not yet effective for the Year. The impact of the adoption of IFRS 16 is summarised below.

IFRS 16

IFRS 16 supersedes IAS 17 Leases ("IAS 17"), IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

2 Adoption of new or revised International Financial Reporting Standards (continued)

IFRS 16 (continued)

The effect of adoption of IFRS 16 is as follows:

Impact on the consolidated statement of financial position as at 31 December 2019 (increase/(decrease)):

	\$' 000
Assets	
<i>Non-current assets</i>	
Right-of-use assets	85,758
Interest in leasehold land held for own use under operating lease	(34,198)
Total non-current assets	51,560
<i>Current assets</i>	
Trade and other receivables	(1,948)
Total current assets	(1,948)
Total assets	49,612
Liabilities	
<i>Current liabilities</i>	
Lease liabilities	2,761
Total current liabilities	2,761
<i>Non-current liabilities</i>	
Lease liabilities	48,840
Total non-current liabilities	48,840
Total liabilities	51,601
Equity	
Retained profits	(1,989)
Total Equity	(1,989)

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

2 Adoption of new or revised International Financial Reporting Standards (continued)

IFRS 16 (continued)

The effect of adoption of IFRS 16 is as follows: (continued)

Impact on the consolidated statement of income for the Year (increase/(decrease)):

	\$' 000
Operating lease expenses (included in administrative expenses)	(7,867)
Depreciation and amortisation expense (included in other operating expenses)	4,449
Net exchange loss (included in other operating expenses)	23
Profit from operations	3,395
Finance costs	5,384
Income tax	-
Profit attributable to owners of the Company	(1,989)

Impact on the consolidated statement of cash flows for the Year (increase/(decrease)):

	\$' 000
Net cash flows from operating activities	7,821
Net cash flows from financing activities	(7,821)

Impact on segment information disclosures for the Year:

	Casino operations \$' 000	Hotel and entertainment operations \$' 000
Segment results	3,337	3,972
Segment assets	21,405	27,285
Segment liabilities	22,272	28,369

The adoption of IFRS 16 has no significant impact on earnings per share for the Year.

2 Adoption of new or revised International Financial Reporting Standards (continued)

IFRS 16 (continued)

(a) *Nature of the effect of adoption of IFRS 16*

The Group has lease contracts for various items of property, plant and equipment and interest in leasehold land. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under trade and other receivables and trade and other payables, respectively. Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for lease contracts with a lease term of 12 months or less and do not contain a purchase option ("short-term leases") and lease contracts for which the underlying asset is of low value ("low-value assets"). The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The weighted average of the incremental borrowing rates used for determination of the remaining lease payments was 10%.

To ease the transition to IFRS 16, the Group applied a practical expedient at the date of initial application of IFRS 16 whereby it elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

2 Adoption of new or revised International Financial Reporting Standards (continued)

IFRS 16 (continued)

(a) Nature of the effect of adoption of IFRS 16 (continued)

Based on the foregoing, as at 1 January 2019:

- Right-of-use assets of \$82,969,000 were recognised and presented separately in the consolidated statement of financial position. This includes lease assets of \$26,634,000 which were reclassified from interest in leasehold land held for own use under operating lease.
- Lease liabilities of \$53,993,000 were recognised and presented separately in the consolidated statement of financial position.
- Prepayments included in trade and other receivables of \$2,342,000 related to previous operating leases were derecognised.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	\$' 000
Operating lease commitments at 31 December 2018	118,986
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(879)
	118,107
Less: total future interest expense	(64,114)
Lease liabilities recognised at 1 January 2019	53,993

2 Adoption of new or revised International Financial Reporting Standards (continued)

IFRS 16 (continued)

(b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period during which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

2 Adoption of new or revised International Financial Reporting Standards (continued)

IFRS 16 (continued)

(b) Summary of new accounting policies (continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

IFRIC-Interpretation 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of IAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the “most likely amount” or the “expected value” approach, whichever better predicts the resolution of the uncertainty.

Amendments to IFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

Annual Improvements to IFRSs 2015-2017 Cycle – Amendments to IFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

2 Adoption of new or revised International Financial Reporting Standards (continued)

Annual Improvements to IFRSs 2015-2017 Cycle – Amendments to IFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to IFRSs 2015-2017 Cycle – Amendments to IAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to IFRSs 2015-2017 Cycle – Amendments to IAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

3 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards, International Accounting Standards and Interpretations (hereinafter collectively referred to as "IFRS") issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 33.

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

4 Principal accounting policies

(a) Business combination and basis of consolidation

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

(b) Property, plant and equipment

(i) Owned assets

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

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

Capital work-in-progress comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the capital work-in-progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed.

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

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

4 Principal accounting policies (continued)

(b) Property, plant and equipment (continued)

(ii) Depreciation

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

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

No depreciation is provided for freehold land and capital work-in-progress. Depreciation is provided for capital work-in-progress when it is completed and ready for its intended use.

(c) Intangible assets

Acquired intangible assets – Casino licence premium

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

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

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

(d) Consumables

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

4 Principal accounting policies (continued)

(e) Financial instruments

(i) *Financial assets*

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not measured at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

4 Principal accounting policies (continued)

(e) Financial instruments (continued)

(i) *Financial assets (continued)*

Debt instruments (continued)

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) *Impairment loss on financial assets*

The Group recognises loss allowances for expected credit losses ("ECLs") on trade receivables, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

4 Principal accounting policies (continued)

(e) Financial instruments (continued)

(ii) *Impairment loss on financial assets (continued)*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non-credit-impaired financial assets interest income is calculated based on the gross carrying amount.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

4 Principal accounting policies (continued)

(e) Financial instruments (continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at FVTPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at FVTPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of income. The net fair value gain or loss recognised in the statement of income does not include any interest charged on these financial liabilities.

4 Principal accounting policies (continued)

(e) Financial instruments (continued)

(iii) *Financial liabilities (continued)*

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables and senior notes issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

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

(iv) *Effective interest method*

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

(v) *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) *Derecognition*

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IFRS 9.

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

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

4 Principal accounting policies (continued)

(f) Provisions

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

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

(g) Impairment of other assets

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

- property, plant and equipment;
- Right-of-use assets (applicable since 1 January 2019)
- interest in leasehold land held for own use under operating lease (applicable until 31 December 2018); and
- intangible assets.

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

- Calculation of recoverable amount

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

4 Principal accounting policies (continued)

(g) Impairment of other assets (continued)

- Recognition of impairment losses

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

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

(h) Income tax

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

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

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

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

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

The income tax in respect of the gaming and hotel operations of the Company's subsidiary, NWL, represents obligation payments ("Obligation Payments") (refer to note 11(a)).

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

4 Principal accounting policies (continued)

(i) Cash and cash equivalents

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

(j) Commissions and incentives

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

(k) Employee benefits

Short term employee benefits and contributions to defined contribution retirement scheme

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

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

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

4 Principal accounting policies (continued)

(l) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into United States dollars at exchange rates ruling at the end of the reporting period. Foreign currency transactions during the year are translated into United States dollars at the exchange rates ruling at the transaction dates. The results of foreign entities are translated into United States dollars at the average exchange rates for the year; items in the statement of financial position are translated into United States dollars at the rates of exchange ruling at the end of the reporting period. The resulting exchange differences are dealt with as other comprehensive income. All other translation differences are included in profit or loss.

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

(m) Dividends

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

(n) Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

4 Principal accounting policies (continued)

(n) Related parties (continued)

- (b) An entity is related to the Group if any of the following conditions apply:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) the entity or any member of a group of which it is a party, provides key management personnel services to the Group or the Company's parent.

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

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

4 Principal accounting policies (continued)

(o) Leasing

Accounting policies applied from 1 January 2019

(i) *Accounting as a lessee*

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

4 Principal accounting policies (continued)

(o) Leasing (continued)

Accounting policies applied from 1 January 2019 (continued)

(i) Accounting as a lessee (continued)

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(ii) Accounting as a lessor

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

4 Principal accounting policies (continued)

(o) Leasing (continued)

Accounting policies applied until 31 December 2018

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

(i) *Assets acquired under finance leases*

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

(ii) *Operating lease*

The Group as lessor

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

The Group as lessee

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

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

4 Principal accounting policies (continued)

(o) Leasing (continued)

Accounting policies applied until 31 December 2018 (continued)

(iii) *Prepaid land lease*

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

(p) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

- (i) Casino revenue from gaming tables and electronic gaming machines represents net house takings arising from casino operations and is recognised in profit or loss at a point in time when stakes are received by the casino and the amounts are paid out to the players. The credit policy on gaming receivables is five to thirty days from the end of VIP tour. Other customers paid in advance before they wager.
- (ii) Revenue from provision of gaming machine stations which comprises revenue in relation to profit sharing arrangements for the gaming machine operations where third parties provide and maintain the gaming machine stations is recognised in accordance with the substance of the relevant agreements:
 - The Group recognises its share of net wins from gaming machine operation at a point in time under joint operation with the third parties; or
 - Revenue for services provided to the third parties, based on sharing of net wins from the gaming machine operations, is recognised over time when the Group acts an agent to the third parties.
- (iii) Income from hotel operations including room rental, food and beverage sales and other ancillary services are recognised when the services are rendered. Most of the customers pay for room rental in advance or upon departure from the hotel by cash or credit card. Other services are paid when services are rendered. Certain entity customers are granted with credit period of thirty days from end of month.
- (iv) The Group operates a loyalty programme where customers accumulate points for money spent on gaming or hotel facilities which entitle them to acquire goods or services free of charge or at a discount. Revenue from the award points is recognised when the points are redeemed or when they expire.

4 Principal accounting policies (continued)

(p) Revenue recognition (continued)

- (v) Licence fee is recognised at a point in time when the right to use exists at which the licensing right is assigned. All other licence fee income is recognised over the contract period. Payment is made when the relevant contract is signed.

(q) Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

(r) Other income

- (i) Rental income under operating leases is recognised on a straight-line basis over the terms of the relevant leases.
- (ii) Interest income is recognised as it accrues using the effective interest method.

(s) Joint arrangements

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

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

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

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

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

4 Principal accounting policies (continued)

(s) Joint arrangements (continued)

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

(t) Capitalisation and borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

5 Casino licence

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

(a) Duration of licence

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

(b) Exclusivity

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

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

5 Casino licence (continued)

(b) Exclusivity (continued)

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

On 19 November 2019, the Company entered into the agreement with the RGC to extend the exclusivity of casino licence for an additional 10 years effective from 1 January 2036 to 31 December 2045 for a consideration of \$10 million and annual fee of \$3 million to be paid on annual basis for a period of 10 years beginning from January 2036 to January 2045.

(c) Casino complex

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

6 Revenue

Revenue represents net house takings arising from casino operations and income from other operations and is recognised from contracts with customers.

	2019 \$' 000	2018 \$' 000
Casino operations – gaming tables	1,561,422	1,305,138
Casino operations – electronic gaming	158,054	129,282
Hotel room income, food and beverage and others	35,990	39,867
	1,755,466	1,474,287

The following table provides information about trade receivables and contract liabilities from contracts with customers.

	2019 \$' 000	2018 \$' 000
Trade receivables	83,366	75,136
Contract liabilities	45,359	54,169

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

7 Other income

	2019 \$' 000	2018 \$' 000
Interest income	4,282	3,272
Rental income	6,389	6,995
Others	135	8
	10,806	10,275

8 Finance costs

	2019 \$' 000	2018 \$' 000
Interest expenses and amortisation of transaction costs relating to senior notes (Note 25)	31,820	19,469
Interest on lease liabilities	5,384	–
	37,204	19,469
Less: Interest expenses capitalised into capital work in progress	(16,994)	–
	20,210	19,469

9 Profit before taxation

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

	2019 \$' 000	2018 \$' 000
(a) Staff costs (including directors' remuneration):		
Salaries, wages and other benefits	125,168	92,374
Contributions to defined contribution retirement scheme [#]	45	45
Total staff costs*	125,213	92,419
(b) Other items:		
Auditor's remuneration		
– Current year	746	959
– Over provision for prior year	(31)	(8)
Amortisation of casino licence premium*	3,478	3,547
Depreciation and amortisation*		
– Own assets	91,136	89,433
– Right-of-use assets	5,233	–
Exchange (gain)/loss*	(1,058)	189
Impairment loss on trade receivables	2,400	2,200
Write-off of property, plant and equipment	23	1,003
Gain on disposal of property, plant and equipment	(50)	(5)
Operating lease charges for land lease rental ^o	–	2,629
Operating lease charges for office and car park rental ^o	–	5,135
Operating lease charges for hire of equipment ^o	–	4,214
Short term lease expenses ^o	3,085	–

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

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

^o The Group has initially applied IFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information has not been restated. See note 2.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

10 Directors' remuneration and senior management remuneration

(a) Directors' remuneration

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

	Annual performance incentive \$'000	Discretionary bonus \$'000	Fees \$'000	Basic salaries, allowances and benefits- in-kind \$'000	2019 Total \$'000
Executive directors					
Tan Sri Dr Chen Lip Keong	30,335	150	–	720	31,205
Philip Lee Wai Tuck	–	120	–	283	403
Chen Yiy Fon	–	30	–	144	174
Non-executive director					
Timothy Patrick McNally	–	100	220	262	582
Independent non-executive directors					
Michael Lai Kai Jin	–	20	36	–	56
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir (retired on 26 April 2019)	–	20	12	–	32
Lim Mun Kee	–	30	48	–	78
Leong Choong Wah	–	7	36	–	43
Total	30,335	477	352	1,409	32,573

10 Directors' remuneration and senior management remuneration (continued)

(a) Directors' remuneration (continued)

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

	Annual performance incentive \$'000	Discretionary bonus \$'000	Fees \$'000	Basic salaries, allowances and benefits- in-kind \$'000	2018 Total \$'000
Executive directors					
Tan Sri Dr Chen Lip Keong	-	150	-	720	870
Philip Lee Wai Tuck	-	120	-	263	383
Chen Yiy Fon	-	30	-	144	174
Chen Yepern (<i>retired on 27 April 2018</i>)	-	30	-	84	114
Non-executive director					
Timothy Patrick McNally	-	100	200	337	637
Independent non-executive directors					
Michael Lai Kai Jin	-	20	36	-	56
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir	-	20	36	-	56
Lim Mun Kee	-	30	48	-	78
Leong Choong Wah (<i>appointed on 10 September 2018</i>)	-	-	11	-	11
Total	-	500	331	1,548	2,379

During the Year, no contributions were made to defined contribution retirement scheme for any of the Directors (including past Directors) (2018: Nil).

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

10 Directors' remuneration and senior management remuneration (continued)

(a) Directors' remuneration (continued)

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

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

Based on the formula stated in Clause 3.3 of the service agreement entered into between the Company and Dr Chen, the parties acknowledge and agree that Dr Chen is entitled to a performance incentive of \$11,765,000 (the "2017 Performance Incentive Entitlement"), \$18,570,000 (the "2018 Performance Incentive Entitlement") and \$26,182,000 (the "2019 Performance Incentive Entitlement") for the financial years ended 31 December 2017, 2018 and 2019 respectively.

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 key performance indicators ("KPIs") set for the year ended 31 December 2018. 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 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.

10 Directors' remuneration and senior management remuneration (continued)

(a) Directors' remuneration (continued)

Pursuant to resolutions passed by the Board on 13 February 2019, the Board considered the matter relating to the payment of the 2017 Performance Incentive Entitlement and the 2018 Performance Incentive Entitlement and resolved to appeal to the generosity and good judgement of Dr Chen to defer such entitlements. The Company and Dr Chen agreed that it was in the interests of the Company to defer the 2017 and 2018 Performance Incentive Entitlements 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 and 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.

As a result of the achievement of the said KPIs for the Year, the 2017 Performance Incentive Entitlement and 2018 Performance Incentive Entitlement amounting to \$30,335,000 in total were recognised in profit or loss during the Year.

Pursuant to the resolution passed by the Board on 10 February 2020, the Board considered the matter relating to the 2019 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 2019 Performance Incentive Entitlement until the achievement of the KPIs in 2020. The Company and Dr Chen agreed that subject to the achievement of the KPIs, the deferral of the 2019 Performance Incentive Entitlement should be extended to 2020 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 incentives of \$18.6 million from the financial years 2010 to 2014.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

10 Directors' remuneration and senior management remuneration (continued)

(b) Five highest paid individuals

Of the five individuals with highest emoluments, three (2018: two) are directors whose emoluments are disclosed in note 10(a). The aggregate of the emoluments in respect of the two individuals for the Year (2018: three) are as follows:

	2019 \$' 000	2018 \$' 000
Salaries, wages and other benefits	984	1,526
Contribution to defined contribution retirement scheme	–	–
Discretionary bonus	186	160
Total	1,170	1,686

The emoluments of the two individuals (2018: three) with the highest emoluments are within the following bands:

	2019 Number of Individuals	2018 Number of Individuals
\$Nil – \$258,000 (approximately HK\$ Nil – HK\$2,000,000)	–	–
\$258,001 – \$323,000 (approximately HK\$2,000,001 – HK\$2,500,000)	–	–
\$323,001 – \$387,000 (approximately HK\$2,500,001 – HK\$3,000,000)	–	–
\$387,001 – \$452,000 (approximately HK\$3,000,001 – HK\$3,500,000)	1	–
\$452,001 – \$516,000 (approximately HK\$3,500,001 – HK\$4,000,000)	–	1
\$516,001 – \$581,000 (approximately HK\$4,000,001 – HK\$4,500,000)	–	1
\$581,001 – \$645,000 (approximately HK\$4,500,001 – HK\$5,000,000)	–	–
\$645,001 – \$710,000 (approximately HK\$5,000,001 – HK\$5,500,000)	–	1
\$710,001 – \$774,000 (approximately HK\$5,500,001 – HK\$6,000,000)	–	–
\$774,001 – \$839,000 (approximately HK\$6,000,001 – HK\$6,500,000)	1	–
	2	3

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

11 Income tax

Income tax in profit or loss represents:

	2019 \$'000	2018 \$'000
Current tax expense – Current year	30,364	8,814

During the Year, the Group recognised an additional obligation payment to the Ministry of Economy and Finance (the “MOEF”) of Cambodia of \$20,770,000 (2018: Nil) which is included in the amounts above.

Reconciliation between tax and accounting profit at applicable tax rate:

	2019 \$'000	2018 \$'000
Profit before taxation	551,642	399,392
Profits tax using Cambodian corporation tax rate of 20% (2018: 20%)	110,328	79,878
Tax exempt profits from Cambodian operations (note (a))	(110,328)	(79,878)
Obligation Payments (note (a))	30,364	8,814
	30,364	8,814

Notes:

(a) Income tax in profit or loss

Income tax represents monthly gaming Obligation Payment of \$585,176 (2018: \$520,157), monthly non-gaming Obligation Payment of \$214,338 (2018: \$214,338) payable to the MOEF by NWL Gaming Branch and NWL Hotel and Entertainment Branch, branches registered in Cambodia.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

11 Income tax (continued)

Notes: (continued)

(a) Income tax in profit or loss (continued)

(i) Casino tax and licence fees

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

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

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

In May 2000, the MOEF levied an Obligation Payment of \$60,000 per month on NWL Gaming Branch payable from January 2000 to December 2003 in respect of the gaming activities. The MOEF has also confirmed that gaming taxes and licence fees are not payable in respect of periods prior to January 2000. Legal opinion was obtained confirming that the Obligation Payment is not payable prior to January 2000. Since December 2003, the MOEF had been revising the Obligation Payment every year up to 2018. For the year ended 31 December 2018, the Obligation Payments was \$520,157 per month.

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

11 Income tax (continued)

Notes: (continued)

- (a) Income tax in profit or loss (continued)
 - (i) Casino tax and licence fees (continued)

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

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

The MOEF has yet to confirm the amount of the Obligation Payment for the Year. Base on all available information, NWL Gaming Branch continued to accrue and pay the Obligation Payment with increment rate of 12.5% on top of the 2018 Obligation Payment (i.e. \$585,176 per month) during the Year.

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

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

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

11 Income tax (continued)

Notes: (continued)

- (a) Income tax in profit or loss (continued)
 - (ii) Corporate and other taxes on gaming activities

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

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

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

As explained in note 11(a)(i) above in respect of gaming activities, NWL has to pay the Obligation Payment. The MOEF confirmed, in a letter to NWL dated 15 September 2000, to clarify that the Obligation Payment is a fixed gaming tax and with the payment of this fixed gaming tax, NWL will be exempted from all category of taxes on gaming activities including advance profits tax, minimum tax and advance tax on distribution of dividends. NWL, however, is obliged to pay taxes on other non-gaming services and activities payable under the Law on Taxation (the "LoT") of Cambodia.

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

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

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

11 Income tax (continued)

Notes: (continued)

(a) Income tax in profit or loss (continued)

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

In July 2002, the MOEF imposed a non-gaming Obligation Payment on NWL in respect of tax on non-gaming activities of a fixed sum of \$30,500 per month for the six months ended 31 December 2002. The monthly rate of non-gaming Obligation Payment will be reviewed annually. For the year ended 31 December 2018, the estimated provision of non-gaming obligation payment is \$214,338 per month (2018: \$214,338 per month).

The above non-gaming Obligation Payment is considered as a composite of various other taxes such as salary tax, fringe benefit tax, withholding tax, value-added tax, patent tax, tax on rental of moveable and unmoveable assets, minimum tax, advance profit tax, advertising tax and specific tax on entertainment services. The non-gaming Obligation Payment is due to be paid monthly and in the event of default in payment, the penalties and interest imposed are similar to those applicable to the gaming Obligation Payment as stated in note 11(a)(i) above.

During the Year, the Group paid an additional Obligation Payment of \$20,770,000 (2018: Nil) to the MOEF. Additional Obligation Payments other than those paid during the Year or prior years (if any), are subject to the future development in this matter.

(iii) Other jurisdictions

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

(b) Taxes on other businesses

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

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

11 Income tax (continued)

Notes: (continued)

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

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

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

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

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

(d) Deferred taxation

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

12 Dividends payable to owners of the Company attributable to the year

	2019 \$' 000	2018 \$' 000
Interim dividend declared during the year:		
2018: US cents 2.49 per ordinary share	–	108,079
2019: US cents 3.39 per ordinary share	147,063	–
Final dividend proposed after the end of reporting period:		
2018: US cents 2.91 per ordinary share	–	126,268
2019: US cents 5.09 per ordinary share	220,938	–
	368,001	234,347

The dividends declared and paid during the Year comprise the 2018 final dividend of \$126,268,000 which was paid in May 2019 and the 2019 interim dividend of \$147,063,000 which was paid in August 2019.

13 Earnings per Share

The calculation of basic earnings per share is based on the consolidated profit attributable to owners of the Company of \$521,278,000 (2018: \$390,578,000) and the weighted average number of shares of 4,341,008,041 (2018: 4,341,008,041) in issue during the Year.

There were no dilutive potential shares during the Year (2018: Nil).

14 Segment information

The Group manages its businesses by segments, which comprise a mixture of business activities (casino, hotel and entertainment). The Group has identified the following two main reportable segments in a manner consistent with the way in which information is reported internally to the Group's most senior executive management (the "SEM") for the purpose of resource allocation and performance assessment.

- Casino operations: this segment comprises all gaming activities at Naga 1 and Naga 2.
- Hotel and entertainment operations: this segment comprises the operations of leisure, hotel and entertainment activities.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

14 Segment information (continued)

(a) Segment results, assets and liabilities

The SEM monitors the results, assets and liabilities attributable to each reportable segment as follows:

Segment assets include all tangible, intangible and current assets. Segment liabilities include trade creditors, other creditors, unredeemed casino chips and other liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and expenses incurred by those segments or which would otherwise arise from the depreciation and amortisation of assets attributed to those segments.

	Casino operations \$'000	Hotel and entertainment operations \$'000	Total \$'000
Segment revenue:			
Year ended 31 December 2018			
Timing of revenue recognition			
– At point of time	1,374,730	22,169	1,396,899
– Transferred over time	59,690	17,698	77,388
Revenue from external customers	1,434,420	39,867	1,474,287
Inter-segment revenue	(1,916)	14,273	12,357
Reportable segment revenue	1,432,504	54,140	1,486,644
Year ended 31 December 2019			
Timing of revenue recognition			
– At point of time	1,632,133	17,009	1,649,142
– Transferred over time	87,343	18,981	106,324
Revenue from external customers	1,719,476	35,990	1,755,466
Inter-segment revenue	(1,338)	9,977	8,639
Reportable segment revenue	1,718,138	45,967	1,764,105
Segment profit:			
Year ended 31 December			
2018	517,711	5,713	523,424
2019	707,786	2,630	710,416

14 Segment information (continued)

(a) Segment results, assets and liabilities (continued)

	Casino operations \$'000	Hotel and entertainment operations \$'000	Total \$'000
Segment assets:			
As at 31 December			
2018	1,295,316	619,240	1,914,556
2019	1,692,665	881,210	2,573,875
Segment liabilities:			
As at 31 December			
2018	(104,205)	(183,252)	(287,457)
2019	(190,733)	(388,874)	(579,607)
Net assets:			
As at 31 December			
2018	1,191,111	435,988	1,627,099
2019	1,501,932	492,336	1,994,268
Other segment information			
Capital expenditure:			
Year ended 31 December			
2018	95,097	148,816	243,913
2019	136,538	284,224	420,762
Impairment loss on trade receivables:			
Year ended 31 December			
2018	2,200	-	2,200
2019	-	2,400	2,400

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

14 Segment information (continued)

(a) Segment results, assets and liabilities (continued)

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

	2019 \$' 000	2018 \$' 000
Revenue		
Reportable segment revenue	1,764,105	1,486,644
Elimination of inter-segment revenue	(8,639)	(12,357)
Consolidated revenue	1,755,466	1,474,287
Profit		
Reportable segment profit	710,416	523,424
Other revenue	3,470	2,627
Depreciation and amortisation	(99,847)	(92,980)
Unallocated head office and corporate expenses	(42,187)	(14,210)
Finance costs	(20,210)	(19,469)
Consolidated profit before taxation	551,642	399,392
Assets		
Reportable segment assets	2,573,875	1,914,556
Elimination of inter-segment assets	(322,578)	(157,124)
	2,251,297	1,757,432
Unallocated cash and bank balances, certificates of deposit and other liquid funds	93,245	206,938
Unallocated corporate assets	2,479	2,871
Consolidated total assets	2,347,021	1,967,241
Liabilities		
Reportable segment liabilities	(579,607)	(287,457)
Elimination of inter-segment payables	322,578	157,124
	(257,029)	(130,333)
Senior notes	(294,813)	(291,118)
Unallocated corporate liabilities	(6,808)	(5,921)
Consolidated total liabilities	(558,650)	(427,372)

14 Segment information (continued)

(b) Geographical information

The Group's operations and activities are mainly located in Cambodia. As at 31 December 2019, the Group had non-current assets other than financial instruments and deferred tax assets located in Cambodia and Russia of \$1,642,461,000 (2018: \$1,311,409,000) and \$238,299,000 (2018: \$134,292,000), respectively.

(c) Information about major customers

During the current and prior year, there was no individual external customer contributing 10% or more of the Group's total revenue.

The aggregate revenue from external customers brought in through junkets contributing 10% or more of the Group's total revenue are as follows:

	2019 \$' 000	2018 \$' 000
Casino operations		
Junket A	824,658	667,961
Junket B	191,717	153,609

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

15 Property, plant and equipment, and interest in leasehold land held for own use under operating lease

	Plant and equipment \$'000	Buildings \$'000	Capital work-in- progress \$'000 (note)	Renovations, furniture and fittings \$'000	Motor vehicles \$'000	Aircraft \$'000	Freehold land \$'000	Total property, plant and equipment \$'000	Interest in leasehold land held for own use under operating lease \$'000
Cost:									
At 1 January 2018	149,791	688,682	58,682	395,795	6,734	55,990	-	1,355,674	27,551
Additions	12,535	76,701	123,535	1,143	65	-	30,000	243,979	-
Disposal	(24)	-	-	(194)	(287)	-	-	(505)	-
Written off	-	(1,054)	-	-	-	-	-	(1,054)	-
Transfer	6,168	11,587	(53,088)	35,333	-	-	-	-	-
At 31 December 2018	168,470	775,916	129,129	432,077	6,512	55,990	30,000	1,598,094	27,551
At 1 January 2019 as originally presented	168,470	775,916	129,129	432,077	6,512	55,990	30,000	1,598,094	27,551
Initial application of IFRS 16 (note 2)	-	-	-	-	-	-	-	-	(27,551)
Restated balance at 1 January 2019	168,470	775,916	129,129	432,077	6,512	55,990	30,000	1,598,094	-
Additions	10,875	56,064	263,364	485	161	29,462	50,000	410,411	-
Disposal	-	-	-	-	(419)	-	-	(419)	-
Written off	(463)	-	-	(13)	-	-	-	(476)	-
Transfer	396	13,438	(35,961)	22,127	-	-	-	-	-
At 31 December 2019	179,278	845,418	356,532	454,676	6,254	85,452	80,000	2,007,610	-

15 Property, plant and equipment, and interest in leasehold land held for own use under operating lease (continued)

	Plant and equipment \$'000	Buildings \$'000	Capital work-in- progress \$'000 (note)	Renovations, furniture and fittings \$'000	Motor vehicles \$'000	Aircraft \$'000	Freehold land \$'000	Total property, plant and equipment \$'000	Interest in leasehold land held for own use under operating lease \$'000
Accumulated depreciation/ amortisation:									
At 1 January 2018	41,927	20,942	-	154,785	4,841	11,442	-	233,937	601
Charge for the year	27,500	15,154	-	42,985	657	2,821	-	89,117	316
Disposal	(24)	-	-	(194)	(287)	-	-	(505)	-
Written off	-	(51)	-	-	-	-	-	(51)	-
At 31 December 2018	69,403	36,045	-	197,576	5,211	14,263	-	322,498	917
At 1 January 2019 as originally presented	69,403	36,045	-	197,576	5,211	14,263	-	322,498	917
Initial application of IFRS 16 (note 2)	-	-	-	-	-	-	-	-	(917)
Restated balance at 1 January 2019	69,403	36,045	-	197,576	5,211	14,263	-	322,498	-
Charge for the year	27,148	15,783	-	43,900	505	3,800	-	91,136	-
Disposal	-	-	-	-	(419)	-	-	(419)	-
Written off	(451)	-	-	(2)	-	-	-	(453)	-
At 31 December 2019	96,100	51,828	-	241,474	5,297	18,063	-	412,762	-
Net book value:									
At 31 December 2019	83,178	793,590	356,532	213,202	957	67,389	80,000	1,594,848	-
At 31 December 2018	99,067	739,871	129,129	234,501	1,301	41,727	30,000	1,275,596	26,634

Note:

Capital work-in-progress is mainly incurred on the Group's hotel and casino complex located in Cambodia and Russia.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

16 Leases

IFRS 16 was adopted 1 January 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 January 2019, see Note 2. The accounting policies applied subsequent to the date of initial application, 1 January 2019, as disclosed in note 4(o).

(a) The Group as lessee

The Group has four leasehold land with remaining leasehold period expiring on 31 July 2095, 10 January 2037, 31 July 2066 and 14 December 2110 respectively. The Group entered into lease agreements in respect of three leasehold land in Phnom Penh, Cambodia which forms the sites for the NagaWorld casino and hotel complex and aircraft ancillary facilities at the airport. The lease agreements are for a period of 99 years or 37 years and do not include any provisions for renewal upon expiry or contingent rentals. Provisions for periodic adjustments to reflect market rentals are fixed and included in the lease agreements. The Group also entered into lease agreement in respect of the leasehold land for the construction of NagaCity Walk for a term of 50 years. Under the terms of the lease agreement, upon the expiry of the initial lease term of 50 years, the lease shall be automatically renewed at the option of the Group for another term in accordance with the laws of Cambodia. The Group expected to exercise the renewal option.

Lump sum payments were made upfront to acquire the interests in the leasehold land. For some of them, in addition to the lump sum payments, the Group was obliged to pay annual lease charge of approximately \$322,000 (2018: \$322,000), subject to increment for every 5 or 10 years. The lease payments are fixed over the lease terms.

Leases for properties, land owned by third parties, car park spaces and equipment have lease terms between 1 to 20 years. The Group has not capitalised leases of car park spaces and equipment with lease terms of 1 year or less by applying the short-term lease recognition exemption. The lease payments of most of these leases are fixed over the lease terms except few leases of equipment comprise solely variable lease payments during the lease terms.

16 Leases (continued)

(a) The Group as lessee (continued)

(i) Right-of-use asset

The movements of the carrying amounts of the Group's right-of-use assets during the Year are set out below:

	Leasehold land \$'000	Buildings \$'000	Equipment \$'000	Total \$'000
As at 1 January 2019	43,789	26,915	12,265	82,969
Additions	8,022	-	-	8,022
Depreciation expense	(2,215)	(2,282)	(736)	(5,233)
As at 31 December 2019	49,596	24,633	11,529	85,758

(ii) Lease liabilities

	\$'000
As at 1 January 2019	53,993
Additions	22
Interest expense	5,384
Payments	(7,821)
Exchange difference	23
As at 31 December 2019	51,601
Less: Current portion	(2,761)
Non-current portion	48,840

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

16 Leases (continued)

(a) The Group as lessee (continued)

(ii) Lease liabilities (continued)

Future lease payments are due as follows:

	2019		
	Minimum lease payments \$' 000	Interest \$' 000	Present value \$' 000
Within 1 year	7,572	4,811	2,761
1 to 5 years	37,382	21,357	16,025
After 5 years	79,170	46,355	32,815
	124,124	72,523	51,601

(iii) Variable lease payments

The Group leased a number of electronic gaming machines which contain variable lease payment terms that are based on certain percentage of gross win generated from the electronic gaming machines. There are no minimum base rental arrangements in these leases. The amount of variable lease payments recognised in profit or loss for the Year for these leases is \$15,636,000.

(iv) Information in relation to short term leases

	2019 \$' 000
Short term lease expenses	3,085
Aggregate undiscounted commitments for short term leases	449

16 Leases (continued)

(a) The Group as lessee (continued)

(v) Disclosures regarding operating lease commitment as at 31 December 2018 under IAS 17

	2018			Total \$'000
	Land lease \$'000	Office, staff quarters and car park rental \$'000	Equipment rental \$'000	
Within 1 year	2,306	1,860	4,014	8,180
1 to 5 years	9,236	5,458	16,056	30,750
After 5 years	30,743	8,227	41,086	80,056
As at 31 December 2018	42,285	15,545	61,156	118,986

(b) The Group as lessor

The Group has leased out the shops in its properties to certain tenants. The lease was negotiated for an original term of 10.5 years. The terms of the lease also provide for periodic rent adjustments according to the then prevailing market conditions. Rent is calculated at the higher of base rent or 8% on turnover generated from the tenant plus 5% on turnover generated from its licences, operator or sub-tenants. Contingent rental of \$1,247,000 (2018: Nil) was recognised during the Year.

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

	2019 \$'000	2018 \$'000
Within 1 year	2,531	2,525
1 to 5 years	13,844	10,591
After 5 years	2,010	7,794
	18,385	20,910

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

17 Intangible assets

	2019 \$' 000	2018 \$' 000
<i>Casino licence premium and extended exclusivity premium:</i>		
Cost:		
At 1 January	108,000	108,000
Additions for year	15,002	–
At 31 December	123,002	108,000
Accumulated amortisation:		
At 1 January	48,893	45,346
Charge for year	3,478	3,547
At 31 December	52,371	48,893
Net book value	70,631	59,107

On 12 August 2005, Ariston, a subsidiary of the Company, and the Cambodian Government entered into an Addendum Agreement which extended the exclusivity period of the Casino Licence within the Designated Area for the period to the end of 2035 in consideration for the surrender by Ariston of the rights and concessions granted under the SDA signed on 2 January 1995 and SSSA signed on 2 February 2000, both between Ariston and the Cambodian Government (except for the right to operate the casino within the Designated Area) including, but not limited to, the rights granted in respect of the development in O'Chhoue Teal, Naga Island and Sihanoukville International Airport (the "Assigned Assets"). The Assigned Assets had previously been assigned to Ariston Holdings Sdn. Bhd., a related company that is beneficially owned by the ultimate controlling shareholder of the Company, Dr Chen, on 30 August 2002. In order to fulfill its obligations under the Addendum Agreement, Ariston proposed to enter into an agreement with Ariston Holdings Sdn. Bhd., pursuant to which Ariston Holdings Sdn. Bhd. would surrender all rights, title, benefits and interests in and to the Assigned Assets to the Cambodian Government with an effective date of 12 August 2005 in consideration for \$105 million.

17 Intangible assets (continued)

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

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

On 19 November 2019, the Company entered into the agreement with the Cambodian Government to extend the exclusivity of casino licence for an additional 10 years effective from 1 January 2036 to 31 December 2045 for a consideration of \$10 million paid during the Year and annual fee of \$3 million to be paid on annual basis for a period of 10 years beginning from 1 January 2036 till the end of December 2045.

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

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

As at the end of the reporting period, prepayments for construction and fitting-out relate to advances made for various construction activities in NagaWorld and elsewhere.

19 Promissory Notes

On 6 September 2013, the Company entered into an investment agreement with certain Russian governmental authorities (the "Investment Agreement") pursuant to which the Company agreed to invest at least RUB11.6 billion (approximately \$350.0 million based on then current exchange rates), in a gaming and resort development project in Vladivostok, Russia.

In December 2014, in accordance with the terms of the Investment Agreement including the requirement to obtain a bank guarantee, the Company's subsidiary remitted approximately \$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. This amount was deposited in the same Russian bank as fixed deposits against which promissory notes were subsequently issued. In February 2015, Primorsky Entertainment Resorts City LLC purchased these promissory notes in Rubles to provide collateral for the issuance of a bank guarantee from the same bank required under the Investment Agreement.

The promissory notes (the "Promissory Notes") in total amount of RUB469,100,000 (approximately \$9,992,000) (2018: \$9,372,000) bear an interest of 6.6% per annum and the maturity date of which is 2,909 days from the date of issue, i.e. 30 January 2023.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

20 Consumables

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

21 Trade and other receivables

	2019 \$' 000	2018 \$' 000
Trade receivables	87,541	82,705
Less: Allowance for impairment loss	(4,175)	(7,569)
	83,366	75,136
Deposits, prepayments and other receivables	43,406	42,004
	126,772	117,140

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

	2019 \$' 000	2018 \$' 000
Current to within 1 month	40,975	67,931
1 to 3 months	37,264	343
3 to 6 months	745	638
6 to 12 months	270	3,095
More than 1 year	4,112	3,129
	83,366	75,136

22 Cash and bank balances, certificates of deposit and other liquid funds

	2019 \$' 000	2018 \$' 000
Cash and bank balances	273,377	222,639
Fixed deposits	350	16,350
Certificates of deposit	–	50,697
Money market fund	–	77,897
Short term investment	53,003	25,394
	326,730	392,977
Less: – Short term investment	(53,003)	(25,394)
– Fixed deposits and certificates of deposit with original maturity of more than three months when acquired	(350)	(51,047)
	(53,353)	(76,441)
Cash and cash equivalents	273,377	316,536

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

As at 31 December 2019, certificates of deposit and fixed deposits bear interest of 2.00% to 2.80% (2018: 2.00% to 2.88%) per annum and mature at various times up to April 2020 (2018: various times up to and including January 2019).

Short term investment represents a listed debt fund which was classified as debt instrument at FVTPL. Details of the investment are set out in note 29(g)(ii).

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

23 Trade and other payables

	2019 \$' 000	2018 \$' 000
Trade payables (note)	7,548	5,341
Unredeemed casino chips	7,768	12,279
Deposits	73,756	6,323
Construction creditors	12,856	6,764
Interest payable	3,125	3,125
Accruals and other creditors	58,856	45,879
	163,909	79,711
Less: current portion	(159,407)	(79,711)
Non-current portion	4,502	-

Note:

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

	2019 \$' 000	2018 \$' 000
Due within 1 month or on demand	7,548	4,992
Due after 1 month but within 3 months	-	277
Due after 3 months but within 6 months	-	72
Due after 6 months but within 1 year	-	-
Due after 1 year	-	-
Total	7,548	5,341

24 Contract liabilities

	2019 \$' 000	2018 \$' 000
Customer loyalty programme	1,213	1,273
Licence fee	44,146	52,896
	45,359	54,169
Less: current portion	(9,963)	(10,023)
Non-current portion	35,396	44,146

Typical payment terms which impact on the amount of contract liabilities are described in notes 4(p)(iv) and 4(p)(v) respectively.

Movement in contract liabilities

	Customer loyalty programme \$' 000	Licence fee \$' 000
Balance at 1 January 2018	1,273	61,646
Decrease as a result of recognising revenue during the year	(3,218)	(8,750)
Increase as a result of award points earned	3,218	–
Balance as at 1 January 2019	1,273	52,896
Decrease as a result of recognising revenue during the year	(2,307)	(8,750)
Increase as a result of award points earned	2,247	–
Balance as at 31 December 2019	1,213	44,146

The contract liabilities of \$10,023,000 (2018: \$10,023,000) included in the balance at the beginning of the Year has been recognised as revenue during the Year from performance obligations satisfied during the Year.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

25 Senior notes

On 14 May 2018, the Company entered into a purchase agreement with two independent third party purchasers in connection with the issue of senior notes (the "Senior Notes") by the Company of an aggregate principal amount of \$300,000,000 and mature 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.

26 Capital and reserves

(a) Share capital

(i) Authorised:

	2019 \$'000	2018 \$'000
8,000,000,000 ordinary shares of \$0.0125 each	100,000	100,000

(ii) Issued and fully paid:

	2019		2018	
	Number of shares	\$'000	Number of shares	\$'000
Issued and fully paid: Ordinary shares of \$0.0125 each At 1 January and 31 December	4,341,008,041	54,263	4,341,008,041	54,263

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

26 Capital and reserves (continued)

(a) Share capital (continued)

(iii) Capital management

The Group's objectives when managing capital are:

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

The capital structure of the Group consists of net debts and equity attributable to owners of the Company, comprising share capital and reserves. The Group sets the amount of capital to reflect the perceived level of risk. The Group manages the capital structure and makes adjustments in the light of changes in economic and business conditions and the risk characteristics of the underlying assets.

The Group monitors the capital structure using a gearing ratio, which is net debt divided by total equity attributable to owners of the Company. Net debt includes the Senior Notes less cash and bank balances, certificates of deposit and other liquid funds.

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

	2019 \$'000	2018 \$'000
Debt	294,813	291,118
Cash and bank balances, certificates of deposit and other liquid funds	(326,730)	(392,977)
Net debt	N/A	N/A
Equity	1,788,371	1,539,869
Net debt to equity ratio	N/A	N/A

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

26 Capital and reserves (continued)

(b) Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 130 of the consolidated financial statements.

(c) Nature and purpose of reserves

(i) *Share premium*

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

(ii) *Merger reserve*

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

(iii) *Capital contribution reserve*

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

(iv) *Capital redemption reserve*

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

(v) *Exchange reserve*

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

26 Capital and reserves (continued)

(d) Distributable reserves

At 31 December 2019, the aggregate amount of reserves available for distribution to owners of the Company was \$619,381,000 (2018: \$671,698,000) within which \$751,356,000 (2018: \$751,356,000) related to the share premium of the new Shares issued upon conversion of the Convertible Bonds and issued under placement in past years and \$55,000,000 (2018: \$55,000,000) related to the capital contribution reserve, which the Directors have no current intention of distributing.

After the end of the reporting period, the Directors proposed a final dividend for Shareholder of US cents 5.09 per Share amounting to \$220.9 million (2018: final dividend for Shareholder of US cents 2.91 per Share amounting to \$126.3 million). The final dividend has not been recognised as a liability at the end of the reporting period.

27 Capital commitments

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

	2019 \$' 000	2018 \$' 000
Hotel and casino complex – contracted but not incurred	3,646,546	361,739

28 Equity settled share-based transactions

The Company has adopted a share option scheme on 20 April 2016 (the "Scheme"). Under the Scheme, the Directors are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at nil consideration to subscribe for shares of the Company.

The Company did not grant any share options during the Year (2018: Nil) and there are no outstanding share options at the end of the reporting period (2018: Nil).

29 Risk management

(a) Financial risk management objectives and policies

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

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

29 Risk management (continued)

(b) Political and economic risks

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

(c) Credit risk

The credit policy on gaming receivables is five to thirty days (2018: five to thirty days) from the end of tour. The credit policy on non-gaming receivables is thirty days from end of month (2018: thirty days from end of month). Trade receivables relate mostly to Junket operators. At the end of the reporting period, the Group has a certain concentration of credit risk at 56% (2018: 53%) of the total trade and other receivables that were due from the five largest operators.

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

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

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix which is based on days past due for groupings of various customer segments that have similar loss patterns.

29 Risk management (continued)

(c) Credit risk (continued)

The following tables provide information about the Group's exposure to credit risk and ECLs for trade receivables as at the end of the reporting period:

2019	Expected loss rate %	Gross carrying amount \$'000	Loss allowance \$'000
Current (not past due)	0.07	41,014	28
1 to 3 months past due	1.22	37,711	459
3 to 6 months past due	2.82	767	22
6 to 12 months past due	1.61	275	4
More than 1 year past due	47.11	7,774	3,662
		87,541	4,175

2018	Expected loss rate %	Gross carrying amount \$'000	Loss allowance \$'000
Current (not past due)	0.07	68,060	46
1 to 3 months past due	0.53	509	3
3 to 6 months past due	0.72	1,134	8
6 to 12 months past due	3.47	2,446	85
More than 1 year past due	70.36	10,556	7,427
		82,705	7,569

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

29 Risk management (continued)

(c) Credit risk (continued)

The following table reconciles the impairment loss of trade receivables arising from contracts with customers for the year:

	2019 \$' 000	2018 \$' 000
At 1 January	7,569	5,369
Impairment loss recognised	2,400	2,200
Bad debt written-off	(5,794)	–
At 31 December	4,175	7,569

During the Year, increase in the gross carrying amounts of trade receivables past due over 1 year net of written off of trade receivable balances in the same age bracket have resulted in a decrease in loss allowance of \$3,765,000. For the year ended 31 December 2018, increase in the gross carrying amounts of trade receivables past due over 1 year net of those settled resulted in an increase in loss allowance of \$2,101,000.

The Group's short term investment in debt fund is highly liquid and quoted on a recognised stock exchange. The credit risk of the fund is low as the underlying investments are guaranteed by insurance companies with average credit rating of A+ by international credit-rating agencies. The directors also consider the credit risk on certificates of deposit, fixed deposits and cash and bank balances are limited because the counterparties are banks with high-credit rating.

29 Risk management (continued)

(d) Liquidity risk

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group can be required to pay.

2019	Carrying amount \$'000	Total contractual undiscounted cash flow \$'000	Within 1 year or on demand \$'000	More than 1 year but less than 2 years \$'000	More than 2 years but less than 5 years \$'000	More than 5 years \$'000
Trade and other payables	163,909	189,407	159,407	-	-	30,000
Senior Notes	294,813	341,406	28,125	313,281	-	-
	458,722	530,813	187,532	313,281	-	30,000

2018	Carrying amount \$'000	Total contractual undiscounted cash flow \$'000	Within 1 year or on demand \$'000	More than 1 year but less than 2 years \$'000	More than 2 years but less than 5 years \$'000
Trade and other payables	79,711	79,711	79,711	-	-
Senior Notes	291,118	369,531	28,125	28,125	313,281
	370,829	449,242	107,836	28,125	313,281

(e) Interest rate risk

The Group's fair value interest-rate risk mainly arises from the Promissory Notes, certificates of deposit and Senior Notes as disclosed in notes 19, 22 and 25 respectively. These financial instruments bear interest at fixed rates which expose the Group to fair value interest-rate risk. The Group has no significant cash flow interest-rate risk as there are no borrowings which bear floating interest rates and the interests from cash and bank balances are insignificant. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

The interest rate and terms of the Promissory Notes, certificates of deposit and Senior Notes are disclosed in notes 19, 22 and 25 to the consolidated financial statements respectively.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

29 Risk management (continued)

(f) Foreign currency risk

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

(g) Fair values

(i) *Financial instrument not mentioned at fair value*

Financial instruments not measured at fair value include Promissory Notes, cash and bank balances, certificates of deposit, trade and other receivables, trade and other payables and the Senior Notes. The carrying values of these financial instruments approximate their fair values.

(ii) *Financial instruments measured at fair value*

The debt fund included in the Group's consolidated financial statements requires measurement at fair value as details in note 22. The fair value measurement of which utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "Fair Value Hierarchy"):

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item.

The fair value of the fund is determined based on quoted market price. The fair value of the fund is a level 1 fair value measurement.

There were no transfers between levels during the Year (2018: Nil).

30 Related party transactions

In addition to the information disclosed in the notes 21 and 23 to the consolidated financial statements, significant transactions entered into between the Group and its related parties are as follows:

(a) Compensation of key management personnel

	2019 \$' 000	2018 \$' 000
Basic salaries, housing and other allowances and benefits in kind	8,558	7,585
Bonus	31,384	898
	39,942	8,483

(b) Balances with related parties

As at 31 December 2019, amounts due from related companies of \$390,000 (2018: \$352,000) are included in trade and other receivables as disclosed in note 21 to the consolidated financial statements. The maximum balance during the Year was \$390,000 (2018: \$352,000).

As at 31 December 2019, amount due to a director, Dr Chen of \$1,906,000 (2018: \$1,959,000) is included in trade and other payables as disclosed in note 23 to the consolidated financial statements.

The balances with the related companies and the director are unsecured, interest free and repayable on demand.

31 Ultimate controlling party

At 31 December 2019, Dr Chen owned equity interests in 2,869,602,463 (2018: 2,869,602,463) ordinary shares out of the 4,341,008,041 (2018: 4,341,008,041) issued ordinary shares of the Company, of which 1,917,807,166 (2018: 1,917,807,166) ordinary shares were beneficially owned by Dr Chen and the remaining 951,795,297 (2018: 951,795,297) ordinary shares were indirectly held by a discretionary trust named ChenLa Foundation. By virtue of being the founder of ChenLa Foundation, Dr Chen was taken to be interested in the 951,795,297 (2018: 951,795,297) ordinary shares held by ChenLa Foundation.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

32 Possible impact of amendments and new or revised standards issued but not yet effective for the annual accounting year ended 31 December 2019

Up to the date of issue of these consolidated financial statements, the IASB has issued the following amendments and new or revised standards which are not yet effective for the annual accounting year ended 31 December 2019, potentially relevant to the Group's financial statements, and have not been early adopted in these consolidated financial statements.

Amendments to IFRS 3	Definition of a Business ¹
Amendments to IAS 1 and IAS 8	Definition of Material ¹
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²

1 Effective for annual periods beginning on or after 1 January 2020

2 The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

Amendments to IFRS 3 – Definition of a business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

32 Possible impact of amendments and new or revised standards issued but not yet effective for the annual accounting year ended 31 December 2019 (continued)

Amendments to IAS 1 and IAS 8 – Definition of material

The amendments clarify the definition and explanation of “material”, aligning the definition across all IFRS Standards and the Conceptual Framework, and incorporating supporting requirements in IAS 1 into the definition.

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

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

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

The Group is in the process of making an assessment of the potential impact of these new pronouncements. Except as described above, the directors so far concluded that the application of these new pronouncements is unlikely to have a significant impact on the Group’s financial performance and financial position upon application.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

33 Key sources of estimation uncertainty

(i) Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECLs for the trade receivables. The expected loss rates are based on actual loss experience over the past 3 years as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECLs is sensitive to changes in estimates. The information about the ECLs and the Group's trade receivables are disclosed in note 29(c).

(ii) Obligation payments

As mentioned in note 11 to the consolidated financial statements, a Casino Law which is to govern gaming activities in Cambodia has yet to be promulgated. Management judgement is therefore required in determining the relevant amounts. The Group has carefully evaluated its exposure to transactions occurred during the Year and observes the development of the Casino Law in exercising such judgement.

(iii) Estimation the incremental borrowing rate for lease liabilities

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

34 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 and the Chief Executive Officer of the Company, both parties acknowledge and agree that Dr Chen is entitled to the 2019 Performance Incentive Entitlement of \$26,182,000.

Pursuant to a resolution passed by the Board on 10 February 2020, the Board considered the matter relating to the payment of the 2019 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 2019 Performance Incentive Entitlement until the achievement of the KPIs in 2020. The Company and Dr Chen agreed that subject to the achievement of the KPIs, the deferral of the 2019 Performance Incentive Entitlement should be extended to 2020 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.

Except for the above and other than the additional obligation payment as described in note 11, there were no other contingent liabilities as at 31 December 2019.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

35 Reconciliation of liabilities arising from financing activities

	Senior Notes (Note 25) \$' 000	Interest payable (Note 23) \$' 000	Lease liabilities (Note 16) \$' 000
At 1 January 2018	–	–	–
Changes from cash flows:			
Net proceeds from Senior Notes	288,836	–	–
Interest paid	–	(14,062)	–
	288,836	(14,062)	–
Other changes:			
Finance costs	2,282	17,187	–
At 31 December 2018 and 1 January 2019 as originally presented	291,118	3,125	–
Initial application of IFRS 16 (Note 2)	–	–	53,993
Restated balance at 1 January 2019	291,118	3,125	53,993
Changes from cash flows:			
Interest paid	–	(28,125)	–
Lease payments	–	–	(7,821)
	–	(28,125)	(7,821)
Other changes:			
Finance costs	3,695	28,125	5,384
Additions	–	–	22
Exchange difference	–	–	23
	3,695	28,125	5,429
At 31 December 2019	294,813	3,125	51,601

36 Statement of financial position of the Company

	2019 \$' 000	2018 \$' 000
Non-current assets		
Property, plant and equipment	9,650	303
Right-of-use assets	922	–
Investments in subsidiaries	394,391	394,391
	404,963	394,694
Current assets		
Deposits, prepayments and other receivables	612	1,219
Amounts due from subsidiaries	475,924	419,648
Certificates of deposit, fixed deposits and other liquid funds	53,003	76,091
Cash and cash equivalents	40,243	130,847
	569,782	627,805
Current liabilities		
Accruals and other payables	5,322	5,414
Amounts due to subsidiaries	7	6
Lease liabilities	467	–
	5,796	5,420
Net current assets	563,986	622,385
Total assets less current liabilities	968,949	1,017,079
Non-current liabilities		
Senior Notes	294,813	291,118
Lease liabilities	492	–
	295,305	291,118
NET ASSETS	673,644	725,961
CAPITAL AND RESERVES		
Share capital	54,263	54,263
Reserves (Note)	619,381	671,698
TOTAL EQUITY	673,644	725,961

Approved and authorised for issue by the Board on 10 February 2020.

Timothy Patrick McNally
Chairman

Philip Lee Wai Tuck
Executive Deputy Chairman

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

36 Statement of financial position of the Company (continued)

Note:

Reserves of the Company

	Share premium \$' 000	Capital redemption reserve \$' 000	Capital contribution reserve \$' 000	Accumulated losses \$' 000	Total \$' 000
At 1 January 2018	751,356	151	55,000	(106,209)	700,298
Profit for the year	-	-	-	142,211	142,211
Dividend declared and paid	-	-	-	(170,811)	(170,811)
At 31 December 2018	751,356	151	55,000	(134,809)	671,698
At 1 January 2019	751,356	151	55,000	(134,809)	671,698
Profit for the year	-	-	-	221,014	221,014
Dividend declared and paid	-	-	-	(273,331)	(273,331)
At 31 December 2019	751,356	151	55,000	(187,126)	619,381



Independent Auditor's Report

Independent auditor's report to the members of NagaCorp Ltd.

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of NagaCorp Ltd. (the "Company") and its subsidiaries (together the "Group") set out on pages 108 to 196, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the International Accounting Standards Board's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Independent Auditor's Report

Revenue recognition

Refer to notes 2B(a) and 6 to the consolidated financial statements, and the accounting policy note 4(r) on page 144.

In prior years, the Group assigned licensing rights to certain investors operating electronic gaming machines. Upon first adoption of IFRS 15 "Revenue from Contracts with Customers", the Group is required to determine the appropriate accounting treatment for these transactions under the new accounting standard which involved significant management judgement and estimates.

Our responses:

- Analysing the relevant agreements and making inquiries of the management as appropriate;
- Evaluating the management's judgement and estimates in applying IFRS 15 for these transactions; and
- Checking the arithmetic calculations of the adjustments as a result of the adoption of IFRS 15.



Other Information in the Annual Report

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



Independent Auditor's Report

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- 
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Chiu Wing Cheung Ringo
Practising Certificate Number P04434

25th Floor, Wing On Centre,
111 Connaught Road Central,
Hong Kong

Hong Kong, 13 February 2019

Consolidated Statement of Income

for the year ended 31 December 2018
(Expressed in United States dollars)

	Note	2018 \$'000	2017 \$'000
Revenue	6	1,474,287	956,349
Cost of sales		(800,806)	(483,434)
Gross profit		673,481	472,915
Other income	7	10,275	7,751
Administrative expenses		(79,307)	(67,195)
Other operating expenses		(185,588)	(150,165)
Profit from operations		418,861	263,306
Finance costs	8	(19,469)	–
Profit before taxation	9	399,392	263,306
Income tax	11	(8,814)	(8,120)
Profit attributable to owners of the Company		390,578	255,186
Earnings per share (US cents)			
Basic	13	9.00	7.94
Diluted	13	9.00	5.88

The notes on pages 115 to 196 form part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2018
(Expressed in United States dollars)

	2018 \$'000	2017 \$'000
Profit for the year	390,578	255,186
Other comprehensive income for the year		
Item that maybe reclassified subsequently to profit or loss		
– exchange differences from translation of foreign operations	(797)	2,140
Total comprehensive income attribute to the owners of the Company for the year	389,781	257,326

The notes on pages 115 to 196 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

as at 31 December 2018
(Expressed in United States dollars)

	Note	2018 \$'000	2017 \$'000
Non-current assets			
Property, plant and equipment	15	1,275,596	1,121,737
Interest in leasehold land held for own use under operating lease	15	26,634	26,950
Intangible assets	16	59,107	62,654
Prepayments for acquisition, construction and fitting-out of property, plant and equipment	17	84,364	85,343
Promissory notes	18	9,372	9,584
		1,455,073	1,306,268
Current assets			
Consumables	19	2,051	1,795
Trade and other receivables	20	117,140	101,417
Certificates of deposit, fixed deposits and other liquid funds	21	76,441	–
Cash and cash equivalents	21	316,536	52,794
		512,168	156,006
Current liabilities			
Trade and other payables	22	79,711	77,948
Contract liabilities	23	10,023	–
Current tax liability		2,374	1,781
		92,108	79,729
Net current assets		420,060	76,277
Total assets less current liabilities		1,875,133	1,382,545
Non-current liabilities			
Senior notes	24	291,118	–
Contract liabilities	23	44,146	–
		335,264	–
NET ASSETS		1,539,869	1,382,545

	Note	2018 \$'000	2017 \$'000
CAPITAL AND RESERVES	25		
Share capital		54,263	54,263
Reserves		1,485,606	1,328,282
TOTAL EQUITY		1,539,869	1,382,545

Approved and authorised for issue by the Board on 13 February 2019

Timothy Patrick McNally
Chairman

Philip Lee Wai Tuck
Executive Deputy Chairman

The notes on pages 115 to 196 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2018
(Expressed in United States dollars)

	Note	Share Capital \$'000	Share premium \$'000	Convertible bonds \$'000	Capital redemption reserve \$'000	Merger reserve \$'000	Capital contribution reserve \$'000	Exchange reserve \$'000	Retained profits \$'000	Total \$'000
Balance at 1 January 2017		30,750	395,981	378,888	151	(12,812)	55,568	(2,939)	405,394	1,250,981
Profit for the year		-	-	-	-	-	-	-	255,186	255,186
Other comprehensive income – exchange differences from translation of foreign operations		-	-	-	-	-	-	2,140	-	2,140
Total comprehensive income for the year		-	-	-	-	-	-	2,140	255,186	257,326
Issue of shares upon conversion of convertible bonds	25(a)	23,513	355,375	(378,888)	-	-	-	-	-	-
Dividend and distribution declared and paid		-	-	-	-	-	-	-	(125,762)	(125,762)
		23,513	355,375	(378,888)	-	-	-	2,140	129,424	131,564
Balance at 31 December 2017		54,263	751,356	-	151	(12,812)	55,568	(799)	534,818	1,382,545
Balance at 1 January 2018 as originally presented		54,263	751,356	-	151	(12,812)	55,568	(799)	534,818	1,382,545
Initial application of IFRS 15 (note 2B)		-	-	-	-	-	-	-	(61,646)	(61,646)
Restated balance as at 1 January 2018		54,263	751,356	-	151	(12,812)	55,568	(799)	473,172	1,320,899
Profit for the year		-	-	-	-	-	-	-	390,578	390,578
Other comprehensive income – exchange differences from translation of foreign operations		-	-	-	-	-	-	(797)	-	(797)
Total comprehensive income for the year		-	-	-	-	-	-	(797)	390,578	389,781
Dividend declared and paid	12	-	-	-	-	-	-	-	(170,811)	(170,811)
		-	-	-	-	-	-	(797)	219,767	218,970
Balance at 31 December 2018		54,263	751,356	-	151	(12,812)	55,568	(1,596)	692,939	1,539,869

The notes on pages 115 to 196 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2018
(Expressed in United States dollars)

	2018 \$'000	2017 \$'000
Operating activities		
Profit before taxation	399,392	263,306
Adjustments for:		
– Depreciation and amortisation	89,433	52,869
– Amortisation of casino licence premium	3,547	3,547
– Interest income	(3,272)	(738)
– Finance costs	19,469	–
– Unrealised exchange (gain)/loss	(121)	1,729
– Impairment loss on trade receivables	2,200	1,025
– Gain on disposal of property, plant and equipment	(5)	(13)
– Write-off of property, plant and equipment	1,003	1
Operating profit before changes in working capital	511,646	321,726
Increase in consumables	(256)	(328)
Increase in trade and other receivables	(17,923)	(29,883)
Increase in trade and other payables	186	39,766
Decrease in contract liabilities	(8,750)	–
Cash generated from operations	484,903	331,281
Tax paid	(8,221)	(9,048)
Net cash generated from operating activities	476,682	322,233
Investing activities		
Interest received	2,808	211
Increase in certificates of deposit, fixed deposits and other liquid funds	(76,441)	–
Payments for the purchase of property, plant and equipment and for the construction cost of property	(243,275)	(354,818)
Proceeds from disposal of property, plant and equipment	5	18
Net cash used in investing activities	(316,903)	(354,589)

Consolidated Statement of Cash Flows

for the year ended 31 December 2018
(Expressed in United States dollars)

	2018 \$'000	2017 \$'000
Financing activities		
Interest paid	(14,062)	–
Dividends paid	(170,811)	(125,762)
Net proceeds from issue of senior notes	288,836	–
Net cash generated from/(used in) financing activities	103,963	(125,762)
Net increase/(decrease) in cash and cash equivalents	263,742	(158,118)
Cash and cash equivalents at beginning of year	52,794	210,912
Cash and cash equivalents at end of year	316,536	52,794
Analysis of cash and cash equivalents		
Cash and bank balances	222,639	52,444
Non-pledged fixed deposits with original maturity of less than three months when acquired	16,000	350
Money market fund	77,897	–
Cash and cash equivalents as stated in the consolidated statement of cash flows	316,536	52,794

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

1 General

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

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

Information about subsidiaries

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

Name of subsidiary	Place of incorporation	Place of business	Issued and paid up share capital	Effective equity held by the Company	Effective equity held by a subsidiary	Principal activities
NagaCorp (HK) Limited	Hong Kong	Hong Kong	HK\$10	100%	-	Investment holding
Naga Russia Limited	Cayman Islands	Russia	\$1	100%	-	Investment holding
Naga Russia One Limited	Cayman Islands	Russia	\$1	-	100%	Investment holding
Naga Hotels Russia Limited	Cayman Islands	Russia	\$1	-	100%	Investment holding
NAGAWORLD LIMITED ("NWL")	Hong Kong	Cambodia	HK\$78,000,000	-	100%	Gaming, hotel and entertainment operations
Ariston Sdn. Bhd ("Ariston")	Malaysia	Malaysia & Cambodia	Malaysian Ringgit ("RM") 56,075,891	-	100%	Holding casino licence and Investment holding
Neptune Orient Sdn. Bhd.	Malaysia	-	RM250,000	-	100%	Inactive
Ariston (Cambodia) Limited	Cambodia	-	Cambodian Riel ("KHR") 120,000,000	-	100%	Inactive
Naga Primorsky Entertainment Limited	Cyprus	Russia	Euro1,000	-	100%	Investment holding
Naga Primorsky Beach Resorts Limited	Cyprus	Russia	Euro1,000	-	100%	Investment holding
Naga Entertainment No.3 Limited	Cyprus	Russia	Euro1,000	-	100%	Investment holding

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

1 General (continued)

Information about subsidiaries (continued)

Name of subsidiary	Place of incorporation	Place of business	Issued and paid up share capital	Effective equity held by		Principal activities
				the Company	a subsidiary	
Naga Sports Limited	Hong Kong	-	HK\$2	-	100%	Inactive
Naga Travel Limited	Hong Kong	Hong Kong	HK\$2	-	100%	Investment holding
Naga Retail Limited	Hong Kong	Cambodia	HK\$2	-	100%	Operation of retail business
Naga Entertainment Limited	Hong Kong	-	HK\$2	-	100%	Inactive
Naga Services Limited	Hong Kong	Hong Kong	HK\$2	-	100%	Investment holding
Naga Media Limited	Hong Kong	-	HK\$2	-	100%	Inactive
Naga Management Limited	Hong Kong	-	HK\$2	-	100%	Inactive
Naga Services Company Limited	Vietnam	-	\$50,000	-	100%	In liquidation
Naga Management Services Limited	Thailand	Thailand	Thai Baht 3,000,000	-	100%	Management consulting services
NagaJet Management Limited	Cayman Islands	Cambodia	\$1	-	100%	Management of company aircraft
Naga Transport Limited	Cambodia	Cambodia	KHR200,000,000	-	100%	Investment holding
Golden Passage Destinations Co., Ltd.	Cambodia	Cambodia	KHR200,000,000	-	100%	Tourism services
NagaWorld (Macau) Limitada	Macau	Macau	MOP25,000	-	100%	Marketing, sales, consultancy & services in connection with travelling, hotels and resorts
Primorsky Entertainment Resorts City LLC	Russia	Russia	RUB677,360,138	-	100%	Gaming, hotel and entertainment operations

1 General (continued)

Information about subsidiaries (continued)

Name of subsidiary	Place of incorporation	Place of business	Issued and paid up share capital	Effective equity held by the Company	Effective equity held by a subsidiary	Principal activities
Primorsky Entertainment Resorts City No.2 LLC	Russia	Russia	RUB10,000	-	100%	Inactive
NagaWorld Three Limited	British Virgin Islands	-	\$1	-	100%	Inactive
Naga Lease Limited	Hong Kong	Hong Kong	HK\$1	-	100%	Aircraft leasing
TanSriChen Inc.	British Virgin Islands	Cambodia	\$285,000,000	100%	-	Gaming, hotel and entertainment operations
TanSriChen (Citywalk) Inc.	British Virgin Islands	Cambodia	\$95,000,000	100%	-	Investment holding
Tan Sri Chen Inc. (T S C I)	Cambodia	Cambodia	\$1,000,000	-	100%	Leisure and entertainment
Talent Tree Manpower Solutions Co, Ltd.	Cambodia	Cambodia	KHR4,000,000	-	100%	Employment placement agencies
Bassaka Holding Company Limited	Cambodia	Cambodia	KHR4,000,000	100%	-	Investment holding and management consulting
NAGAi Limited	Cayman Islands	-	\$1	100%	-	Inactive
NAGAHOTEL Limited	Cayman Islands	-	\$1	100%	-	Inactive
NAGAi Inc	British Virgin Islands	-	\$1	100%	-	Inactive
NAGAHOTEL Limited	British Virgin Islands	-	\$1	100%	-	Inactive
NAGA Limited	British Virgin Islands	-	\$1	100%	-	Inactive
NAGA 3 COMPANY LIMITED	Cambodia	Cambodia	KHR4,000,000	100%	-	Property development and property investment

The class of shares held is ordinary.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

2 Adoption of new or revised International Financial Reporting Standards

Impact of new amendments, standards and interpretations which are effective during the year

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

Annual Improvements to 2014 – 2016 Cycle	Amendments to IFRS 1 First Time Adoption of International Financial Reporting Standards
Annual Improvements to 2014 – 2016 Cycle	Amendments to IAS 28 Investments in Associates and Joint Ventures
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Amendments to IFRS 15	Revenue from Contracts with Customers (Clarifications to IFRS 15)
IFRIC-Interpretation 22	Foreign Currency Transactions and Advance Considerations

Annual Improvements to IFRSs 2014-2016 Cycle – Amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

The adoption of these amendments has no impact on these financial statements as the periods to which the transition provision exemptions related have passed.

Annual Improvements to IFRSs 2014-2016 Cycle – Amendments to IAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IAS 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

The adoption of these amendments has no impact on these financial statements as the Group is not a venture capital organisation.

2 Adoption of new or revised International Financial Reporting Standards (continued)

Impact of new amendments, standards and interpretations which are effective during the year (continued)

Amendments to IFRS 2 – Classification and Measurement of Share-Based Payment Transactions

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

The adoption of these amendments has no impact on these financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax.

A. IFRS 9 Financial Instruments (“IFRS 9”)

(i) *Classification and measurement of financial instruments*

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of IFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at fair value through profit or loss (“FVTPL”), where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of IFRS 9 has no material impact on the Group’s accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the Group’s classification and measurement of financial assets is set out below.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

2 Adoption of new or revised International Financial Reporting Standards (continued)

A. IFRS 9 Financial Instruments ("IFRS 9") (continued)

(i) Classification and measurement of financial instruments (continued)

Under IFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with IFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under IFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under IFRS 9, embedded derivatives are no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

The following accounting policies would be applied to the Group's financial assets including promissory notes, trade and other receivables and cash and cash equivalents as follows:

Amortised costs	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
-----------------	---

2 Adoption of new or revised International Financial Reporting Standards (continued)

A. IFRS 9 Financial Instruments (“IFRS 9”) (continued)

(i) Classification and measurement of financial instruments (continued)

The following table summarises the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group’s financial assets as at 1 January 2018:

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Carrying amount as at 1 January 2018 under IAS 39 \$’000	Carrying amount as at 1 January 2018 under IFRS 9 \$’000
Promissory notes	Loans and receivables	Amortised cost	9,584	9,584
Trade and other receivables	Loans and receivables	Amortised cost	101,417	101,417
Cash and cash equivalents	Loans and receivables	Amortised cost	52,794	52,794

(ii) Impairment of financial assets

The adoption of IFRS 9 has changed the Group’s impairment model by replacing the IAS 39 “incurred loss model” to the “expected credit loss (“ECL”) model”. IFRS 9 requires the Group to recognise ECL for trade receivables and financial assets at amortised costs earlier than IAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under IFRS 9, the losses allowances are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

No additional impairment for trade and other receivables as at 1 January 2018 is recognised as the amount of additional impairment measured under the ECL model is immaterial.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

2 Adoption of new or revised International Financial Reporting Standards (continued)

A. IFRS 9 Financial Instruments ("IFRS 9") (continued)

(ii) Impairment of financial assets (continued)

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

(iii) Transition

The Group has applied the transitional provision in IFRS 9 such that IFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the consolidated statement of financial position on 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 but rather those of IAS 39.

The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application of IFRS 9 (the "DIA").

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

2 Adoption of new or revised International Financial Reporting Standards (continued)

B. IFRS 15 Revenue from Contracts with Customers (“IFRS 15”)

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations. IFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted IFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 January 2018). As a result, the financial information presented for 2017 has not been restated.

The following tables summarised the impact, net of tax, of transition to IFRS 15 on the opening balance of retained earnings as follows (increase/(decrease)):

	\$'000
<i>Retained earnings</i>	
Contract liabilities (note 2B(a))	(61,646)
Impact at 1 January 2018	(61,646)

The following tables summarised the impact of adopting IFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of income for the year ended 31 December 2018. There was no impact on the Group's consolidated statement of cash flows for the year ended 31 December 2018. Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 and for the year ended 31 December 2018 as a result of the adoption of IFRS 15. The first column shows the amounts recorded under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted:

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

2 Adoption of new or revised International Financial Reporting Standards (continued)

B. IFRS 15 Revenue from Contracts with Customers ("IFRS 15") (continued)

Consolidated statement of income for the year ended 31 December 2018:

	Note	Amounts prepared under		Increase \$'000
		IFRS 15 \$'000	Previous IFRS \$'000	
Revenue	2B(a)	1,474,287	1,465,537	8,750
Gross profit		673,481	664,731	8,750
Profit before taxation		399,392	390,642	8,750
Taxation		(8,814)	(8,814)	-
Profit for the year		390,578	381,828	8,750
Earnings per share (US cents)				
Basic		9.00	8.80	0.20
Diluted		9.00	8.80	0.20

Consolidated statement of financial position as at 31 December 2018:

	Notes	Amounts prepared under		Increase/ (decrease) \$'000
		IFRS 15 \$'000	Previous IFRS \$'000	
Current liabilities				
Trade and other payables	2B(b)	79,711	80,984	(1,273)
Contract liabilities	2B(a)&(b)	10,023	-	10,023
Total current liabilities		92,108	83,358	8,750
Non-current liabilities				
Contract liabilities	2B(a)	44,146	-	44,146
Total non-current liabilities		335,264	291,118	44,146
Total liabilities		427,372	374,476	52,896
Net assets		1,539,869	1,592,765	(52,896)
Equity				
Retained earnings	2B(a)	692,939	745,835	(52,896)
Total equity		1,539,869	1,592,765	(52,896)

2 Adoption of new or revised International Financial Reporting Standards (continued)

B. IFRS 15 Revenue from Contracts with Customers ("IFRS 15") (continued)

(a) *Timing of revenue recognition of licence fee income*

In a prior reporting period, licence fee income from an investor for the placement and operating of electronic gaming machines ("EGM") inside NagaWorld was recognised at the time of sale when significant risk and rewards of the relevant licensing right were transferred to the investor.

Under IFRS 15, as the investor simultaneously receives and consumes the benefits of the licensing right over the period of the underlying EGM contract, the Group determined that the licence fee income is recognised over the contract period.

As a result, the licence fee income recognised in full in the prior reporting period under IAS 18 is deferred and recognised over the contract period under IFRS 15.

For licensing right where right to use exists at the point in time at which the licensing right is assigned, the relevant license fee income is recognised when it is assigned to investors.

No significant financial impact on the timing of recognition for this kind of license fee income upon the adoption of IFRS 15.

(b) *Presentation of contract liabilities*

Reclassification was made as at 1 January 2018 to be consistent with the terminology used under IFRS 15:

Contract liabilities recognised in relation to gaming and hotel and entertainment operations were previously presented as deferred revenue under "trade and other payables".

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

2 Adoption of new or revised International Financial Reporting Standards (continued)

B. IFRS 15 Revenue from Contracts with Customers ("IFRS 15") (continued)

Details of the new significant accounting policies in relation to the Group's various goods and services are set out in note 4(r).

Amendments IFRS 15 – Revenue from Contracts with Customers (Clarifications to IFRS 15)

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

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted IFRS 15 and took up the clarifications in this, its first, year.

IFRIC-Int 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

3 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards, International Accounting Standards and Interpretations (hereinafter collectively referred to as "IFRS") issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 33.

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

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

4 Principal accounting policies

(a) Business combination and basis of consolidation

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

(b) Property, plant and equipment

(i) Owned assets

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

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

Capital work-in-progress comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the capital work-in-progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed.

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

4 Principal accounting policies (continued)

(b) Property, plant and equipment (continued)

(ii) Depreciation

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

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

No depreciation is provided for freehold land and capital work-in-progress. Depreciation is provided for capital work-in-progress when it is completed and ready for its intended use.

(c) Intangible assets

Acquired intangible assets – Casino licence premium

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

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

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

(d) Consumables

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

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

4 Principal accounting policies (continued)

(e) Financial Instruments (accounting policies applied from 1 January 2018)

(i) *Financial assets*

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not measured at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

4 Principal accounting policies (continued)

(e) Financial Instruments (accounting policies applied from 1 January 2018) (continued)

(i) *Financial assets (continued)*

Debt instruments (continued)

FVTPL: Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

4 Principal accounting policies (continued)

(e) Financial Instruments (accounting policies applied from 1 January 2018) (continued)

(ii) *Impairment loss on financial assets*

The Group recognises loss allowances for ECLs on trade receivables, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

4 Principal accounting policies (continued)

(e) Financial Instruments (accounting policies applied from 1 January 2018) (continued)

(ii) *Impairment loss on financial assets (continued)*

The Group considers a financial asset to be credit-impaired when: (1) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non-credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) *Financial liabilities*

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

4 Principal accounting policies (continued)

(e) Financial Instruments (accounting policies applied from 1 January 2018) (continued)

(iii) *Financial liabilities (continued)*

Financial liabilities at fair value through profit or loss (continued)

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of income. The net fair value gain or loss recognised in the statement of income does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables and senior notes issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

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

(iv) *Effective interest method*

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

4 Principal accounting policies (continued)

(e) Financial Instruments (accounting policies applied from 1 January 2018) (continued)

(v) *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) *Derecognition*

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IFRS 9.

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

(f) Financial assets (accounting policies applied until 31 December 2017)

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

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

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

4 Principal accounting policies (continued)

(f) Financial assets (accounting policies applied until 31 December 2017) (continued)

(i) *Impairment loss on financial assets*

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

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

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

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

(ii) *Effective interest method*

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

4 Principal accounting policies (continued)

(f) Financial assets (accounting policies applied until 31 December 2017) (continued)

(iii) Derecognition

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

(g) Trade and other payables (accounting policies applied until 31 December 2017)

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

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

(i) Effective interest method

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

(ii) Derecognition

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

(h) Provisions

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

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

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

4 Principal accounting policies (continued)

(i) Impairment of other assets

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

- property, plant and equipment;
- interest in leasehold land held for own use under operating lease; and
- intangible assets.

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

- Calculation of recoverable amount

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

- Recognition of impairment losses

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

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

4 Principal accounting policies (continued)

(j) Income tax

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

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

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

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

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

The income tax in respect of the gaming and hotel operations of the Company's subsidiary, NWL, represents obligation payments ("Obligation Payments") (refer to note 11(a)).

(k) Cash and cash equivalents

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

(l) Commissions and incentives

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

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

4 Principal accounting policies (continued)

(m) Employee benefits

Short term employee benefits and contributions to defined contribution retirement and social security scheme

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement and social security scheme and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Any short term employee benefits are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are measured at undiscounted amounts.

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

There is no mandatory retirement plans in Cambodia except for the government employees and veterans who are eligible for government-run pension plans during the Year. Effective from January 2019, the Group also operates seniority payment benefits for its employees with unlimited duration contract in Cambodia. The plan is made based on a percentage of the employee's salaries and the period they have rendered services, including period before 2019 but at a statutory limit.

(n) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into United States dollars at exchange rates ruling at the end of the reporting period. Foreign currency transactions during the year are translated into United States dollars at the exchange rates ruling at the transaction dates. The results of foreign entities are translated into United States dollars at the average exchange rates for the year; items in the statement of financial position are translated into United States dollars at the rates of exchange ruling at the end of the reporting period. The resulting exchange differences are dealt with as other comprehensive income. All other translation differences are included in profit or loss.

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

(o) Dividends

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

4 Principal accounting policies (continued)

(p) Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) the entity or any member of a group of which it is a party, provides key management personnel services to the Group or the Company's parent.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

4 Principal accounting policies (continued)

(p) Related parties (continued)

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

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

(q) Leased assets

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

(i) *Assets acquired under finance leases*

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

4 Principal accounting policies (continued)

(q) Leased assets (continued)

(ii) Operating lease

The Group as lessor

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

The Group as lessee

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

(iii) Prepaid land lease

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

(r) Revenue recognition

Accounting policies applied from 1 January 2018

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

- (i) Casino revenue from gaming tables and electronic gaming machines represents net house takings arising from casino operations and is recognised in profit or loss at a point in time when stakes are received by the casino and the amounts are paid out to the players. The credit policy on gaming receivables is five to thirty days from the end of VIP tour. Other customers paid in advance before they wager.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

4 Principal accounting policies (continued)

(r) Revenue recognition (continued)

Accounting policies applied from 1 January 2018 (continued)

- (ii) Revenue from provision of gaming machine stations which comprises revenue in relation to profit sharing arrangements for the gaming machine operations where third parties provide and maintain the gaming machine stations is recognised in accordance with the substance of the relevant agreements:
 - The Group recognises its share of net wins from gaming machine operation at a point in time under joint operation with the third parties; or
 - Revenue for services provided to the third parties, based on sharing of net wins from the gaming machine operations, is recognised over time when the Group acts an agent to the third parties.
- (iii) Income from hotel operations including room rental, food and beverage sales and other ancillary services are recognised when the services are rendered. Most of the customers pay for room rental in advance or upon departure from the hotel by cash or credit card. Other services are paid when services are rendered. Certain entity customers are granted with credit period of thirty days from end of month.
- (iv) The Group operates a loyalty programme where customers accumulate points for money spent on gaming or hotel facilities which entitle them to acquire goods or services free of charge or at a discount. Revenue from the award points is recognised when the points are redeemed or when they expire.
- (v) Licence fee is recognised at a point in time when the right to use exists at which the licensing right is assigned. All other licence fee income is recognised over the contract period. Payment is made when the relevant contract is signed.

4 Principal accounting policies (continued)

(r) Revenue recognition (continued)

Accounting policies applied until 31 December 2017

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

- (i) Casino revenue represents net house takings arising from casino operations and is recognised in profit or loss when the stakes are received by the casino and the amounts are paid out to the players.
- (ii) Income from the provision and maintenance of gaming machine stations which comprises revenue in relation to profit sharing arrangements for the gaming machine operations where third parties provide and maintain the gaming machine stations is recognised in profit or loss in accordance with the substance of the relevant agreement when the right to receive such amounts is ascertained.
- (iii) Income from restaurant represents revenue from the provision of food and beverages and is recognised when the service is provided.
- (iv) Licence fee income is recognised at the time of sale.

(s) Contract liabilities (applied from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

(t) Other income

- (i) Rental income under operating leases is recognised on a straight-line basis over the terms of the relevant leases.
- (ii) Interest income is recognised as it accrues using the effective interest method.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

4 Principal accounting policies (continued)

(u) Joint arrangements

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

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

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

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

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

(v) Share-based payments

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

(w) Capitalisation and borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

5 Casino licence

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

(a) Duration of licence

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

(b) Exclusivity

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

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

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

(c) Casino complex

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

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

6 Revenue

Revenue represents net house takings arising from casino operations and income from other operations and is recognised from contracts with customers.

	2018 \$'000	2017 \$'000
Casino operations – gaming tables	1,305,138	775,038
Casino operations – electronic gaming *	129,282	150,926
Hotel room income, food and beverage and others	39,867	30,385
	1,474,287	956,349

* During the year ended 31 December 2017, revenue from EGM included a fee of US\$60.0 million in respect of the assignment of a licensing right to certain investors to operate a number of EGM for a period of 10 years. No similar fee was earned in the Year.

The following table provides information about trade receivables and contract liabilities from contracts with customers.

	31 December 2018 \$'000	1 January 2018 \$'000
Trade receivables	75,136	58,336
Contract liabilities	54,169	62,919

7 Other income

	2018 \$'000	2017 \$'000
Interest income	3,272	738
Rental income	6,995	7,012
Others	8	1
	10,275	7,751

8 Finance costs

	2018 \$'000	2017 \$'000
Interest expenses and amortisation of transaction costs relating to senior notes (Note 24)	19,469	–

9 Profit before taxation

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

	2018 \$'000	2017 \$'000
(a) Staff costs (including directors' remuneration):		
Salaries, wages and other benefits	92,374	93,092
Contributions to defined contribution retirement scheme [#]	45	49
Total staff costs*	92,419	93,141
(b) Other items:		
Auditor's remuneration		
– Current year	959	781
– Over-provision for prior year	(8)	(7)
Amortisation of casino licence premium*	3,547	3,547
Depreciation and amortisation*	89,433	52,869
Exchange loss*	189	608
Impairment loss on trade receivables	2,200	1,025
Write-off of property, plant and equipment	1,003	1
Gain on disposal of property, plant and equipment	(5)	(13)
Operating lease charges for land lease rental	2,629	1,386
Operating lease charges for office and car park rental	5,135	1,824
Operating lease charges for hire of equipment	4,214	5,297

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

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

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

10 Directors' remuneration and senior management remuneration

(a) Directors' remuneration

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

	Annual performance incentive \$'000	Discretionary bonus \$'000	Fees \$'000	Basic salaries, allowances and benefits- in-kind \$'000	2018 Total \$'000
Executive directors					
Tan Sri Dr Chen Lip Keong	-	150	-	720	870
Philip Lee Wai Tuck	-	120	-	263	383
Chen Yiy Fon	-	30	-	144	174
Chen Yepern (<i>retired on 27 April 2018</i>)	-	30	-	84	114
Non-executive director					
Timothy Patrick McNally	-	100	200	337	637
Independent non-executive directors					
Michael Lai Kai Jin	-	20	36	-	56
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir	-	20	36	-	56
Lim Mun Kee	-	30	48	-	78
Leong Choong Wah (<i>appointed on 10 September 2018</i>)	-	-	11	-	11
Total	-	500	331	1,548	2,379

10 Directors' remuneration and senior management remuneration (continued)

(a) Directors' remuneration (continued)

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

	Annual performance incentive \$'000	Discretionary bonus \$'000	Fees \$'000	Basic salaries, allowances and benefits- in-kind \$'000	2017 Total \$'000
Executive directors					
Tan Sri Dr Chen Lip Keong	17,062	150	-	720	17,932
Philip Lee Wai Tuck	-	120	-	256	376
Chen Yiy Fon	-	30	-	144	174
Chen Yepern	-	30	-	253	283
Non-executive director					
Timothy Patrick McNally	-	100	150	325	575
Independent non-executive directors					
Michael Lai Kai Jin	-	20	36	-	56
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir	-	20	36	-	56
Lim Mun Kee	-	30	48	-	78
Total	17,062	500	270	1,698	19,530

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

10 Directors' remuneration and senior management remuneration (continued)

(a) Directors' remuneration (continued)

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

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

Based on the formula stated in Clause 3.3 of the service agreement entered into between the Company and Dr Chen, the parties acknowledge and agree that Dr Chen will be entitled to a performance incentive of \$11,765,000 (the "2017 Performance Incentive Entitlement") and \$18,570,000 (the "2018 Performance Incentive Entitlement") for the financial years ended 31 December 2017 and 2018 respectively.

Pursuant to the resolution passed by the Board on 8 February 2017, the Board considered the matter relating to the 2015 and 2016 performance incentive entitlement and resolved to appeal to the generosity and good judgement of Dr Chen to defer the 2015 and 2016 performance incentive entitlement. The Company and Dr Chen agreed that it is in the interests of the Company to defer the 2015 and 2016 performance incentive entitlement to subsequent years until the achievement of certain key performance indicators ("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 2015 and 2016 performance incentive entitlement should be extended to the financial year ended 31 December 2017 and that the parties should negotiate in good faith a reasonable timeframe which is in the best interests of the Company.

As a result of the achievement of the said KPIs for the year ended 31 December 2017, the 2015 performance incentive entitlement and the 2016 performance incentive entitlement amounting to \$17,062,000 in total were recognised in profit or loss for the financial year ended 31 December 2017.

10 Directors' remuneration and senior management remuneration (continued)

(a) Directors' remuneration (continued)

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 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.

Pursuant to a resolution passed by the Board on 13 February 2019, the Board considered the matter relating to the payment of 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 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 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 incentives of \$18.6 million from the financial years 2010 to 2014.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

10 Directors' remuneration and senior management remuneration (continued)

(b) Five highest paid individuals

Of the five individuals with highest emoluments, two (2017: two) are directors whose emoluments are disclosed in note 10(a). The aggregate of the emoluments in respect of the three individuals for the year ended 31 December 2018 (2017: three) are as follows:

	2018 \$'000	2017 \$'000
Basic salaries, housing and other allowances and benefits-in-kind	1,686	1,598

The emoluments of the three individuals (2017: three) with the highest emoluments are within the following bands:

	2018 Number of Individuals	2017 Number of Individuals
\$Nil – \$258,000 (approximately HK\$ Nil – HK\$2,000,000)	–	–
\$258,001 – \$323,000 (approximately HK\$2,000,001 – HK\$2,500,000)	–	–
\$323,001 – \$387,000 (approximately HK\$2,500,001 – HK\$3,000,000)	–	–
\$387,001 – \$452,000 (approximately HK\$3,000,001 – HK\$3,500,000)	–	–
\$452,001 – \$516,000 (approximately HK\$3,500,001 – HK\$4,000,000)	1	1
\$516,001 – \$581,000 (approximately HK\$4,000,001 – HK\$4,500,000)	1	1
\$581,001 – \$645,000 (approximately HK\$4,500,001 – HK\$5,000,000)	–	1
\$645,001 – \$710,000 (approximately HK\$5,000,001 – HK\$5,500,000)	1	–
	3	3

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

11 Income tax

Income tax in profit or loss represents:

	2018 \$'000	2017 \$'000
Current tax expense – Current year	8,814	8,120

Reconciliation between tax and accounting profit at applicable tax rate:

	2018 \$'000	2017 \$'000
Profit before taxation	399,392	263,306
Profits tax using Cambodian corporation tax rate of 20% (2017: 20%)	79,878	52,661
Tax exempt profits from Cambodian operations (note (a))	(79,878)	(52,661)
Obligation Payments (note (a))	8,814	8,120
	8,814	8,120

Notes:

(a) Income tax in profit or loss

Income tax represents monthly gaming Obligation Payment of \$520,157 (2017: \$462,362), monthly non-gaming Obligation Payment of \$214,338 (2017: \$214,338) payable to the Ministry of Economy and Finance (the "MOEF") of Cambodia by NWL Gaming Branch and NWL Hotel and Entertainment Branch, branches registered in Cambodia.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

11 Income tax (continued)

Notes: (continued)

(a) Income tax in profit or loss (continued)

(i) Casino tax and licence fees

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

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

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

In May 2000, the MOEF levied an Obligation Payment of \$60,000 per month on NWL Gaming Branch payable from January 2000 to December 2003 in respect of the gaming activities. The MOEF has also confirmed that gaming taxes and licence fees are not payable in respect of periods prior to January 2000. Legal opinion was obtained confirming that the Obligation Payment is not payable prior to January 2000. Since December 2003, the MOEF had been revising the Obligation Payment every year. For the year ended 31 December 2018, the Obligation Payments is \$520,157 per month (2017: \$462,362 per month).

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

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

11 Income tax (continued)

Notes: (continued)

(a) Income tax in profit or loss (continued)

(i) Casino tax and licence fees (continued)

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

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

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

(ii) Corporate and other taxes on gaming activities

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

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

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

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

11 Income tax (continued)

Notes: (continued)

(a) Income tax in profit or loss (continued)

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

As explained in note 11(a)(i) above in respect of gaming activities, NWL has to pay the Obligation Payment. The MOEF confirmed, in a letter to NWL dated 15 September 2000, to clarify that the Obligation Payment is a fixed gaming tax and with the payment of this fixed gaming tax, NWL will be exempted from all category of taxes on gaming activities including advance profits tax, minimum tax and advance tax on distribution of dividends. NWL, however, is obliged to pay taxes on other non-gaming services and activities payable under the Law of Taxation (the "LoT") of Cambodia.

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

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

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

In July 2002, the MOEF imposed a non-gaming Obligation Payment on NWL in respect of tax on non-gaming activities of a fixed sum of \$30,500 per month for the six months ended 31 December 2002. The monthly rate of non-gaming Obligation Payment will be reviewed annually. For the year ended 31 December 2018, the estimated provision of non-gaming obligation payment is \$214,338 per month (2017: \$214,338 per month).

The above non-gaming Obligation Payment is considered as a composite of various other taxes such as salary tax, fringe benefit tax, withholding tax, value-added tax, patent tax, tax on rental of moveable and unmoveable assets, minimum tax, advance profit tax, advertising tax and specific tax on entertainment services. The non-gaming Obligation Payment is due to be paid monthly and in the event of default in payment, the penalties and interest imposed are similar to those applicable to the gaming Obligation Payment as stated in note 11(a)(i) above.

In the years ended 31 December 2015 and 2016, the Group paid additional Obligation Payments to the MOEF. As at the date of this report, there is no additional Obligation Payment for the Year.

11 Income tax (continued)

Notes: (continued)

(a) Income tax in profit or loss (continued)

(iii) Other jurisdictions

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

(b) Taxes on other businesses

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

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

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

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

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

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

(d) Deferred taxation

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

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

12 Dividends payable to owners of the Company attributable to the year

	2018 \$'000	2017 \$'000
Interim dividend declared during the year:		
2017: US cents 2.08 per ordinary share	–	90,379
2018: US cents 2.49 per ordinary share	108,079	–
Final dividend proposed after the end of reporting period:		
2017: US cents 1.45 per ordinary share	–	62,732
2018: US cents 2.91 per ordinary share	126,268	–
	234,347	153,111

The dividends declared and paid during the Year comprise the 2017 final dividend of \$62,732,000 which was paid in May 2018 and the 2018 interim dividend of \$108,079,000 which was paid in September 2018.

13 Earnings per Share

The calculation of basic earnings per share is based on the consolidated profit attributable to owners of the Company of \$390,578,000 (2017: \$255,186,000) and the weighted average number of shares of 4,341,008,041 (2017: 3,212,396,541) in issue during the Year.

There were no dilutive potential shares during the Year.

The calculation of diluted earnings per share for the year ended 31 December 2017 was based on the consolidated profit attributable to owners of the Company of \$255,186,000 and weighted average number of shares for the purpose of diluted earnings per share of 4,341,008,041 adjusted for the dilutive potential shares as a result of outstanding convertible bonds during that year.

	Number of Shares	
	2018	2017
Weighted average number of shares in issue during the year used in the basic earnings per share calculation	4,341,008,041	3,212,396,541
Effect of dilution – weighted average number of shares:		
– convertible bonds (note 25(c)(ii))	–	1,128,611,500
Weighted average number of shares for the purpose of diluted earnings per share	4,341,008,041	4,341,008,041

14 Segment information

The Group manages its businesses by segments, which comprise a mixture of business activities (casino, hotel and entertainment). The Group has identified the following two main reportable segments in a manner consistent with the way in which information is reported internally to the Group's most senior executive management (the "SEM") for the purpose of resource allocation and performance assessment.

- Casino operations: this segment comprises all gaming activities at NagaWorld and TSCLK Complex.
- Hotel and entertainment operations: this segment comprises the operations of leisure, hotel and entertainment activities.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

14 Segment information (continued)

(a) Segment results, assets and liabilities

The SEM monitors the results, assets and liabilities attributable to each reportable segment as follows:

Segment assets include all tangible, intangible and current assets. Segment liabilities include trade creditors, other creditors, unredeemed casino chips and other liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and expenses incurred by those segments or which would otherwise arise from the depreciation and amortisation of assets attributed to those segments.

	Casino operations \$'000	Hotel and entertainment operations \$'000	Total \$'000
Segment revenue:			
Year ended 31 December 2017			
Revenue from external customers	925,964	30,385	956,349
Inter-segment revenue	(2,526)	14,425	11,899
Reportable segment revenue	923,438	44,810	968,248
Year ended 31 December 2018			
Timing of revenue recognition			
- At point of time	1,374,730	22,169	1,396,899
- Transferred over time	59,690	17,698	77,388
Revenue from external customers	1,434,420	39,867	1,474,287
Inter-segment revenue	(1,916)	14,273	12,357
Reportable segment revenue	1,432,504	54,140	1,486,644
Segment profit:			
Year ended 31 December			
2017	344,617	9,174	353,791
2018	517,711	5,713	523,424

14 Segment information (continued)

(a) Segment results, assets and liabilities (continued)

	Casino operations \$'000	Hotel and entertainment operations \$'000	Total \$'000
Segment assets:			
As at 31 December			
2017	1,070,902	509,200	1,580,102
2018	1,295,316	619,240	1,914,556
Segment liabilities:			
As at 31 December			
2017	(46,111)	(134,345)	(180,456)
2018	(104,205)	(183,252)	(287,457)
Net assets:			
As at 31 December			
2017	1,024,791	374,855	1,399,646
2018	1,191,111	435,988	1,627,099
Other segment information			
Capital expenditure:			
Year ended 31 December			
2017	211,312	152,251	363,563
2018	95,097	148,816	243,913
Impairment loss on trade receivables:			
Year ended 31 December			
2017	1,025	-	1,025
2018	2,200	-	2,200

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

14 Segment information (continued)

(a) Segment results, assets and liabilities (continued)

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

	2018 \$'000	2017 \$'000
Revenue		
Reportable segment revenue	1,486,644	968,248
Elimination of inter-segment revenue	(12,357)	(11,899)
Consolidated revenue	1,474,287	956,349
Profit		
Reportable segment profit	523,424	353,791
Other revenue	2,627	–
Depreciation and amortisation	(92,980)	(56,416)
Unallocated head office and corporate expenses	(14,210)	(34,069)
Finance costs	(19,469)	–
Consolidated profit before taxation	399,392	263,306
Assets		
Reportable segment assets	1,914,556	1,580,102
Elimination of inter-segment assets	(157,124)	(120,373)
	1,757,432	1,459,729
Unallocated cash and bank balances, certificates of deposit and other liquid funds	206,938	–
Unallocated corporate assets	2,871	2,545
Consolidated total assets	1,967,241	1,462,274
Liabilities		
Reportable segment liabilities	(287,457)	(180,456)
Elimination of inter-segment payables	157,124	120,373
	(130,333)	(60,083)
Senior notes	(291,118)	–
Unallocated corporate liabilities	(5,921)	(19,646)
Consolidated total liabilities	(427,372)	(79,729)

14 Segment information (continued)

(b) Geographical information

The Group's operations and activities are mainly located in Cambodia. As at 31 December 2018, the Group had non-current assets other than financial instruments and deferred tax assets located in Cambodia and Russia of \$1,311,409,000 (2017: \$1,218,319,000) and \$134,292,000 (2017: \$78,365,000), respectively.

(c) Information about major customers

During the current and prior year, there was no individual external customer contributing 10% or more of the Group's total revenue.

The aggregate revenue from external customers brought in through junkets contributing 10% or more of the Group's total revenue are as follows:

	2018 \$'000	2017 \$'000
Casino operations		
Junket A	667,961	466,489
Junket B	153,609	N/A

Customers brought in by Junket B in aggregate contributed less than 10% of the total revenue of the Group during the year ended 31 December 2017.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

15 Property, plant and equipment, and interest in leasehold land held for own use under operating lease

	Plant and equipment \$'000	Buildings \$'000	Capital work-in- progress \$'000 (note (i))	Renovations, furniture and fittings \$'000	Motor vehicles \$'000	Aircraft \$'000	Freehold land \$'000	Total property, plant and equipment \$'000	Interest in leasehold land held for own use under operating lease \$'000 (note (ii))
Cost:									
At 1 January 2017	67,875	209,842	366,564	285,771	5,606	55,990	-	991,648	27,551
Additions	3,624	-	360,295	227	-	-	-	364,146	-
Disposal	(11)	-	-	-	(77)	-	-	(88)	-
Written off	(33)	-	-	-	-	-	-	(33)	-
Transfer	78,336	478,840	(668,177)	109,797	1,204	-	-	-	-
Exchange adjustments	-	-	-	-	1	-	-	1	-
At 31 December 2017	149,791	688,682	58,682	395,795	6,734	55,990	-	1,355,674	27,551
At 1 January 2018	149,791	688,682	58,682	395,795	6,734	55,990	-	1,355,674	27,551
Additions	12,535	76,701	123,535	1,143	65	-	30,000	243,979	-
Disposal	(24)	-	-	(194)	(287)	-	-	(505)	-
Written off	-	(1,054)	-	-	-	-	-	(1,054)	-
Transfer	6,168	11,587	(53,088)	35,333	-	-	-	-	-
At 31 December 2018	168,470	775,916	129,129	432,077	6,512	55,990	30,000	1,598,094	27,551

15 Property, plant and equipment, and interest in leasehold land held for own use under operating lease (continued)

	Plant and equipment \$'000	Buildings \$'000	Capital work-in- progress \$'000 (note (i))	Renovations, furniture and fittings \$'000	Motor vehicles \$'000	Aircraft \$'000	Freehold land \$'000	Total Property, plant and equipment \$'000	Interest in leasehold land held for own use under operating lease \$'000 (note (ii))
Accumulated depreciation/ amortisation:									
At 1 January 2017	31,553	15,035	-	121,870	4,420	8,621	-	181,499	285
Charge for the year	10,413	5,907	-	32,915	497	2,821	-	52,553	316
Disposal	(7)	-	-	-	(76)	-	-	(83)	-
Written off	(32)	-	-	-	-	-	-	(32)	-
At 31 December 2017	41,927	20,942	-	154,785	4,841	11,442	-	233,937	601
At 1 January 2018	41,927	20,942	-	154,785	4,841	11,442	-	233,937	601
Charge for the year	27,500	15,154	-	42,985	657	2,821	-	89,117	316
Disposal	(24)	-	-	(194)	(287)	-	-	(505)	-
Written off	-	(51)	-	-	-	-	-	(51)	-
At 31 December 2018	69,403	36,045	-	197,576	5,211	14,263	-	322,498	917
Net book value:									
At 31 December 2018	99,067	739,871	129,129	234,501	1,301	41,727	30,000	1,275,596	26,634
At 31 December 2017	107,864	667,740	58,682	241,010	1,893	44,548	-	1,121,737	26,950

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

15 Property, plant and equipment, and interest in leasehold land held for own use under operating lease (continued)

Notes:

- (i) Capital work-in-progress is mainly incurred on the Group's hotel and casino complex located in Cambodia and Russia.
- (ii) Interest in leasehold land held for own use under operating lease is located as follows:

	2018 \$'000	2017 \$'000
Cambodia	26,634	26,950

The Group has four leasehold land which has a remaining leasehold period expiring on 31 July 2095, 10 January 2037, 31 July 2066 and 14 December 2110 respectively.

In addition to the prepaid lease payments to acquire the interest in the leasehold land, the Group was obliged to pay the annual operating lease charge of approximately \$322,000 (2017: \$322,000), subject to increment for every 5 or 10 years, as shown in note 26 to the consolidated financial statements.

16 Intangible assets

	2018 \$'000	2017 \$'000
Casino licence premium and extended exclusivity premium:		
Cost:		
At 1 January and 31 December	108,000	108,000
Accumulated amortisation:		
At 1 January	45,346	41,799
Charge for year	3,547	3,547
At 31 December	48,893	45,346
Net book value	59,107	62,654

On 12 August 2005, Ariston, a subsidiary of the Company, and the Cambodian Government entered into an Addendum Agreement which extended the exclusivity period of the Casino Licence within the Designated Area for the period to the end of 2035 in consideration for the surrender by Ariston of the rights and concessions granted under the SDA signed on 2 January 1995 and SSSA signed on 2 February 2000, both between Ariston and the Cambodian Government (except for the right to operate the casino within the Designated Area) including, but not limited to, the rights granted in respect of the development in O'Chhoue Teal, Naga Island and Sihanoukville International Airport (the "Assigned Assets"). The Assigned Assets had previously been assigned to Ariston Holdings Sdn. Bhd., a related company that is beneficially owned by the ultimate controlling shareholder of the Company, Dr Chen, on 30 August 2002. In order to fulfill its obligations under the Addendum Agreement, Ariston proposed to enter into an agreement with Ariston Holdings Sdn. Bhd., pursuant to which Ariston Holdings Sdn. Bhd. would surrender all rights, title, benefits and interests in and to the Assigned Assets to the Cambodian Government with an effective date of 12 August 2005 in consideration for \$105 million.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

16 Intangible assets (continued)

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

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

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

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

As at the end of the Year, prepayments for construction and fitting-out relate to advances made for various construction activities in NagaWorld and elsewhere.

18 Promissory Notes

On 6 September 2013, the Company entered into an investment agreement with certain Russian governmental authorities (the "Investment Agreement") pursuant to which the Company agreed to invest at least RUB11.6 billion (approximately \$350.0 million based on then current exchange rates), in a gaming and resort development project in Vladivostok, Russia.

In December 2014, in accordance with the terms of the Investment Agreement including the requirement to obtain a bank guarantee, the Company's subsidiary remitted approximately \$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 against which promissory notes were subsequently issued. In February 2015, PERC purchased these promissory notes in Rubles to provide collateral for the issuance of a bank guarantee from the same bank required under the Investment Agreement.

The promissory notes (the "Promissory Notes") in total amount of RUB469,100,000 (approximately \$9,372,000) (2017: \$9,584,000) bear an interest of 6.6% per annum and the maturity date of which is 2,909 days from the date of issue, i.e. 30 January 2023.

19 Consumables

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

20 Trade and other receivables

	2018 \$'000	2017 \$'000
Trade receivables	82,705	63,705
Less: Allowance for impairment loss	(7,569)	(5,369)
	75,136	58,336
Deposits, prepayments and other receivables	42,004	43,081
	117,140	101,417

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

	2018 \$'000	2017 \$'000
Within 1 month	67,931	47,111
1 to 3 months	343	2,329
3 to 6 months	638	6,095
6 to 12 months	3,095	163
More than 1 year	3,129	2,638
	75,136	58,336

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

21 Cash and bank balances, certificates of deposit and other liquid funds

	2018 \$'000	2017 \$'000
Cash and bank balances	222,639	52,444
Fixed deposits	16,350	350
Certificates of deposit	50,697	-
Money market fund	77,897	-
Short term investment	25,394	-
	392,977	52,794
Less: – Short term investment	(25,394)	-
– Fixed deposits and certificates of deposit with original maturity of more than three months when acquired	(51,047)	-
	(76,441)	-
Cash and cash equivalents	316,536	52,794

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

As at 31 December 2018, certificates of deposit and fixed deposits bear interest of 2.00% to 2.80% (2017: Nil) per annum and mature at various times up to and including January 2019 (2017: Nil).

Short term investment represents a listed debt fund which was classified as debt instrument at FVTPL. Details of the investment are set out in note 29(g)(ii).

22 Trade and other payables

	2018 \$'000	2017 \$'000
Trade payables (note)	5,341	2,590
Unredeemed casino chips	12,279	24,391
Deferred revenue	-	1,273
Deposits	6,323	680
Construction creditors	6,764	7,039
Interest payable	3,125	-
Accruals and other creditors	45,879	41,975
	79,711	77,948

Note:

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

	2018 \$'000	2017 \$'000
Due within 1 month or on demand	4,992	2,590
Due after 1 month but within 3 months	277	-
Due after 3 months but within 6 months	72	-
Due after 6 months but within 1 year	-	-
Due after 1 year	-	-
Total	5,341	2,590

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

23 Contract liabilities

	31 December 2018 \$'000	1 January 2018 \$'000	31 December 2017 \$'000
Customer loyalty programme	1,273	1,273	–
Licence fee	52,896	61,646	–
	54,169	62,919	–
Less: current portion	(10,023)	(10,023)	–
Non-current portion	44,146	52,896	–

Typical payment terms which impact on the amount of contract liabilities are described in notes 4(r)(iv) and 4(r)(v) respectively.

Movement in contract liabilities

	Customer loyalty programme \$'000	Licence fee \$'000
Balance as at 1 January 2018	1,273	61,646
Decrease as a result of recognising revenue during the Year	(3,218)	(8,750)
Increase as a result of award points earned	3,218	–
Balance as at 31 December 2018	1,273	52,896

24 Senior notes

On 14 May 2018, the Company entered into a purchase agreement with two independent third party purchasers in connection with the issue of senior notes (the "Senior Notes") by the Company of an aggregate principal amount of \$300,000,000 and mature 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.

25 Capital and reserves

(a) Share capital

(i) Authorised:

	2018 \$'000	2017 \$'000
8,000,000,000 ordinary shares of \$0.0125 each	100,000	100,000

(ii) Issued and fully paid:

	2018		2017	
	Number of shares	\$'000	Number of shares	\$'000
Issued and fully paid:				
Ordinary shares of \$0.0125 each				
At 1 January	4,341,008,041	54,263	2,459,988,875	30,750
Issue of shares upon conversion of convertible bonds (Note)	-	-	1,881,019,166	23,513
At 31 December	4,341,008,041	54,263	4,341,008,041	54,263

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

Note:

On 8 August 2017, the Company allotted and issued 1,881,019,166 Shares to Dr Chen upon the conversion of convertible bonds in full. Further details are set out in note 25(c)(ii).

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

25 Capital and reserves (continued)

(a) Share capital (continued)

(iii) Capital management

The Group's objectives when managing capital are:

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

The capital structure of the Group consists of net debts and equity attributable to owners of the Company, comprising share capital and reserves. The Group sets the amount of capital to reflect the perceived level of risk. The Group manages the capital structure and makes adjustments in the light of changes in economic and business conditions and the risk characteristics of the underlying assets.

The Group monitors the capital structure using a gearing ratio, which is net debt divided by total equity attributable to owners of the Company. Net debt includes the Senior Notes less cash and bank balances, certificates of deposit and other liquid funds.

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

	2018 \$'000	2017 \$'000
Debt	291,118	–
Cash and bank balances, certificates of deposit and other liquid funds	(392,977)	(52,794)
Net debt	N/A	N/A
Equity	1,539,869	1,382,545
Net debt to equity ratio	N/A	N/A

25 Capital and reserves (continued)

(b) Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 112 of the consolidated financial statements.

(c) Nature and purpose of reserves

(i) Share premium

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

(ii) Convertible bonds

On 17 May 2016 and 30 December 2016, the Company issued the convertible bonds with a principal amount of \$94,000,000 and \$275,000,000 (the "Convertible Bonds") on a perpetual basis with no maturity date in relation to the acquisition of TanSriChen (Citywalk) Inc. and TanSriChen Inc. respectively. The Convertible Bonds are denominated in United States dollars. The Convertible Bonds can be converted into Shares of the Company at the option of the holder of the Convertible Bonds in accordance with terms of the Convertible Bonds. On initial recognition, the total fair value of the Convertible Bonds amounting to \$378,888,000 were included in equity.

On 8 August 2017, based on the conversion price of HK\$1.5301 (equivalent to \$0.1962) of the Convertible Bonds, 1,881,019,166 Shares were allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds.

(iii) Merger reserve

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

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

25 Capital and reserves (continued)

(c) Nature and purpose of reserves (continued)

(iv) *Capital contribution reserve*

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

(v) *Capital redemption reserve*

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

(vi) *Exchange reserve*

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

(d) Distributable reserves

At 31 December 2018, the aggregate amount of reserves available for distribution to owners of the Company was \$671,698,000 (2017: \$700,298,000) within which \$751,356,000 (2017: \$751,356,000) related to the share premium of the new Shares issued upon conversion of the Convertible Bonds in current year and issued under placement in past years and \$55,000,000 (2017: \$55,000,000) related to the capital contribution reserve, which the Directors have no current intention of distributing.

After the end of the reporting period, the Directors proposed a final dividend for Shareholder of US cent 2.91 per Share amounting to \$126.3 million (2017: final dividend for Shareholder of US cents 1.45 per Share amounting to \$62.7 million). The final dividend has not been recognised as a liability at the end of the reporting period.

26 Leases

Operating lease – Lessee

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

	2018				2017			
	In respect of:				In respect of:			
	Land lease	car park rental	Equipment rental	Total	Land lease	car park rental	Equipment rental	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Within 1 year	2,306	1,860	4,014	8,180	2,340	927	1,062	4,329
1 to 5 years	9,236	5,458	16,056	30,750	9,364	632	-	9,996
After 5 years	30,743	8,227	41,086	80,056	33,542	464	-	34,006
	42,285	15,545	61,156	118,986	45,246	2,023	1,062	48,331

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

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

Please refer to note 15(ii) for further details in respect of the leasehold land.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

26 Leases (continued)

Operating lease – Lessor

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

	2018 \$'000	2017 \$'000
Within 1 year	2,525	2,315
1 to 5 years	10,591	9,916
After 5 years	7,794	10,072
	20,910	22,303

The lease was negotiated for an original term of 10.5 years. The terms of the lease also provide for periodic rent adjustments according to the then prevailing market conditions. Rent is calculated at the higher of base rent or 8% on turnover generated from the tenant plus 5% on turnover generated from its licensee, operator or sub-tenant. No contingent rental was recognised during the Year (2017: Nil).

27 Capital commitments

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

	2018 \$'000	2017 \$'000
Hotel and casino complex – contracted but not incurred	361,739	342,539

28 Equity settled share-based transactions

The Company has adopted a share option scheme on 20 April 2016 (the "Scheme"). Under the Scheme, the Directors are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at nil consideration to subscribe for shares of the Company.

The Company did not grant any share options during the Year (2017: Nil) and there are no outstanding share options at the end of the reporting period (2017: Nil).

29 Risk management

(a) Financial risk management objectives and policies

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

(b) Political and economic risks

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

(c) Credit risk

The credit policy on gaming receivables is five to thirty days (2017: five to thirty days) from the end of tour. The credit policy on non-gaming receivables is thirty days from end of month (2017: thirty days from end of month). Trade receivables relate mostly to Junket operators. At the end of the reporting period, the Group has a certain concentration of credit risk at 53% (2017: 43%) of the total trade and other receivables that were due from the five largest operators.

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

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

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

29 Risk management (continued)

(c) Credit risk (continued)

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix which is based on days past due for groupings of various customer segments that have similar loss patterns.

The following tables provide information about the Group's exposure to credit risk and ECLs for trade receivables as at 1 January 2018 and 31 December 2018:

As at 1 January 2018	Expected loss rate %	Gross carrying amount \$'000	Loss allowance \$'000
Current (not past due)	0.03	47,111	16
1 to 3 months past due	0.18	2,329	4
3 to 6 months past due	0.25	6,095	15
6 to 12 months past due	5.08	163	8
More than 1 year past due	66.51	8,007	5,326
		63,705	5,369

As at 31 December 2018	Expected loss rate %	Gross carrying amount \$'000	Loss allowance \$'000
Current (not past due)	0.07	68,060	46
1 to 3 months past due	0.53	509	3
3 to 6 months past due	0.72	1,134	8
6 to 12 months past due	3.47	2,446	85
More than 1 year past due	70.36	10,556	7,427
		82,705	7,569

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the group's view of economic conditions over the expected lives of the receivables.

29 Risk management (continued)

(c) Credit risk (continued)

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 4(f)(i)). At 31 December 2017, trade receivables of \$5,369,000 was determined to be impaired. The ageing analysis of trade debtors that were not considered to be impaired was as follows:

	2017 \$'000
Net yet past due	33,558
Less than 1 month overdue	13,553
1 to 3 months overdue	2,329
3 to 6 months overdue	6,095
6 to 12 months overdue	163
More than 1 year overdue	2,638
	<hr/>
	58,336

The following table reconciles the impairment loss of trade receivables for the year ended 31 December 2017:

	2017 \$'000
At 1 January	4,344
Impairment loss recognised under IAS 39	1,025
	<hr/>
At 31 December	5,369

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

The following table reconciles the impairment loss of trade receivables arising from contracts with customers for the Year:

	2018 \$'000
At 1 January	5,369
Impairment loss recognised under IFRS 9	2,200
	<hr/>
At 31 December	7,569

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

29 Risk management (continued)

(c) Credit risk (continued)

Increase in the gross carrying amounts of trade receivables past due over 1 year net of those settled during the Year resulted in an increase in loss allowance of \$2,101,000.

The Group's short term investment in debt fund is highly liquid and quoted on a recognised stock exchange. The credit risk of the fund is low as the underlying investments are guaranteed by insurance companies with average credit rating of A+ by international credit-rating agencies. The directors also consider the credit risk on certificates of deposit, fixed deposits and cash and bank balances are limited because the counterparties are banks with high-credit rating.

(d) Liquidity risk

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group can be required to pay.

2018	Carrying amount \$'000	Total contractual undiscounted cash flow \$'000	Within 1 year or on demand \$'000	More than 1 year but less than 2 years \$'000	More than 2 years but Less than 5 years \$'000
Trade and other payables	79,711	79,711	79,711	-	-
Senior Notes	291,118	369,531	28,125	28,125	313,281
	370,829	449,242	107,836	28,125	313,281

2017	Carrying amount \$'000	Total contractual undiscounted cash flow \$'000	Within 1 year or on demand \$'000	More than 1 year but less than 2 years \$'000	More than 2 years but Less than 5 years \$'000
Trade and other payables	77,948	77,948	77,948	-	-

29 Risk management (continued)

(e) Interest rate risk

The Group's fair value interest-rate risk mainly arises from the Promissory Notes, certificates of deposit and Senior Notes as disclosed in notes 18, 21 and 24 respectively. These financial instruments bear interest at fixed rates which expose the Group to fair value interest-rate risk. The Group has no significant cash flow interest-rate risk as there are no borrowings which bear floating interest rates and the interests from cash and bank balances are insignificant. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

The interest rate and terms of the Promissory Notes, certificates of deposit and Senior Notes are disclosed in notes 18, 21 and 24 to the consolidated financial statements respectively.

(f) Foreign currency risk

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

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

29 Risk management (continued)

(g) Fair values

(i) *Financial instrument not measured at fair value*

Financial instruments not measured at fair value include Promissory Notes, cash and bank balances, certificates of deposit, money market fund, trade and other receivables and trade and other payables and the Senior Notes. The carrying values of these financial instruments approximate their fair values.

(ii) *Financial instruments measured at fair value*

The debt fund included in the Group's consolidated financial statements requires measurement at fair value as detailed in note 21. The fair value measurement of which utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "Fair Value Hierarchy"):

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item.

The fair value of the fund is determined based on quoted market price. The fair value of the fund is a level 1 fair value measurement.

There were no transfers between levels during the Year.

30 Related party transactions

In addition to the information disclosed in the notes 20 and 22 to the consolidated financial statements, significant transactions entered into between the Group and its related parties are as follows:

(a) **Compensation of key management personnel**

	2018 \$'000	2017 \$'000
Basic salaries, housing and other allowances and benefits in kind	7,585	9,764
Bonus	898	18,166
	8,483	27,930

(b) **Balances with related parties**

As at 31 December 2018, amounts due from related companies of \$352,000 (2017: \$274,000) are included in trade and other receivables as disclosed in note 20 to the consolidated financial statements. The maximum balance during the Year was \$352,000 (2017: \$293,000).

As at 31 December 2018, amount due to a director, Dr Chen of \$1,959,000 (2017: \$19,081,000) is included in trade and other payables as disclosed in note 22 to the consolidated financial statements.

The balances with the related companies and the director are unsecured, interest free and repayable on demand.

31 Ultimate controlling party

At 31 December 2018, Dr Chen owned equity interests in 2,869,602,463 (2017: 2,839,964,463) ordinary shares out of the 4,341,008,041 (2017: 4,341,008,041) issued ordinary shares of the Company, of which 1,917,807,166 (2017: 1,888,169,166) ordinary shares were beneficially owned by Dr Chen and the remaining 951,795,297 (2017: 951,795,297) ordinary shares were indirectly held by a discretionary trust named ChenLa Foundation. By virtue of being the founder of ChenLa Foundation, Dr Chen was taken to be interested in the 951,795,297 (2017: 951,795,297) ordinary shares held by ChenLa Foundation.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

32 Possible impact of amendments and new or revised standards issued but not yet effective for the annual accounting year ended 31 December 2018

Up to the date of issue of these consolidated financial statements, the IASB has issued the following amendments and new or revised standards which are not yet effective for the annual accounting year ended 31 December 2018, potentially relevant to the Group's financial statements, and have not been early adopted in these consolidated financial statements.

IFRS 16	Leases ¹
IFRIC-Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to IFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures ¹
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 3, Business Combinations ¹
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 11, Joint Arrangements ¹
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 12, Income Taxes ¹
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 23, Borrowing Costs ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²

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

2 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

32 Possible impact of amendments and new or revised standards issued but not yet effective for the annual accounting year ended 31 December 2018 (continued)

IFRS 16 – Leases

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

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

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately \$118,986,000 as disclosed in Note 26. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

32 Possible impact of amendments and new or revised standards issued but not yet effective for the annual accounting year ended 31 December 2018 (continued)

IFRIC-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of IAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the “most likely amount” or the “expected value” approach, whichever better predicts the resolution of the uncertainty.

Amendments to IFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures

The amendment clarifies that IFRS 9 applies to long-term interests (“LTI”) in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that IFRS 9 is applied to these LTI before the impairment losses guidance within IAS 28.

Annual Improvements to IFRSs 2015-2017 Cycle – Amendments to IFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

32 Possible impact of amendments and new or revised standards issued but not yet effective for the annual accounting year ended 31 December 2018 (continued)

Annual Improvements to IFRSs 2015-2017 Cycle – Amendments to IFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to IFRSs 2015-2017 Cycle – Amendments to IAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to IFRSs 2015-2017 Cycle – Amendments to IAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

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

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

The Group is in the process of making an assessment of the potential impact of these new pronouncements. Except as described above, the directors so far concluded that the application of these new pronouncements is unlikely to have a significant impact on the Group's financial performance and financial position upon application.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

33 Key sources of estimation uncertainty

(i) Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The expected loss rates are based on actual loss experience over the past 3 years as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in note 29(c).

(ii) Recognition of the revenue from assignment of licensing rights in prior years

The Group operates certain EGM areas with third party operators and received licence fees in prior years in respect of assignment of licensing right for operating EGMs during the contract period. Upon the adoption of IFRS 15, the Group is required to assess whether the assignment of licensing right under different contracts is a distinct good and should be accounted for as a sale on a stand-alone basis when the right was assigned or recognised over the contract period. Considerations have been placed on the nature, terms, commercial substance of the transactions and interdependence with subsequent contracts for the judgement.

(iii) Obligation payment

As mentioned in note 11 to the consolidated financial statements, a Casino Law which is to govern gaming activities in Cambodia has yet to be promulgated. Management judgement is therefore required in determining the relevant amounts. The Group has carefully evaluated its exposure to transactions occurred during the Year and observes the development of the Casino Law in exercising such judgement.

34 Contingent Liabilities

Based on the formula stated in clause 3.3 of the service agreement entered into between the Company and Dr Chen, the chief executive officer of the Company, both parties acknowledge and agree that Dr Chen will be entitled to the 2017 Performance Incentive Entitlement of \$11,765,000 and the 2018 Performance Incentive Entitlement of \$18,570,000.

Pursuant to a resolution passed by the Board on 13 February 2019, the Board considered the matter relating to the payment of 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 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 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 incentives of \$18.6 million from the financial years 2010 to 2014.

Except for the above and other than the additional Obligation Payment, if any, as described in note 11, there were no other contingent liabilities as at 31 December 2018.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

35 Reconciliation of liabilities arising from financing activities

	Senior Notes (Note 24) \$'000	Interest payable (Note 22) \$'000
At 1 January 2018	-	-
Changes from cash flows:		
Net proceeds from Senior Notes	288,836	-
Interest paid	-	(14,062)
	288,836	(14,062)
Other changes:		
Finance costs	2,282	17,187
At 31 December 2018	291,118	3,125

There was no liability arising from financing activities for the year ended 31 December 2017.

36 Statement of financial position of the Company

	2018 \$'000	2017 \$'000
Non-current assets		
Property, plant and equipment	303	822
Investments in subsidiaries	394,391	394,391
	394,694	395,213
Current assets		
Deposits, prepayments and other receivables	1,219	823
Amounts due from subsidiaries	419,648	374,810
Certificates of deposit, fixed deposits and other liquid funds	76,091	–
Cash and cash equivalents	130,847	2,855
	627,805	378,488
Current liabilities		
Accruals and other payables	5,414	19,137
Amounts due to subsidiaries	6	3
	5,420	19,140
Net current assets	622,385	359,348
Total assets less current liabilities	1,017,079	754,561
Non-current liabilities		
Senior Notes	291,118	–
NET ASSETS	725,961	754,561
CAPITAL AND RESERVES		
Share capital	54,263	54,263
Reserves (Note)	671,698	700,298
TOTAL EQUITY	725,961	754,561

Approved and authorised for issue by the Board on 13 February 2019

Timothy Patrick McNally
Chairman

Philip Lee Wai Tuck
Executive Deputy Chairman

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

36 Statement of financial position of the Company (continued)

Note:

Reserves of the Company

	Share premium \$'000	Convertible bonds \$'000	Capital redemption reserve \$'000	Capital contribution reserve \$'000	Accumulated losses \$'000	Total \$'000
At 1 January 2017	395,981	378,888	151	55,000	(71,678)	758,342
Issues of shares upon conversion of the Convertible Bonds	355,375	(378,888)	-	-	-	(23,513)
Profit for the year	-	-	-	-	91,231	91,231
Dividend and distribution declared and paid	-	-	-	-	(125,762)	(125,762)
At 31 December 2017	751,356	-	151	55,000	(106,209)	700,298
At 1 January 2018	751,356	-	151	55,000	(106,209)	700,298
Profit for the year	-	-	-	-	142,211	142,211
Dividend declared and paid	-	-	-	-	(170,811)	(170,811)
At 31 December 2018	751,356	-	151	55,000	(134,809)	671,698

ISSUER

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

TRUSTEE, PAYING AND TRANSFER AGENT AND REGISTRAR

GLAS Trust Company LLC
3 Second Street, Suite 206
Jersey City, New Jersey 07311
United States of America

LEGAL ADVISORS TO THE ISSUER

<i>As to United States law</i>	<i>As to Hong Kong law</i>	<i>As to Cayman Islands and British Virgin Islands law</i>	<i>As to Cambodian law</i>
Ashurst LLP London Fruit & Wool Exchange 1 Duval Square London E1 6PW United Kingdom	Ashurst Hong Kong 11th Floor, Jardine House 1 Connaught Place Central Hong Kong	Maples and Calder (Hong Kong) LLP 26th Floor, Central Plaza 18 Harbour Road Wanchai Hong Kong	HML Law Group & Consultants No. 176, St. 51, Sangkat Boeung Keng Kang I, Khan Chamkarmorn Phnom Penh City Cambodia

LEGAL ADVISORS TO THE INITIAL PURCHASERS

<i>As to United States law</i>	<i>As to Cambodian law</i>
Latham & Watkins LLP 18th Floor, One Exchange Square 8 Connaught Place Central Hong Kong	DFDL and Sarin & Associates No. 30, Preah Norodom Boulevard BRED Bank Building 4th Floor, Khan Daun Penh, 12000 Cambodia

INDEPENDENT AUDITORS

BDO Limited
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

SGX-ST LISTING AGENT

Allen & Gledhill LLP
One Marina Boulevard #28-00
Singapore 018989