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# **NagaCorp Ltd.**

## **Portfolio Valuation**

JUNE 2017

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PREPARED BY:  
COLLIERS INTERNATIONAL  
(HONG KONG) LTD

PREPARED FOR:  
NAGACORP LTD.

*The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of the incorporation in this circular, received from Colliers International (Hong Kong) Limited, an independent valuer, in connection with its valuation as at 30 June 2017 of the property interests of NagaCorp Ltd.*



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19 July 2017

The Board of Directors  
NagaCorp Ltd.  
Samdech Techo Hun Sen Park  
Phnom Penh  
The Kingdom of Cambodia

Dear Sirs,

**RE: Valuation of NagaCorp Ltd. portfolio of properties:**

- (1) NagaWorld - located to the south of Samdech Hun Sen's Park and east of the Ministry of Culture and Religion Land, Phnom Penh, The Kingdom of Cambodia ("Naga I")
- (2) TSCLK Integrated Complex - located across from Naga I at Lot 1, Village 1, Sangkat Tonle Basaac, Khan Chamkamon, Phnom Penh, the Kingdom of Cambodia ("Naga II")
- (3) NagaCity Walk - located underneath the south sidewalk of NagaWorld and connected to the TSCLK Integrated Complex, Phnom Penh, the Kingdom of Cambodia ("NagaCity Walk")
- (4) NagaWorld FBO Hangar facility - located at Phnom Penh International Airport, Phnom Penh, the Kingdom of Cambodia ("FBO Hangar")
- (5) The Primorsky Entertainment Resort City (PERC) gaming and entertainment resort currently under development - located in IEZ Primorye, Artem, circa 50 km from Vladivostok, The Russian Federation ("Vladivostok")
- (6) Office Unit No. 2806 on 28th Floor, Central Plaza, No.18 Harbour Road, Wanchai, Hong Kong (Hong Kong)

**INSTRUCTIONS**

In accordance with your instructions to provide opinions of the market values of the above properties (hereinafter referred to as "the Properties") held by NagaCorp Ltd. (the "Company" and together with its

subsidiaries the “Group”) in the Kingdom of Cambodia, Hong Kong and the Russian Federation, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for providing you with our opinions pursuant to the requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Codes on Takeovers and Mergers and Share Buy-backs of Hong Kong of the value as at 30 June 2017 (the “date of valuation” or “Valuation Date”).

## PURPOSE OF VALUATIONS

For incorporation into a public circular pursuant to the requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Codes on Takeovers and Mergers and Share Buy-backs of Hong Kong.

## BASIS OF VALUATION

Our valuations are made on the basis of Market Value which is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

## THE VALUERS

The valuations have been carried out by:-

R5.06(7)

Govinda Singh FCCA FCMA MRICS is a member of the Royal Institution of Chartered Surveyors, a registered valuer and a chartered certified accountant. He is suitably qualified to carry out the valuation and has over 10 years’ of experience in the valuation of properties of this magnitude and nature. He has over 17 years of global experience in the hotels, gaming, tourism, and hospitality and leisure industry including across Asia.

David Faulkner FRICS FHKIS RPS (GP) MAE is a Fellow of the Royal Institution of Chartered Surveyors, a Fellow of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor under the Surveyors Registration Ordinance (Cap. 417) in the Hong Kong Special Administrative Region (“Hong Kong”). He is suitably qualified to carry out the valuation and has over 36 years’ of experience in the valuation of properties of this magnitude and nature, and over 30 years of experience in Hong Kong and various Asian countries.

Neither the valuers nor Colliers International (Hong Kong) Limited are aware of any pecuniary interest or conflict that could reasonably be regarded as being capable of affecting the ability to give an unbiased and objective, opinion of the value of the Properties.

## VALUATION STANDARDS

In valuing the Properties, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and Rule 11 of The Codes on Takeovers and Mergers and Share Buy-backs of Hong Kong. Our valuation has been carried out in accordance with the Hong Kong Institute of Surveyors Valuation

R5.05

Standards on Properties (2012 Edition) published by the Hong Kong Institute of Surveyors and the International Valuation Standards of the International Valuation Standards Council (ISVC). Colliers International (Hong Kong) Limited is accredited under ISO 9001:2008.

## VALUATION RATIONALE

We have considered three valuation methods in valuing the Properties. These are:

R5.06(1)

- (i) Market Approach;
- (ii) Income Approach - Direct Capitalisation Method; and
- (iii) Cost Approach.

**Market Approach** - We have considered the Market Approach by making reference to comparable sales or asking prices as available in the market for Properties (1), (2) and (3) above. Comparison is based on prices realised on actual transactions, asking price of 'comparable' properties or offerings. Comparable properties with 'similar' operations, sizes, character and locations are analysed, and carefully weighed against all respective advantages and disadvantages of each property in order to arrive at a fair comparison of value.

**Direct Capitalisation Method** - We have supported our valuations using the Direct Capitalisation method. This is done by applying a simple multiple or capitalisation rate to the level of rent or net income that a property can be expected to generate. We have assumed that the Company will continue to manage and operate the Properties in a competent and efficient manner. The multiple and capitalisation rates are derived from market rates of return for such investments taking into account the established performance of the property, its location and the risk profile of each individual asset.

**Cost Approach** - In valuing the property interests of Properties (4), (5) and (6) listed above, we have adopted the Cost Approach, which is defined as "providing an indication of value using the economic principal that a buyer will pay no more for an asset than the cost to obtain an asset of quality, whether by purchase or construction". This can be further described as current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

## TITLE INVESTIGATIONS

We have seen the original copies of various title documents including copies of the leases, licences and official plans relating to the property interests and have made relevant enquiries.

In regards to the subsisting mortgages and title investigation, we have been advised by the Company to assume that all titles and licences are in order. We are not aware of any title defects, easements, or right of way affecting the Properties, and our valuations assume that none exists, except where stated.

All legal documents disclosed in this letter and valuation certificates are for reference only. No responsibility is assumed for any legal matters concerning the legal title to the property interests set out in this letter or in the valuation certificates.

## INFORMATION

We have relied to a considerable extent on the information provided by the Company on such matters as tenancy schedules, statutory notices, easements, tenure, floor areas, building plans and all other relevant matters. Dimensions, measurements and areas included in the valuation are based on information contained in the documents provided to us and are, therefore, only approximations. R5.06(1)

We have also been advised by the Company that no material factors or information have been omitted or withheld from the information supplied and we consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuations are reasonable and we have no reason to doubt the truth and accuracy of the information and materials for the valuations provided to us by the Company, which we assume to be accurate and fit to use for such purposes.

## SITE INSPECTION

Inspection of Properties (1), (2), (3) and (4) located in Cambodia was carried out on 20 June 2017 by Govinda Singh. R5.06(1)

He has inspected the exteriors and, where possible, the interiors of Properties (1), (2), (3) and (4). However, we have not carried out investigations to determine the suitability of the ground conditions and services for any development thereon. Our valuations have been prepared on the assumption that these aspects are satisfactory. No structural survey has been made, but, in the course of our inspection, we did not note any serious defects. No environmental investigations were carried out and we are unable to report whether the Properties are free of rot, infestation or any other environmental issue. No tests were carried out on any of the services. R5.06(1)

We have not carried out detailed on-site measurements to verify the correctness of the floor areas in respect of the Properties but have assumed that the areas shown on the documents and plans provided to us are correct.

No inspection has been made of the Vladivostok property and we have had to rely on the information presented to us by the Company as to the state of the land and development as at the date of valuation. We also had regard to land values in the region in forming our opinion of value for this property.

## VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the property interests can be sold in the open market in their existing state, with the benefit of vacant possession, without the benefit of deferred term contract, leaseback, joint venture, management agreement or any similar arrangements which could affect the value of the property interest.

No allowance has been made in our valuation for any charges, mortgages or amounts owing neither on the property interest valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

All information on the Properties provided by the Company is assumed to be accurate and correct.

We have seen and verified with lawyers, in addition to obtaining confirmation from the relevant land registry, all proper ownership titles. We have also seen all relevant planning and other approvals for all the Properties, which have been properly obtained, and all payable land premiums, land-use rights fees and other relevant fees have been fully settled, and the Properties can be freely transferred, sublet, mortgaged or otherwise disposed of.

We have discussed all titles and other approvals obtained with management of the Company, and they have provided assurances that good and alienable title to the land use rights of the Property can be proved to be free from any unduly onerous or unusual covenants, restrictions or outgoings. In addition, we have received assurances from management of the Company that all relevant approvals and licence obtained are legal and valid.

We have obtained further written confirmation from the legal firm, HML Law Group & Consultants, that they have independently verified all titles, permits and approvals for the Properties in Cambodia, and have found these to be in good order. We have relied on this assertion in arriving at our opinion of value for the Properties.

For the Property in Vladivostok, we have obtained an official copy of the registered lease with the Land Registry, which is in good order.

All Properties have the required permits and licenses in place to operate.

We have been provided with the tenancy schedule of the Property (3). However, we have not examined the standard tenancy agreement, the licence agreement, the gaming licence or lease documents for each specific tenancy. Our assessment is based on the assumption that all leases are executed and in accordance with the provisions stated in the tenancy schedules provided to us. We assume that all tenancies are valid, binding and enforceable.

We have not carried out any valuation on a redevelopment basis, nor the study of possible alternative options.

No acquisition costs or disposal costs have been taken into account in the valuations.

We have assumed there are no environmental issues or problems affecting the properties.

Additional specific valuation assumptions used, for each of the Properties, are shown on the attached valuation certificates.

## **CURRENCY**

Unless otherwise stated, all monetary figures stated in this report are in United States dollars (US\$).

Our valuation certificates are attached.

## **DISCLOSURE**

This report is furnished for the purposes stated, and for no other use, without the express permission of Colliers international (Hong Kong) Limited. The report is subject our standard caveats and assumptions attached hereto.

## VALUATIONS

Our valuation of the subject assets are set out on the valuation certificates attached hereto, which together with this covering letter form our valuation report.

Yours sincerely,  
For and on behalf of

**Colliers International (Hong Kong) Limited**



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Govinda Singh  
*FCCA FCMA MRICS*  
Director  
Valuation & Advisory Services – Asia



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David Faulkner  
*FRICS FHKIS RPS (GP) MAE*  
Managing Director  
Valuation & Advisory Services – Asia

## SUMMARY OF VALUES

### Property Interests owned by NagaCorp Ltd. in the Kingdom of Cambodia

		Market Value upon completion as at 30 June 2017	R5.06(8) R5.07
No	Property		
1.	NagaWorld Building located to the south of Samdech Hun Sen's Park and east of the Ministry of Culture and Religion Land, Phnom Penh, The Kingdom of Cambodia ("Naga I")	US\$1,900,000,000	
2.	TSCLK Integrated Complex located at Lot 1, Village 1, Sangkat Tonle Basaac, Khan Chamkamon, Phnom Penh, the Kingdom of Cambodia ("Naga II")	US\$3,000,000,000	
3.	NagaCity Walk located underneath the south sidewalk of NagaWorld and connecting to the TSCLK Integrated Complex, Phnom Penh, the Kingdom of Cambodia ("NagaCity Walk")	US\$128,000,000	
4.	NagaWorld FBO Hangar facility located at Phnom Penh International Airport, Phnom Penh, the Kingdom of Cambodia ("FBO Hangar")	US\$44,000,000	
<b>Sub-total:</b>		<u>US\$5,072,000,000</u>	

### Property Interests owned by NagaCorp Ltd. in the Russian Federation

		Market Value as at 30 June 2017
No	Property	
5.	Primorsky Entertainment Resort City (PERC), located at IEZ Primorye, Artem, circa 50 km from Vladivostok, The Russian Federation ("Vladivostok")	US\$350,000,000
<b>Sub-Total:</b>		US \$350,000,000

### Property Interests leased by NagaCorp Ltd. in Hong Kong

		Market Value as at 30 June 2017
No	Property	
6.	Office Unit No. 2806 on 28th Floor, Central Plaza, No.18 Harbour Road, Wanchai, Hong Kong (Hong Kong)	No commercial value
<b>Sub-Total:</b>		Nil
<b>Total:</b>		<u>US\$ 5,422,000,000</u>

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value as at 30 June 2017
1. NagaWorld Building located to the south of Samdech Hun Sen's Park and the east of the Ministry of Cult and Religion Land, Phnom Penh, The Kingdom of Cambodia ("the Property")	<p>The Property comprises two blocks of buildings which includes a hotel and a casino within an entertainment complex completed in 2007.</p> <p>The Property is built on a land parcel that has a total area of approximately 14,160 sq m.</p> <p>The casino block is an 8-storey building with a total gross floor area of approximately 20,918 sq m.</p> <p>The hotel block is a 14-storey building with a total gross floor area of approximately 67,945 sq m which offers 713 guest rooms, conference and convention facilities, food and beverage, recreation facilities, spa, etc.</p> <p>The casino currently offers 154 VIP tables, 87 mass tables and 1,648 Electronic Gaming Machines (EGM).</p> <p>The Hotel / Casino portion is held for a term of 99 years commencing from 1<sup>st</sup> August 1996 for gaming, hotel and entertainment business purposes.</p>	Upon our inspection, and the information provided, the Property was occupied by the Company as an entertainment complex.	US\$1,900,000,000 R5.06(1) R5.06(3) R5.06(5)

### Notes:

- According to the lease agreement dated 27 February 1996 ("Lease Agreement") between Municipality of Phnom Penh ("Municipality") and International Land Company Limited ("ILC"), the land located between the south of Samdech Second Prime Minister's Park and the east of Cult Ministry land ("Hotel-Casino land parcel") with site area of about 14,160 sq.m has been granted to ILC for a lease term of 70 years commencing from 1 August 1996 and ILC is entitled to run the business of hotel and tourism services. R5.06(1)
- According to the supplementary agreement dated 16 August 2000, the Hotel-Casino land parcel has been transferred from ILC to Neptune Orient SDN Bhd ("NOSB") and NOSB has inherited the rights of ILC under the Lease Agreement dated 27 February 1996.
- According to the Sale and Purchase of Leasehold Interest dated 30 August 2002 between NOSB and Naga Resorts & Casinos Limited ("NRCL"), the Hotel-Casino land parcel together with the improvements on the said land parcel was transferred to NRCL for a lease term of 70 years commencing from 1 August 1996.
- According to the supplementary agreement dated 12 March 2008, the lease term for the Hotel-Casino land parcel was extended to 99 years from 1 August 1996.

5. The Company is capable to fully enjoy the rights and obligations encumbered under the Lease Agreement for a period up to 99 years while the renewal lease terms will be at the maximum of 50 years which is subject to agreement between parties.
6. The Company has been duly registered in Cambodia as a branch of a foreign company which can fully enjoy the rights and obligations conferred under the Lease Agreement. The Company can also hold ownership of the Hotel-Casino land parcel as long as the term of Lease Agreement.
7. The following assumptions and notes are further made in the course of our valuation:
  - i. the Property is able to be disposed of freely to local or overseas purchasers;
  - ii. the Property is to be delivered with immediate vacant possession;
  - iii. Naga Resorts & Casinos Limited is entitled to exclusively own the right of a casino license ("Casino Licence"). The Casino Licence grants the Company monopoly status for gaming activities until 2035 within a 200km radius of Phnom Penh;
  - iv. the Property is owner operated by Naga; and
  - v. the inspection was carried out by Govinda Singh on 20 June 2017. The Property was well maintained and in good condition at the time of visit.

8. The key parameters of our valuation are set out below.

The Property is mature in its market place and is located in the capital city of Cambodia, Phnom Penh. It benefits from its location in a core part of the city with relatively easy access to the international airport. It enjoys a monopoly on gaming within a 200km radius of Phnom Penh which expires in 2035 i.e. circa 18 years remaining; with its current gaming licence expiring in 2065. Unlike properties in other jurisdictions such as Macau SAR, the Property has no restrictions on the number of tables and machines and gaming space it can offer. There are no other primary competitors in the Mekong region, with Singapore positioned as a more high-end destination.

The Property has a good mix of mass gaming versus VIP revenue, with the main source markets for the latter being Malaysia, Singapore, and Greater China. Mass gaming contributes a significantly highest gross profit margin than VIP gaming, and management continues to focus on driving this segment, whilst implementing initiatives to further improve VIP profitability.

The Property has a well-established historical performance with strong cash flows and high margins, aided by a low cost labour and tax environment in addition to its monopoly status. Between 2014 and 2016, gaming revenue at the property increased by a CAGR of 9.5%, underpinned by a 21% increase between 2014 and 2015, and an additional 6% in 2016.

As visitation and airlift to Phnom Penh continues to increase, the Property is likely to continue to benefit, however growth in performance may be limited by its current physical size, facilities and amenities.

### **Direct Capitalisation**

There is a dearth of transactions in the gaming sector in Asia. As such, we have mostly relied on anticipated capitalisation rates and valuation expectation by the market for such properties listed on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange"), for comparison purposes. This has then been adjusted to reflect the risk profile of the Property's operating environment.

As a supporting approach to the valuation, we have also taken into account the direct capitalisation method based on a multiple of net income. This is made in reference to that expected to be achieved by the property's peers, and then adjusted to reflect the discrepancies, product offering and

operating environment. According to market analysts reports the expected enterprise value/EBITDA for Hong Kong listed Macau gaming properties is on average 18.8x. We have applied a multiple of 8.5x, a discount of 55%, to the expected net income for the Property. This represents a capitalisation rate (cap rate) of 11.8%, a significant premium on the 5.4% expected for Macau properties, and reflects the desired country and equity risk premium required for investments in Cambodia.

### **Potential Tax Liability**

R11.3

For compliance with Rule 11.3 of the Codes on Takeovers and Mergers and Shares Buy-backs, we have discussed any potential tax liability that may result from a sale of the Property. There is no capital gains tax in Cambodia, with any net capital gains treated as income and subject to income tax at 20%. The Company is exempt from income tax on gaming activities.

As advised by the Company, there is no intention to dispose of the Property. Therefore the likelihood of any potential tax liability is remote.

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value 'as is' as at 30 June 2017													
2. TSCLK Integrated Complex, Lot 1, Village 1, Sangkat Tonle Basaac, Khan Chamkamon, Phnom Penh, the Kingdom of Cambodia ("the Property")	<p>The Property is located close to the junction of Boulevard Samdach Preah Sihanouk and Preah Sisovath. It is bounded by the Cambodia Korea Cultural Center to the north, the Belgium Honorary Consulate to the west, and the new Electoral Commission building. It is opposite to, and connects to the existing Naga I property via an underground walkway (NagaCity Walk).</p> <p>According to the development scheme provided by the Company, the proposed development is an integrated building consisting of a hotel, casino, retail, car parking, and entertainment facilities. It has a site area of about 7,766 sq m. The site is generally levelled and roughly 'L' shaped.</p> <p>The total gross floor area of the Property is approximately 108,764 sq m with the following usage:</p> <table><tr><th>Usage</th><th>Gross Floor Area (sq.m.)</th></tr><tr><td>Hotel (902 rooms)</td><td>54,593</td></tr><tr><td>Casino</td><td>28,666</td></tr><tr><td>Theatre</td><td>5,748</td></tr><tr><td>Car park (392 spaces)</td><td>19,757</td></tr><tr><td>Total</td><td>108,764</td></tr></table> <p>The casino will offer 100 VIP tables, 200 mass tables and 2,000 Electronic Gaming Machines (EGM).</p> <p>The land is leased for a period of 99 years from December 2011.</p>	Usage	Gross Floor Area (sq.m.)	Hotel (902 rooms)	54,593	Casino	28,666	Theatre	5,748	Car park (392 spaces)	19,757	Total	108,764	<p>Upon our inspection and the information provided, the Property was being developed by the Company as an entertainment complex.</p>	<p>US\$3,000,000,000</p> <p><b>Market Value 'upon completion' as at 30 June 2017</b></p> <p>US\$3,000,000,000</p>	<p>R5.06(1) R5.06(3) R5.06(5)</p> <p>R11.2 (d)</p>
Usage	Gross Floor Area (sq.m.)															
Hotel (902 rooms)	54,593															
Casino	28,666															
Theatre	5,748															
Car park (392 spaces)	19,757															
Total	108,764															

By Sor Chor No 23, the Company obtained planning approval on 28 October 2011, with the Construction Permit granted under Sor Chor No 90 on 17 August 2015. The Property is in its final stages of construction completion, with a targeted completion in September, and soft opening date of October, 2017. Total development cost is expected to be US\$285,000,000. We have been advised by the Company that construction costs outstanding at the date of valuation amounted to US\$14,000,000. R11.2 (d)

Given the stage of completion, and total development costs already committed, we are of the opinion that the market value 'as is' is the same that of 'as upon completion'.

*Notes:*

R5.06(1)

1. In accordance with the information provided by Company, the registered owner of the Property is "TanSriChen Inc." ("TSCI").
2. We are instructed by the Company to assess the market value of the Property upon completion of the proposed development above and we are advised the completion date for the proposed development would be within a year from the date of valuation.
3. In the course of our valuation, we have been provided with the following information:
  - i. Based on the relevant Sor Chor Nor n. 419 and 500, the Royal Government of Cambodia has granted TSCI the legal and effective ownership of the land subject to the issuance of land title and the fulfillment of certain procedural conditions. The Company does not foresee any legal impediment with regard to issuance of the land title in the name of TSCI as the owner once TSCI performs all requirements before filing request for registration.
  - ii. The Company has been duly registered in Cambodia as a branch of a foreign company which can fully enjoy the rights and obligations conferred under the Lease Agreement dated 27 February 1996 between Municipality and ILC ("Lease Agreement"). The Company can also hold ownership of the Hotel-Casino land parcel as long as the term of Lease Agreement.
  - iii. The Company is capable to fully enjoy the rights and obligations encumbered under the Lease Agreement for a period up to 99 years from December 2011, while the renewal lease terms can be negotiated not less than two years from the expiry of the current term.
  - iv. The Company is able to fully enjoy the rights over the Hotel-Casino land parcel and legally operate it as long as the Lease Agreement.
  - v. Naga Resorts & Casinos Limited is entitled to exclusively own the right of the Casino License.
4. The following assumptions are made in addition in the course of our valuation:
  - i. the Property is able to be disposed of freely to local or overseas purchasers upon the completion of the proposed development;
  - ii. the Property is to be delivered with immediate vacant possession upon the completion of the proposed development; and
  - iii. the Property was inspected on 20 June 2017 and it was noted that construction was well underway to meet the anticipated opening date.
5. The key parameters of our valuation are set out below.

The Property is located in the capital city of Cambodia, Phnom Penh and benefits from its location in a core part of the city with relatively easy access to the international airport. It enjoys a monopoly on gaming within a 200km radius of Phnom Penh which expires in 2035 i.e. circa 18 years remaining; with its current gaming licence expiring in 2065. Unlike properties in other jurisdictions such as Macau SAR, the Property has no restrictions on the number of tables and machines and gaming space it can offer. There are no other competitors in the Mekong region, with Singapore seen as a more high-end destination. Furthermore, the Property will have a unique offering different from that in other Asian jurisdictions, given its low cost environment and attraction as a more affordable entertainment destination, for example, compared to that in Macau and Singapore.

The Property is set to complement the existing and well established Naga I property, and is expected to capture existing frustrated and latent demand currently being experienced at the existing property. It will offer a significantly higher number of tables and games compared to the existing Naga I, and will be positioned at attracting the higher margin mass gaming market, which will be combined with a strong VIP gaming offering, and significant non-gaming amenities. We expect the property to build on the success of Naga I, with strong cash flows and high margins,

aided by a low cost labour and tax environment in addition to its monopoly status, and maturing in the fourth full year of its operations.

As visitation and airlift to Phnom Penh continues to increase, the Property is likely to continue to benefit, however growth in performance may be limited by its current physical size of facilities and amenities.

### **Direct Capitalisation**

There is a dearth of transactions in the gaming sector in Asia. As such, we have mostly relied on anticipated capitalisation rates and valuation expectation by the market for such properties listed on the Hong Kong Stock Exchange for comparison purposes. This has then been adjusted to reflect the risk profile of the Property's operating environment.

As a supporting approach to the valuation, we have also taken into account the direct capitalisation method based on a multiple of net income. This is made in reference to that expected to be achieved by the property's peers, and then adjusted to reflect the discrepancies, product offering and operating environment. According to market analysts reports the expected enterprise value/EBITDA for Hong Kong listed Macau properties is on average 18.8x. We have applied a multiple of 8.0x, a discount of 57%, to the expected net income for the Property in its stabilised year. This represents a cap rate of 12.5%, a significant premium on the 5.4% expected for Macau properties, and reflects the desired country and equity risk premium required for investments in Cambodia.

### **Potential Tax Liability**

R11.3

For compliance with Rule 11.3 of the Codes on Takeovers and Mergers and Shares Buy-backs, we have discussed any potential tax liability that may result from a sale of the Property. There is no capital gains tax in Cambodia, with any net capital gains treated as income and subject to income tax at 20%. The Company is exempt from income tax on gaming activities.

As advised by the Company, there is no intention to dispose of the Property. Therefore the likelihood of any potential tax liability is remote.

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value as at 30 June 2017												
3. NagaCity Walk located underneath the south sidewalk of Naga I and connecting to Naga II, Phnom Penh, the Kingdom of Cambodia ("the Property")	<p>NagaCity Walk is located underneath the south sidewalk of NagaWorld and directly connects to the Naga II development.</p> <p>It is a retail walkway with the ground floor and lower ground levels connecting to the existing NagaWorld building, the proposed TSCLK Integrated Complex and the Tourist Park development at its western and eastern ends respectively. It has a site area of about 8,184.5 sq m. The site is generally levelled and roughly rectangular-shaped.</p> <p>NagaCity Walk development has a total gross floor area of approximately 9,823 sq m for retail use. The area breakdown is as follows:</p> <table><tr><th>Level</th><th>Gross Floor Area (sq.m.)</th></tr><tr><td>Ground Floor</td><td>1,413</td></tr><tr><td>Lower Ground Floor</td><td>7,487</td></tr><tr><td>Mezzanine</td><td>790</td></tr><tr><td>Roof</td><td>133</td></tr><tr><td>Total</td><td>9,823</td></tr></table> <p>The Property was completed in 2016. According to the information provided, the NagaCity Walk will be held under a long lease term as being of leasehold tenure for a term up to 50 years.</p> <p>It is currently let to one tenant who then sub-lets individual units.</p>	Level	Gross Floor Area (sq.m.)	Ground Floor	1,413	Lower Ground Floor	7,487	Mezzanine	790	Roof	133	Total	9,823	Upon our inspection and the information provided, the Property was occupied by a tenant as a high-end duty free retail mall.	US\$128,000,000 R5.06(1) R5.06(3) R5.06(5)
Level	Gross Floor Area (sq.m.)														
Ground Floor	1,413														
Lower Ground Floor	7,487														
Mezzanine	790														
Roof	133														
Total	9,823														

### Notes:

1. According to the Company, the registered owner of the Property is "TAN SRI CHEN INC. (T S C I)" ("TSCI Cambodia"). R5.06(1)
2. In the course of our valuation, we have been provided with the following information:
  - i. By Kor Sor Phor Vi No 120, which was approved in May 2012 by the Governor of Phnom Penh, and June 2012 by the Ministry of Economy and Finance, a lease of 50 years was granted to TSCI Cambodia by MPP starting from the date of the agreement.
3. The following assumptions are made in the course of our valuation:
  - i. the Property is able to be disposed of freely to local or overseas purchasers upon the completion of the proposed development;
  - ii. the Property is to be delivered with immediate vacant possession; and

- iii. the Property was inspected by Govinda Singh on 20 June 2017 and appears to be in good condition being a modern purpose built facility.
- 4. In undertaking the valuation of the retail unit for lease of the Property, we have adopted the following major assumptions based on the Property's actual net income, analyzed market data found and the professional judgement of the valuer. The salient details are as follows:

The property is wholly let to one tenant for a period of 10 years and 6 months as of the earlier of the completion of the facilities (August 2016) and the opening of Naga II (Q3 2017). The tenant has a good parent guarantee in place.

The Property is located at the lower ground level connecting Naga I and Naga II and benefits from significant onsite footfall both from the casino and wider area. Opened in August 2016, it is still going through its growth period, with this set to be extended upon the opening and ramp-up of Naga II. The Property offers a wide variety of high-end and luxury duty free shops with relatively few comparable shopping malls in the area. It is the only extensive on-site duty free shopping facility and benefits from its location connecting the two Naga integrated resorts.

### **Direct Capitalisation**

As a supporting approach to the valuation, we have also taken into account the direct capitalisation method based on a multiple of net income. This is made in reference to that expected to be achieved by the property's peers, and then adjusted to reflect the discrepancies, product offering and operating environment. There is a dearth of transactions in the Cambodia market, however we are aware of recent sales of strata titles being sold at an adjacent mixed-use development. Reports indicate that these have been transacting at yields of 6% or 16.7x. This is in line with shopping malls in other key capital cities such as Bangkok. We have applied a multiple of 11.5x, a discount of 31%, to the expected rent for the Property. This represents a cap rate of 8.7%, a significant premium on desired retail yields in the more established capital cities of South East Asia.

### **Potential Tax Liability**

R11.3

For compliance with Rule 11.3 of the Codes on Takeovers and Mergers and Shares Buy-backs, we have discussed any potential tax liability that may result from a sale of the Property. There is no capital gains tax in Cambodia, with any net capital gains treated as income and subject to income tax at 20%. The Company is exempt from income tax on gaming activities.

As advised by the Company, there is no intention to dispose of the Property. Therefore the likelihood of any potential tax liability is remote.

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value 'as is' as at 30 June 2017
4. NagaWorld FBO Hangar Facility at Phnom Penh International Airport, Phnom Penh, the Kingdom of Cambodia ("the Property")	<p>The Property is located within Phnom Penh International Airport which is 10km west of Phnom Penh city centre.</p> <p>According to the development scheme provided by the Company, it is a fixed-base operator (FBO) with hangar facility to provide aeronautical services. The hangar facility has a site area of about 7,500 sq m. The site is generally levelled and roughly rectangular-shaped.</p> <p>The Property consists of two plots of leasehold land, and is currently under construction. Facilities will include:</p> <p>Hangar building and M&amp;E – 6,755 sq m  FBO building - 2,308 sq m  Car park (49 spaces) - 1,657 sq m</p> <p>Total - 9,063 sq m</p>	<p>Upon our recent inspection and the information provided, the Property was under construction.</p>	<p>US\$44,000,000 <sup>R5.06(1)</sup>  <sup>R5.06(3)</sup>  <sup>R5.06(5)</sup></p> <p><b>Market Value 'upon completion' as at 30 June 2017</b> <sup>R11.2 (d)</sup></p> <p>US\$44,000,000</p>

By Sor Chor No 126, the Company obtained planning and construction approval on 3 September 2014. The Property is in its final stages of construction completion, with a targeted completion and soft opening date of October 2017. Total development cost is expected to be US\$44,000,000.

<sup>R11.2 (d)</sup>

Given the stage of completion, and total development costs already committed, we are of the opinion that the market value 'as is' is the same that of as 'upon completion'.

### Notes:

1. The registered owner of the Property is NagaWorld Ltd. <sup>R5.06(1)</sup>
2. The Property includes two plots of leasehold land: via Sor Chor no.33 dated 8 January 2013, a 7,500 sq m plot of land for a period of 25 years for the provision of hangar facilities. The second plot of land is for a 3,000 sq m site and for an initial period of 10 years, with consecutive five year renewals. This site is to be used for car parking, storage and sewage disposal facilities to support the hangar activities.
3. The following assumptions are made in the course of our valuation:
  - i. the Property is able to be disposed of freely to local or overseas purchasers upon the completion of the proposed development;
  - ii. the Property is to be delivered with immediate vacant possession upon the completion of the proposed development; and
  - iii. a brief site inspection was done by Govinda Singh on 20 June 2017 and construction appears well underway to meet the targeted completion date.

4. In undertaking the valuation of the Property, we have adopted the following major assumptions based on the Property's actual cost and the professional judgement of the valuer. The salient details are as follows:

For the Property at Phnom Penh International Airport, which is held under development by the Group, we have valued in accordance with the latest development proposal provided to us using the cost approach. In addition, we have taken into consideration the construction costs that have already been expended and the outstanding construction costs (based on the signed contracts) that will be expended to complete the development to reflect the quality of the completed development. This is based on actual expenditure provided by the Company and are as recorded in the latest financial statements.

The Property is a specialized building, built on leased government owned land within the existing airport grounds, which will be used to mainly handle VIP guests arriving on the Group's airlines in Phnom Penh. It is currently wholly near completion with commencement of operations expected in Q3 2017. Upon completion the Property will include a hangar together with commensurate facilities, storage and car parking.

#### **Potential Tax Liability**

R11.3

For compliance with Rule 11.3 of the Codes on Takeovers and Mergers and Shares Buy-backs, we have discussed any potential tax liability that may result from a sale of the Property. There is no capital gains tax in Cambodia, with any net capital gains treated as income and subject to income tax at 20%. The Company is exempt from income tax on gaming activities.

As advised by the Company, there is no intention to dispose of the Property. Therefore the likelihood of any potential tax liability is remote.

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value 'as is' as at 30 June 2017
5. The proposed development in Vladivostok under the name 'Primorsky Entertainment Resort City' (PERC), the Russian Federation ("the Property")	<p>The Property is located within IEZ Primorye, in Artem, around 50 km from Vladivostok. IEZ Primorye is a special zone created by The Russian Federation for the specific purpose of gaming and entertainment activities.</p> <p>According to the development scheme provided by the Company, the proposed development will be phased with Phase 1 being an integrated building consisting of a hotel, casino, retail, car parking, and entertainment facilities. It has a site area of about 47,451 sq m. The site has a long beach front and is generally levelled.</p>	<p>We have not inspected this property and have relied upon the information provided to us by the Company and the Project Manager. We have been instructed that land clearing and piling has commenced on the site.</p>	<p>US\$350,000,000 <sup>R5.06(1)</sup> <sup>R5.06(3)</sup> <sup>R5.06(5)</sup></p> <p><b>Market value 'upon completion' as at 30 June 2017</b> <sup>R11.2 (d)</sup> US\$615,000,000</p>

The total gross floor area of the Property is approximately 55,839 sq m.

Usage	Gross Floor Area (sq.m.)
Hotel (300 rooms)	17,171
Casino	2,468
Meetings and events	1,954
F&B, Entertainment, Circulation etc	31,310
Retail	677
Car park	2,259
<b>Total</b>	<b>55,839</b>

Phase 1 of the development is expected to be completed in 2019. The casino will offer 100 tables and 500 electronic gaming machines. In addition, it will have 300 hotel rooms.

The land is leased for an initial period of 10 years after which, following completion of the development, it will revert to a freehold title.

The Company obtained planning approval to begin construction upon signing of sub-lease No1 dated 6 September 2013. The Property is in its initial stages of construction completion, with a targeted soft opening date in Q1 2019. A design and build contract was awarded to the sum of US\$299.5m on 1 July 2016, and construction has begun on the site, with an anticipated completion date of October 2018.

<sup>R11.2 (d)</sup>

We are aware that the investment agreement between the Group and the Primorsky Krai Development Corporation, the state licensor, dated September 2013, requires a minimum investment of US\$350,000,000 to fulfill all conditions of granting the casino licence which was dated April 2016. Once the full amount is invested, the gaming licence is assumed as automatically granted under the terms of

the investment agreement. We are aware that as 28 February 2017 US\$8.3m has already been expended on the development. This is in addition to the design and build contract awarded. The estimated total development is therefore expected to be circa US\$350,000,000.

Given the stage of completion, and total development costs already committed, together with the capital expected to be invested to fulfil the requirements of the casino licence, we are of the opinion that the market value of the Property 'as is', is US\$350,000,000, and, 'upon completion', US\$615,000,000.

*Notes:*

R5.06(1)

1. The registered owner of the Property is the Company according to the novation agreement dated 6 September 2013. The land is leased from the Primorsky state government for an initial period of 10 years after which we are told by the Company that it can acquire the freehold for a nominal consideration, providing the development conditions are met. The entire plot consists of four parcels:
  - a. Lot 20 – 53,236 sq m
  - b. Lot 21 – 27,672 sq m
  - c. Lot 22 – 115,834 sq m (Phase 1)
  - d. Lot 25 – 19,341 sq m
2. The following assumptions are made in the course of our valuation:
  - i. the Property is able to be disposed of freely to local or overseas purchasers upon the completion of the proposed development; and
  - ii. the Property is to be delivered with immediate vacant possession upon the completion of the proposed development.
  - iii. the Property will be completed in accordance with the development schedule advised to us, without any unexpected or unforeseen delay.
  - iv. We assume that the company will seek and obtain the freehold interest in the land without undue problem upon completion of the proposed development.
3. In undertaking the valuation of the Property, we have adopted the following major assumptions based on the analyzed market data found and the professional judgement of the valuer. The salient details are as follows:

**Cost Approach**

For the property in Vladivostok, which is held under development by the Group, we have valued in accordance with the latest development proposal provided to us using the cost approach. We have assumed that the Property will be completed in accordance with the Group's latest development proposals provided to us and the relevant approvals for the proposals have been obtained. We have also taken into account the cost of development including construction costs, finance costs, professional fees and developer's profit which duly reflects the risks associated with the development of the property. In addition, we have taken into consideration the construction costs that have already been expended and the outstanding construction costs (based on the signed contracts) that will be expended to complete the development to reflect the quality of the completed development.

We have not visited the site have relied heavily on the Company and the project manager in regard to information regarding costs and construction progress.

We have taken into account the award of the construction contract and the capital commitment this entails, in addition to the specific zoning of the site and its highest and best use 'as is'. We have also been mindful of the Company's commitment to the project, together with the minimum

investment requirement in order to retain the casino licence in arriving at our opinion of value under the cost approach for the property.

Vladivostok is located in the Northern Russian Far East region of Primorsky and is host to one of Russia's planned International Entertainment Zone (IEZ). The Property, once developed, will hold one of the four gaming licence to be allowed. It will benefit from its access to the unpenetrated Northern China and North Asia markets, with its low gaming tax (even lower than Cambodia) and favorable visa policy especially for Mainland China which should provide it with significant competitive advantages. The first integrated resort in the IEZ, Tigre de Cristal, opened in October 2016, and plans are already on the way for Phase II of its development. Analysts' expectations are that the market can reach US\$1.7bn by 2020, however there are some downside risks given that the territory is still relatively new, in addition to the inherent country risks.

In supporting our valuation we have also considered land values in the region. However, land transactions are sparse and mostly agricultural in nature with little relative value. The Property currently sub-leases 216,083 sq m of land from the state at US\$39,938 per annum. We understand from the Company that within 15 years following the completion of the integrated resort, the Company has an option to acquire the freehold title for a nominal sum. We have also carried our own further checks as to the likely costs that the Property will require to bring to fruition. Given that the design and build contract was only recently awarded, it is unlikely that costs would vary materially from that stated.

To further support our valuation, we have further considered, but not relied upon, the gross development value of the project less total costs to build.

Despite not carrying out an inspection of the Property, we are satisfied that we have enough information to undertake the valuation, subject to the assumptions as stated above.

### **Potential Tax Liability**

R11.3

For compliance with Rule 11.3 of the Codes on Takeovers and Mergers and Shares Buy-backs, we have discussed any potential tax liability that may result from a sale of the Property. There are no capital gains tax in The Russian Federation with any income subject to corporation (income) tax at a special rate of 0% as the Property is located in a Special Economic Zone designated for tourism purposes.

As advised by the Company, there is no intention to dispose of the Property. Therefore the likelihood of any potential tax liability is remote.

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value upon completion as at 30 June 2017
6. Office Unit No. 2806 on 28 <sup>th</sup> Floor, Central Plaza, No.18 Harbour Road, Wan chai, Hong Kong ("the Property")	<p>The Property is located in the northern part of Wanchai district, with Harbour Road to its north, Fleming Road to its east and Gloucester Road to its south.</p> <p>Central Plaza, being the third tallest building in Hong Kong, is a 78-storey office tower completed in 1992. Most of the units in the building enjoy an open harbor view. Public transportation such as bus, minibus and taxi are readily available nearby while MTR Wanchai Station can be reached by a short walk through a footbridge.</p> <p>As scaled off from the Approved Building Plan, the saleable area of the Property is approximately 462.17 sq m.</p> <p>The Property comprises certain shares of and in Inland Lot No. 8643 and is held under Conditions of Sale No.12060 for a term commencing from 25 January 1989 and expiring on 30 June 2047. The Government Rent of the Property is 3% of the rateable value of the Property.</p> <p>According to the information provided by the Company, the Property is leased at a monthly rental of HK\$312,872 for a term of 3 years commencing from 15 December 2015 and expiring on 14 December 2018.</p>	As informed by the Client and the information provided, the Property was occupied by the Company as office use.	No commercial value R5.06(1) R5.06(3) R5.06(5)

**Notes:**

1. Pursuant to the Approved Wan Chai North Outline Zoning Plan No. S/H25/4 dated 28 February 2014, the property is zoned as commercial use. R5.06(1)
2. The Property is subject to the following encumbrances:
  - i. Joint Venture Agreement with Plan vide Memorial no. UB4488661 dated 18 July 1990.
  - ii. Modification Letter with Plan vide Memorial no. UB4706622 dated 2 February 1991.
  - iii. Deed of Dedication Re Part with Plans in favor of the Government of Hong Kong vide Memorial no. UB4931178 dated 1 August 1991.
  - iv. Modification Letter vide Memorial no. UB4931179 dated 1 August 1991.
  - v. Modification Letter vide Memorial No. UB5194111 dated 26 February 1992.
  - vi. Letter with Car-Parking Layout Plan vide Memorial no. UB5353741 dated 15 July 1992.
  - vii. Deed of Variation of Deed of Dedication M/N 4931178 with Plans in favor of the Government of Hong Kong vide Memorial no. UB5523139 dated 12 December 1992.

- viii. Modification Letter vide Memorial no. UB5551652 dated 21 January 1993.
- ix. Supplemental Agreement to the Joint Venture Agreement M/N 4488661 vide Memorial no. UB7718493 dated 26 February 1999.
- x. Deed of Variation of Joint Venture Agreement of M/N 4488661 vide Memorial no. UB7782328 dated 3 July 1995.

#### **Potential Tax Liability**

R11.3

For compliance with Rule 11.3 of the Codes on Takeovers and Mergers and Shares Buy-backs, we have discussed any potential tax liability that may result from a sale of the Property.

As advised by the Company, there is no intention to dispose of the Property, and given its nil market value, the likelihood of any potential tax liability is remote.

#### **CONTACT DETAILS**

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