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NAGACORP

金界控股有限公司

NAGACORP LTD.

金界控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 3918

**NAGA 3 FUNDING BY THE CONTROLLING SHAREHOLDER —
CONNECTED TRANSACTION**

AND

**SETTLEMENT VIA SUBSCRIPTION AGREEMENT —
UNDER A SPECIFIC MANDATE**

Financial Advisers to the Company (in alphabetical order)

CREDIT SUISSE 

Morgan Stanley

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

ANGLO CHINESE 
CORPORATE FINANCE, LIMITED

Reference is made to the announcement of the Company dated 3 April 2019, whereby it provides (among other things) certain information on the Naga 3 Project, including but not limited to the proposed development of the Naga 3 Project, the proposed funding of the Naga 3 Project and rationale of funding by the controlling shareholder of the Company.

Having been advised by its Financial Advisers (Credit Suisse and Morgan Stanley (in alphabetical order)), Colliers as Project Appraiser and the Company's Project Consultants, and having considered the best interest of the Company and all its shareholders, the Board wishes to announce the determination of the development costs of the Naga 3 Project, Funding of the Naga 3 Project and the Settlement of the Funding Exercise via a Subscription Agreement.

As per Colliers, and having considered the overall market context, industry benchmarks, together with the intended market positioning from the discussions with the Company, Colliers is of the opinion that the estimated costs excluding the land cost for the Naga 3 Project, are reasonable at US\$3.5 billion (US\$0.74 million per hotel bay). Based on the input from Colliers, the Company has ascertained that the total development costs of Naga 3 to develop total gross floor area of 544,801 square metres are at about US\$3.5 billion.

With input from its Project Consultants, the Company (through its subsidiary) has also signed on 12 April 2019, a Guaranteed Maximum Sum Design and Build Agreement with its trustworthy long term contractor since 1994 with favourable terms of delivering a fully completed and operational Naga 3 equipped with theme park equipment, furniture & fixtures, security like CCTV, specified information technology systems, full hotel operating services & equipment and utility connection cost and other fully equipped necessity which may allow the Company to commence business operation after handing over. The total development costs signed with the Contractor is US\$3,515,011,000 to build the Naga 3 Project which has a gross floor area of 544,801 square metres.

The Financial Advisers of the Company, Credit Suisse and Morgan Stanley, have evaluated several funding options. The Company has considered, among other options like reduction of dividend payout ratio, issuing additional high-yield bonds and project-based financing, the raising of new equity through a placement or rights offering, the issuance of convertible securities to fund part of the cost of the Naga 3 Project, currently estimated at around US\$1.76 billion. Given the limitations from external financing, development risk and based on the advice given by the Financial Advisers and in the best interest of the Company, it was decided that 50% of this development costs shall be funded by internally generated funds and the balance of 50% by the Controlling Shareholder.

These key advantages of this funding shall include:

- a) cash advances nil of any interest costs to the Company.
- b) Minority Shareholders continue to enjoy the high dividend policy of the Company.
- c) Incremental earnings from Naga 3 Project mitigate any potential dilutive effects.
- d) Any costs overrun shall be borne by the Controlling Shareholder and any costs underrun shall be towards accounts of savings of the Company.
- e) All cash advances made by the Controlling Shareholder shall be forfeited in the event of failure to deliver a fully completed and fully operational Naga 3 Project.
- f) The Controlling Shareholder is only paid upon completion and handing over of a fully operational Naga 3.

These mutually beneficial terms extended to the Company by the Controlling Shareholder is because the Controlling Shareholder believes that considering today's financial status of the Company, it is only through the combined efforts of the Company and the Controlling Shareholder that a larger budget size of about US\$3.5 billion can be attained without too much financial burden to the Company. Together, the vision of a bigger and stronger Group positioned to react to the unprecedented tourism opportunities presented by the policy of China "One Belt One Road" can be realized. At the same time, the Company is in a stronger stead to compete in the Asia Pacific area. Only then, the corporate objective of the Group to attain the expansion milestones of a global gaming powerhouse can be accelerated in a shorter time frame.

The Funding provided by the Controlling Shareholder shall only be settled via Settlement Shares only upon independent certification by the Project Architect as fully completed and fully operational.

Subject to relevant statutory approval, the Controlling Shareholder shall be settled via Settlement Shares issued by the Company at a price of HK\$12.00 per Share which represents a premium of approximately 36.0% over 240 trading days of VWAP of HK\$8.83 and 29.0% over the Last Traded Price of HK\$9.31.

Investors, Shareholders and holders of securities of the Company are urged to exercise caution when dealing in the Shares and other securities of the Company. Persons who are in doubt as to the action they should take should consult their stockholders, bank manager, solicitor or other professional adviser.

SECTION 1 - DETERMINATION OF DEVELOPMENT COST BY COLLIERS

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

Located along Sothearos Road in Phnom Penh, Kingdom of Cambodia, Naga 3, upon completion, will be the largest integrated resort in the country. Set within five modern purpose-built towers, it will complement the existing facilities at Naga 1 and Naga 2, with a quality standard set to rival that of the integrated resorts located in Macau. Proposed facilities will include gaming facilities (tables and slots), three basement levels, a 12-level multi-entertainment podium, five hotel towers (totaling circa 4,720 hotel bays) which includes a 48-storey condotel. Preliminary plans provided by the Company indicate the following development:

Description	Construction Floor Area	
	m2	sf
Basement		
1. 3-storey Basement	46,443	499,912
Podium		
1. 11-storey Podium (Hotel Lobby, Retail, Gaming, Restaurant, Theme Park, SPA, Conference)	124,813	1,343,487

Description	Construction Floor Area	
	m2	sf
Tower 1 & 4 (45-storey inclusive of 11-storey podium)		
1. 1-storey M&E Room (Level 12)	3,936	42,367
2. 30-storey Hotel (Level 13 - Level 42)	118,080	1,271,013
3. 2-storey VIP Gaming / Restaurant / Clubs (Level 43 - Level 44)	7,872	84,734
4. 1-storey Roof Facilities Floor (Level 45)	4,515	48,599
Tower 2 & 3 (66-storey inclusive of 11-storey podium)		
1. 1-storey Lanai Suite with Swimming Pools and M&E Rooms (Level 12)	7,228	77,802
2. 1-storey M&E Room (Level 13)	2,642	28,438
3. 50-storey Hotel (Level 14 - Level 63)	119,600	1,287,374
4. 2-storey VIP Gaming / Restaurant / Clubs (Level 64 - Level 65)	4,784	51,495
5. 1-storey Sky Deck (Level 66)	2,962	31,883
Tower 5 (48-storey inclusive of ground floor)		
1. 14-storey Elevated Carpark (Level P1 - P14)	37,646	405,222
2. 2-storey M&E Service Floor (Level 8 - 9)	5,378	57,889
3. 30-storey Condotel (Level 10 - 39)	56,850	611,933
4. 1-storey Roof Facilities Floor (Level 40)	2,052	22,088
TOTAL GROSS FLOOR AREA	544,801	5,864,236

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

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

Source: NagaCorp

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

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

⁽¹⁾ 2012 contracted development cost

¹ Source: Annual Report

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

³ Source: Annual Report

⁴ Source: Annual Report

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

⁶ Source: Marina Bay Sands (estimate)

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

⁸ Source: Genting Singapore (estimate)

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

¹⁰ Source: <https://www.reuters.com/article/philippines-ayala-land-bloomerry-idUSL3N0NZ0C020140513>

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

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

¹³ Source: NagaCorp

¹⁴ Source: NagaCorp

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

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

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

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

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

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

SECTION 2 - GUARANTEED MAXIMUM SUM DESIGN AND BUILD AGREEMENT

The Group, via its wholly and beneficially owned subsidiary, Naga 3 Company Limited (the "Employer") had on 12 April 2019 entered into a Guaranteed Maximum Sum Design and Build Agreement with its proven, long-time and Chinese owned contractor, CCAG Asia Co., Ltd. ("CCAG or the "Contractor"). The Guaranteed Maximum Sum Design and Build Agreement has been fixed and signed for a sum of US\$ 3,515,011,000. In this agreement, the Contractor undertakes to hand over a fully completed and fully operational Naga 3 which shall be independently verified by the Project Architect to be equipped with theme park equipment, furniture & fixtures, security like CCTV, specified information technology systems, full hotel operating services & equipment and utility connection and other fully equipped necessity which may allow the operator to commence business after the handing over of the Naga 3 Project.

The Contractor has been enjoying a trustworthy and long-term relationship with the Group since 1994 when the Group started business on the floating barge. Since then, the Contractor has also successfully completed the developments of Naga 1, Naga 2 and the NagaCity Walk plus recent upgrade of Naga 1 with competitive pricing, good quality and timely completion. To the best of knowledge of the Group, the Contractor has also gained the trust of many Chinese state-owned companies who are operating in Cambodia and who has expressed keen interest to carry out the development of Naga 3 with favorable financing terms.

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

- (a) Guaranteed Maximum Sum Design and Build Agreement has been fixed with a maximum cost of US\$3,515,011,000;
- (b) contract period commences on or before 30 September 2019 to the date of completion on or before 30 September 2025 and / or such other extension date that may be mutually agreeable between the Company and the Contractor, failing which the Contractor shall pay liquidated damages of US\$1,000,000 per day to the Company; and

- (c) to work together with all relevant project consultants, ensure the completion of the management of finance, manpower and construction materials, problem and progress and implements, all plans and things necessary for the proper carrying out and completion of the works with objective of the Project being within budget and within specified stipulated period of completion.

In addition, the Project Architect shall lead a team of Project Consultants to oversee and monitor CCAG on the successful and on time completion of the Project in accordance with quality, progress and specifications as laid down in the Design and Build Agreement. The Company will have its own team of project managers and together with the Project Consultants will monitor the quality and specifications of the Project by way of periodic project status reports, and construction progress certificates issued by Project Architect on a timely basis.

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

As at the date hereof, each of CCAG and DRTAN LM Architect did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, and neither of them was interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to an member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group. Each of CCAG and DRTAN LM Architect and their respective ultimate beneficial owners are independent third parties of the Company and its connected persons.

SECTION 3 - FUNDING OPTIONS EVALUATED BY CREDIT SUISSE AND MORGAN STANLEY

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

The Company considered, among other options, issuing additional high-yield bonds or and project-based financing, the raising of new equity through a placement or

rights offering, the issuance of convertible securities to fund part of the cost of the Naga 3 Project, currently estimated at around US\$1.76 billion. A summary of the principal conclusions from the Company's review of external financing options, after consulting with the Financial Advisers, are provided below:

- (a) The Company is of the view that the issuance of debt or project-based financing creates significant additional leverage for the Group, increases its default risk and negatively impacts the Company's credit rating. The size of the financing gap would be by far the largest financing conducted for a Cambodian-based issuer (with the Company's current US\$300 million bond, the largest debt issuance by any Cambodia-based issuer) and there is significant likelihood that the total quantum of funding required would not be available to the Group. Moreover, the ability to obtain such debt financing(s) would be subject to market conditions and circumstances at the time the funds are raised, creating execution risks for the Naga 3 Project. Even assuming such financing were available, the Company would be saddled with relatively high cash interest costs before the Naga 3 Project was operational, significantly impacting the near term cashflow and the credit ratings of the Company.
- (b) The Company believes that the issuance of new equity, whether through a placement or a rights offering, would have a significant and immediate dilutive impact on the Shareholders. The raising of approximately US\$1.76 billion would represent the issuance of approximately 1,472,453,588 Shares, or 33.9% of Company Shares outstanding prior to such issuance, based on the Last Traded Price (i.e. HK\$9.31). Moreover, based on precedent primary offerings in Hong Kong, there would expect to be an approximately 10-20% discount to recent trading price for any such issuance, were it even feasible given the large offering size and market conditions. The Company also considered a rights issue, but believes that the Shareholders who purchase the Company's Shares to obtain a steady dividend would not find such capital raising exercise attractive, and be faced with the unattractive prospect of a large dilution if they do not elect to subscribe for Shares from the rights issue.
- (c) The Company believes that convertible financing instruments, such as convertible notes, would inherit both sets of issues applicable to the raising debt and issuing equity (i.e. leverage and default risk, as well as dilution). There are some benefits to the Company to be expected from a conversion premium, which would reduce the level of dilution, and a lower cash interest rate, but these merely partially mitigate some of the issues with either debt or new equity.
- (d) In each of the above cases other than project-based financing, it is unlikely (or even desirable) that the Company could obtain all such financing in a single transaction, and therefore there would remain a level of funding risk associated with the Naga 3 Project.

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

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

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

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

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

All of the above debt-related financing are subject to 1) credit market conditions; 2) uncertainty in respect of achieving the quantum of funding required and likelihood of the need to raise such funding in phases; and 3) refinancing risks at the time of

maturity. In addition, it will inevitably result in the Company's leverage level being significantly higher than its current level, which creates unnecessary financial risks during the construction period as well as the initial opening period of the Naga 3 Project.

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

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

- (a) to maintain a prudent capital structure with limited additional leverage and minimal financial impact;
- (b) to minimise the overall funding costs to the Group through obtaining the lowest cost of financing;
- (c) to minimise uncertainty on project development funding;
- (d) to maximise cash reserves while maintaining the Company's level of dividend payout, where over the last three financial years, the Company has declared and paid dividends equal to approximately 60% of its net profit attributable to the Shareholders;
- (e) to minimise dilution to existing Shareholders; and
- (f) to spread the development risk between the Group and the Controlling Shareholder.

SECTION 4 - REASONS FOR AND BENEFITS OF FUNDING BY THE CONTROLLING SHAREHOLDER

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

The total estimated capital expenditure of US\$3,515,011,000 for the Naga 3 Project represents a major commitment of financial resources for the Group. The Group's current free cash flow and earnings (US\$512 million EBITDA and net income of US\$391 million for the 12 months ended 31 December 2018) are insufficient to fund the Naga 3 Project entirely from internally generated cash flow, and doing so would in any event impact the Company's ability to pay dividends, which the Company is committed to maintaining at current levels.

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

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

- (a) **Certainty:** it significantly enhances certainty in terms of source of funding for the Naga 3 Project given the development nature and uncertainties associated with project development;
- (b) **Zero interest on cash advances provided by the Controlling Shareholder:** The Company will incur zero interest/ funding cost during the project construction period. The Company owns 100% effective ownership of the Naga 3 Project, while carrying only 50% of the associated project development and funding risk. Upon completion of the Naga 3 Project, the entire NagaWorld facilities (to be the largest riverine integrated resort in the world) is expected to enhance the competitiveness of the Company as one of the Asian gaming powerhouses;
- (c) **Minimal funding risks:** The Company will benefit by way of owning 100% of a completed Naga 3 at 50% of development risk at nil funding costs;
- (d) **Controlling Shareholder bears costs overrun:** In the event that the development costs exceed US\$3,515,011,000, the Controlling Shareholder will bear and pay all costs overrun;
- (e) **Costs savings to the Company:** In the event that there are costs underrun, savings of costs will go towards account of the Company;
- (f) **Minimal financial impact to Minority Shareholders:** There is minimal financial impact to the minority shareholders of the Company during the

construction period as the Settlement Shares or Adjusted Settlement Shares (whichever is relevant) are only issued on Completion of Subscription Agreement. Minority shareholders of the Company will continue to benefit from the Company's financial flexibility to maintain current dividend payout and growth trajectory, while able to enjoy the potential incremental earnings from the Naga 3 Project upon completion and ramp up. The Company expects incremental earnings from the Naga 3 Project will be able to mitigate any dilutive effect that will arise post Naga 3 completion;

- (g) **Minimal dilution:** The Settlement Shares of the Company will be issued only upon hand over of a fully completed and operational Naga 3 Project. The existing combined NagaWorld and Naga 2 property generated EBITDA of US\$512 million for the year ended 31 December 2018. The Naga 3 Project is at least twice bigger and with various gaming and non-gaming products and services offerings, the Company expects incremental earnings and cash flow from Naga 3 Project will be able to mitigate any potential dilutive effect that will arise from the issuance of new shares. The Company is confident that the addition of Naga 3 Project will be earnings accretive in mid to long run;
- (h) **Maintains current dividend payout:** The Company expects to retain necessary financial flexibility to maintain current dividend levels;
- (i) **Minimal finance cost:** The Company expects that (i) the current strong cash flows of the Company can be sustained, and (ii) prudent balance sheet management which provides flexibility for future business or financing opportunities; and
- (j) **The Controlling Shareholder's commitment:** It reflects the Controlling Shareholder's strong commitment and confidence towards the successful and timely completion of the Naga 3 Project, and the prospects of the Company thereafter. Furthermore, the issue price of the Settlement Shares of HK\$12.00 which represents a premium of approximately 36.0% over 240 trading days of VWAP of HK\$ 8.83 and 29% over the Last Traded Price of HK\$9.31, reflects the Controlling Shareholder's confidence in the Group's value growth.

SECTION 5 - KEY POINTS OF THE SUBSCRIPTION AGREEMENT

On 14 April 2019, Hong Kong time, (which is after trading hours of the Stock Exchange), the Company as an issuer entered into the Subscription Agreement with a special purpose vehicle called ChenLipKeong Fund Limited as the Subscriber.

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

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

The principal terms of the Subscription Agreement are summarized below:

5.1 Conditions Precedent

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

- (a) on payment of each Subscription Sum, (i) the representations and warranties of the Company being true, accurate and correct in all respects and not misleading in any respect at, and as if made on, such date; and (ii) the Company having performed all of its obligations under the transaction documents to be performed on or before such date;
- (b) the Shares remaining listed and traded on the Stock Exchange at all times prior to and on payment of each Subscription Sum;
- (c) prior to the first date of payment of any of the Subscription Sum, the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Settlement Shares; and
- (d) prior to the first date of payment of any of the Subscription Sum, the Company having obtained resolutions of its Independent Shareholders at the EGM approving (i) the Subscription Agreement and the transactions contemplated thereunder; and (ii) the specific mandate for the allotment and issue of the Settlement Shares.

5.2 Some Salient Subscription Terms

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

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

- b) Timing of payment of each Funding by the Controlling Shareholder shall be decided by each Progress Payment (including Variation Order, if any) claimed by Contractor and after independent certification by Project Architect;
- c) The Funding shall be paid to the Company on a progressive basis on a 50: 50 basis i.e. the Controlling Shareholder shall pay 50% of each Progress Payment and the Company shall pay 50% of each Progress Payment;
- d) The Funding paid by the Subscriber shall in no circumstances be refundable by the Company and shall be forfeited if it exceeds 30 September 2025 or such other extended date that may be mutually agreed by the parties;
- e) All Funding paid into the Company shall be reported on a half yearly basis on the interim and annual reports after confirmation by the External Auditor;
- f) The Subscription Sum shall be equivalent to the 50% of the Total Development Costs i.e. in an aggregate principal amount up to US\$1,757,505,500 against which 1,142,378,575 Settlement Shares shall be paid to the Subscriber in accordance with terms of the Subscription Agreement;
- g) In the event of Costs Overrun, the Controlling Shareholder shall be responsible to pay all the costs overrun subject to no Settlement Shares shall be issued for this amount of Costs Overrun paid by the Controlling Shareholder;
- h) In the event of Costs Underrun, costs savings are towards the benefits of the Company; and
- i) If the issue of the Settlement Shares upon the Completion of Subscription Agreement would result in the Company failing to meet its obligation under the Listing Rules to maintain the minimum public float or such other lower percentage permitted by the Stock Exchange at its discretion, then the Company shall notify the Subscriber, the issue of the excess shares to the Subscriber shall be delayed until such time as their issue would not result in the Company failing to maintain such percentage or the Subscriber shall give instructions to the Company to issue and allot any excess shares to a person or persons that are not connected parties of the Subscriber. Failure to designate such person or persons on or prior to the Issue Date will result in the excess shares not being issued or allotted until such time as such designation is actually made.

5.3 Fixing of Settlement Shares Price

Subject to all relevant statutory approval, the date of the issuance of the Settlement Shares will take place as soon as practicable after the completion of the Naga 3 Project. Application will be made by the Company to the Stock Exchange for the listing of and permission to deal in the Settlement Shares. The Settlement Shares shall be allotted and issued under a specific mandate of the Company. The price of Settlement Share was determined after arm's length negotiation between the Company and the Subscriber with reference to the prevailing market price of the Shares.

The Settlement Shares, when issued and allotted, will rank pari passu in all respects with all the Shares then in issue. There will be no restriction on the subsequent sale of the Settlement Shares.

The Settlement Shares will be issued at HK\$12.00 per Share and the total Settlement Shares issue shall be 1,142,378,575 as per the terms in the Subscription Agreement.

In the event of the following Capital Restructuring with respect to the share capital of the Company, the issue price per Settlement Share will be adjusted, consistent with market practice, for the dilutive effects of such events:

- a. Consolidation, subdivision, redenomination or reclassification of Shares;
- b. Capital distributions;
- c. Rights issues of Shares or options over Shares at less than 95% of the then current market price;
- d. Rights issue of other securities (other than those in c. above);
- e. Issues of Shares, or securities convertible or exchangeable for Shares, or modification of any conversion, exchange or subscription rights, in each case, at less than 95% of the then current market price; and
- f. Other offers to Shareholders.

After taking into considerations of best interest of Minority Shareholders, the Controlling Shareholder has decided and the Company agreed to set the price of the Settlement Shares at HK\$12.00 per Share which represents:

- (a) a premium of approximately 29.0% over Last Traded Price of HK\$9.31;
- (b) a premium of approximately 24.5% over 5 trading days of VWAP HK\$9.64;

(c) a premium of approximately 24.9% over 120 trading days of VWAP HK\$ 9.61:
and

(d) a premium of approximately 36.0% over 240 trading days of VWAP HK\$ 8.83.

SECTION 6 - CHANGES TO SHAREHOLDING STRUCTURE OF THE COMPANY AS A RESULT OF THE PROPOSED ISSUE OF SETTLEMENT SHARES

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

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

Note:

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

SECTION 7 - UPDATED INFORMATION ABOUT THE NAGA 3 PROJECT

Conceptual Design by Steelman Partners

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

Building the biggest riverine integrated resort in the world

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

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

Description	Construction Floor Area	
	m2	sf
Tower 2 & 3 (66-storey inclusive of 11-storey podium)		
1. 1-storey Lanai Suite with Swimming Pools and M&E Rooms (Level 12)	7,228	77,802
2. 1-storey M&E Room (Level 13)	2,642	28,438
3. 50-storey Hotel (Level 14 - Level 63)	119,600	1,287,374
4. 2-storey VIP Gaming / Restaurant / Clubs (Level 64 - Level 65)	4,784	51,495
5. 1-storey Sky Deck (Level 66)	2,962	31,883
Tower 5 (48-storey inclusive of ground floor)		
1. 14-storey Elevated Carpark (Level P1 - P14)	37,646	405,222
2. 2-storey M&E Service Floor (Level 8 - 9)	5,378	57,889
3. 30-storey Condotel (Level 10 - 39)	56,850	611,933
4. 1-storey Roof Facilities Floor (Level 40)	2,052	22,088
TOTAL GROSS FLOOR AREA	544,801	5,864,236

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

1. Naga 1 Gross Floor Area (GFA) 113,307 square meters; 755 keys
2. Naga 2 Gross Floor Area (GFA) 108,764 square meters; 903 keys
3. Naga 3 Gross Floor Area (GFA) 544,801 square meters; 4,720 bays

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

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

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

Approvals by Royal Government of Cambodia

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

1. land parcel of 7,757 square meters with Title Deed of Immovable Property No. 12010101-0057 Village 1, Sangkat Tonle Bassac, Khan Chamkar Morn, Phnom Penh (the "former White Building land"); and
2. land parcel of 9,080 square meters with Title Deed of Immovable Property No. 12010115-0003 Village 15, Sangkat Tonle Bassac, Khan Chamkar Morn, Phnom Penh, sited boundary to boundary to the former White Building land.

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

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

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

SECTION 8 - INFORMATION ON THE PARTIES

Information about the Company

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

The Company, through its wholly-owned subsidiary, is licensed to operate casinos in Cambodia for a period of 70 years, expiring in 2065. During this 70-year period, the Group has exclusive rights up to 2035 to operate casinos within a 200-kilometer radius (except the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville) of Phnom Penh, the capital city of Cambodia, the unique position of which has helped the Group to attain steady growth and to deliver impressive and consistently increasing financial performance. For the year ended 31 December 2018, the Group recorded Gross Gaming Revenue of US\$1.4 billion, EBITDA of US\$512 million and Net Profit of US\$391 million. The Group's EBITDA grew at a compounded annual growth rate of 24.4% for the period 2013 to 2018 and for the 3 months ended 31 March 2019, the Group reported a 32% increase in Gross Gaming Revenue. Some of the key features of the casino licence are: no restrictions on the number of tables, electronic gaming machines, gaming space, gaming promoter commissions and rebates, each of which allows the Company the flexibility to optimise its operations over time. The Company has a successful track record having developed Naga 1, the first integrated hotel-casino in Cambodia, NagaCity Walk, the first underground shopping centre in Cambodia, and Naga 2, a state-of-the-art hotel-casino in Cambodia. NagaWorld is strategically located in the capital city of Cambodia, Phnom Penh, which is centrally located in the midst of Asia, and it is the only casino located in Phnom Penh. The development of the Naga 3 Project allows the Group to capitalise further on its favourable competitive position created by the gaming license held by the Group on an exclusive basis until 2035. Upon completion of the Naga 3 Project, Naga 1, Naga 2 and Naga 3 are expected to be the largest riverine integrated resort in the world, further enhancing the Company's position as an integrated gaming and entertainment resort powerhouse in Asia.

Information about the Subscriber

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

SECTION 9 - FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

The Company has not raised funds by way of any issue of equity securities in the 12 months immediately preceding the date of this announcement. On 21 May 2018, the Company completed the issuance of an aggregate principal amount of US\$300,000,000 9.375% senior notes due on 21 May 2021, to promote gaming business growth, particularly in the VIP gaming segment, and to refurbish the hotel rooms in Naga 1. These notes will not be convertible into Shares of the Company.

SECTION 10 PROPOSED USE OF PROCEEDS

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

SECTION 11 - LISTING RULES IMPLICATIONS

The Subscriber is an entity wholly and beneficially owned by the Controlling Shareholder, who is in turn an executive Director and the Chief Executive Officer of the Company. As at the date of this announcement, the Controlling Shareholder holds approximately 66.10% of the issued share capital of the Company through (i) a direct interest of 44.17%; and (ii) an indirect interest of 21.93% held through ChenLa Foundation; which in turn indirectly holds such interest through LIPKCO ENTERPRISES LIMITED and LIPKCO Group Limited (formerly known as Fourth Star Finance Corp.). Accordingly, the Subscriber is a connected person of the Company as defined under the Listing Rules and transaction contemplated under the Subscription Agreement constitutes a connected transaction for the Company.

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

SECTION 12 -EGM

The EGM will be held to consider and, if thought fit, pass the requisite resolutions to approve, among other things: (i) the Subscription Agreement and the transactions contemplated thereunder; and (ii) the specific mandate for the allotment and issue of the Settlement Shares. The voting in relation to the Subscription Agreement at the EGM will be conducted by way of a poll whereby the Subscriber and its associates and other Shareholders who are interested or involved in the Subscription Agreement shall abstain from voting on the relevant resolution(s) to be proposed at the EGM to approve the Subscription Agreement. The Controlling Shareholder and his associates are required to abstain from voting on the resolution to approve the Subscription Agreement and the transactions contemplated thereunder at the EGM.

SECTION 13 - GENERAL

The Company has established the Independent Board Committee comprising all the independent non-executive Directors to advise the Independent Shareholders on the terms of the Subscription Agreement and the transactions contemplated thereunder. With the approval of the Independent Board Committee, the Company has appointed Anglo Chinese Corporate Finance, Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder and as to voting. A circular containing, among other things, (i) further details of the Subscription Agreement; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement; and (iv) the notice convening the EGM and other documents as required under the Listing Rules will be despatched by the Company to the Shareholders on or before 8 May 2019.

Shareholders, holders of securities of the Company and potential investors are reminded to exercise caution when dealing in the Shares and other securities of the Company. Persons who are in doubt as to the action they should take, should consult their stockbroker, bank manager, solicitor or other professional adviser.

DEFINITIONS

In this announcement, the following expressions have the following meaning:

“Applicable Percentage Ratios”	the applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules;
“Adjusted Settlement Shares”	the number of Shares subject to the adjustment of Settlement Shares of 1,142,378,575 as refer to the Subscription Agreement;
“Board”	the board of Directors;
“Cambodia”	The Kingdom of Cambodia;
“Capital Restructuring”	with respect to the changes of share capital of the Company, the issue price per Share will be adjusted, consistent with market practice, for the dilutive effects of such events: <ul style="list-style-type: none">a. consolidation, subdivision, redenomination or reclassification of Shares;b. capital distributions;c. rights issues of Shares or options over Shares at less than 95% of the then current market price;d. rights issue of other securities (other than those in c. above);e. issues of Shares, or securities convertible or exchangeable for Shares, or modification of any conversion, exchange or subscription rights, in each case, at less than 95% of the then current market price; andf. other offers to Shareholders;
“Company”	NagaCorp Ltd., a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange (stock code: 3918);
“Colliers”	Colliers International (Hong Kong) Ltd;

“Completion of Design and Build Agreement”	on or before 30 September 2025 and / or such other extension date that may be mutually agreeable between the Company and the Contractor;
“Completion of Subscription Agreement ”	the date of issuance of the Settlement Shares (subject to any relevant statutory approval) which shall coincide with the Completion of Design and Build Agreement which falls on or before 30 September 2025 or such other extension period as may be mutually agreeable between the Company and the Contractor; for the sake of clarity, Completion of Subscription Agreement shall automatically be extended in the event of any adjustment of extension of the Design and Build Agreement.
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules;
“Controlling Shareholder”	being Tan Sri Dr. Chen Lip Keong, the controlling shareholder, the founder, the Chief Executive Officer and an executive director of the Company;
“CCAG” or “Contractor”	CCAG Asia Co., Ltd.;
“Costs Overrun”	Where the Total Development Costs exceed US\$3,515,011,000;
“Costs Underrun”	Where the Total Development Costs are below US\$3,515,011,000;
“Cost Overrun Amount”	The amount in US dollars by which the Total Development Costs exceed US\$3,515,011,000;
“Credit Suisse”	Credit Suisse (Hong Kong) Limited;
“Director(s)”	the director(s) of the Company;
“Design and Build Agreement”	means the Guaranteed Maximum Sum Design and Build Agreement dated 12 April 2019 entered into between Naga 3 Company Limited and CCAG;
“EGM”	the extraordinary general meeting of the Company to be convened to approve the Subscription Agreement and the transactions contemplated thereunder;
“External Auditor”	BDO Limited;

”Financial Advisers”	being Morgan Stanley Asia Limited. and Credit Suisse (Hong Kong) Limited, the financial advisers which have been appointed by the Company to explore and evaluate the funding options in connection with the development of the Naga 3 Project;
“Funding”	cash advances from the Controlling Shareholder;
“Funding Exercise”	the total Funding and the issue of Settlement Shares under the Subscription Agreement;
“Group”	the Company and its subsidiaries;
“Guaranteed Maximum Sum”	the value of contract where the Contractor guarantees the maximum amount of US\$3,515,011,000 to deliver the fully completed and fully operational Naga 3 Project under the Design and Build Agreement executed on 12 April 2019;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	independent committee of the Board comprising all independent non-executive Directors, established for the purpose of considering and advising the Independent Shareholders on the terms of the Subscription Agreement, and the transactions contemplated thereunder;
“Independent Financial Adviser”	being Anglo Chinese Corporate Finance, Limited, the independent financial adviser which has been appointed by the Company to advise the Independent Shareholders and the Independent Board Committee in relation to the Subscription Agreement and the transactions contemplated thereunder;
“Independent Shareholders”	the Shareholders except for the Controlling Shareholder and his associates;

“Issue Date”	the date of issuance of the Settlement Shares or Adjustment Settlement Shares (whichever is relevant) which falls after all relevant statutory approvals and after the Completion of the Subscription Agreement on or before 30 September 2025 or such other extended date as may be mutually agreeable between the Company and the Subscriber as per the terms in the Subscription Agreement;
“Last Trading Date”	12 April 2019, being the last trading day prior to the signing of the Subscription Agreement;
“Last Traded Price”	being HK\$9.31, the closing price on the Last Trading Date;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“MICE”	means meetings, incentives, conferences and exhibitions;
“Morgan Stanley”	Morgan Stanley Asia Limited;
“Naga 1”	The casino NagaWorld built around the Initial Public Offering period;
“Naga 2”	Casino NagaWorld opened for business in November 2017;
“Naga 3”	Naga 3 Project;
“Naga 3 Project” or “Project”	the proposed development and construction of a casino/hotel, with total gross floor area of 544,810 sq. m. on land area of 16,837 square meters which consist of the lands having Title Deed of Immovable Property No. 12010101-0057 and Title Deed of Immovable Property No. 12010115-0003. Sangkat Tonle Bassac, Khan Chamkar Morn, Phnom Penh, Cambodia;
“Progress Billings”	Progress claims by the Contractor before certification by Project Architect;

“Progress Payment”	Progress Billings which has already been certified by Project Architect and paid by the Group or the Controlling Shareholder;
“Project Consultants”	collectively Steelman & Partners (design architect/planner, interior designer); DRTAN LM Architect (architect-of-record) JACOBS Engineering Services Sdn Bhd (civil and structural engineers); KWA Consult Sdn Bhd (mechanical & electrical engineers); ELP Quantity Surveyors Sdn Bhd (quantity surveyor);
“Project Architect”	DRTAN LM Architect;
“PRC”	the People’s Republic of China (for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan);
“Quantity Surveyor”	ELP Quantity Surveyor Sdn Bhd;
“Settlement”	settlement of US\$1,757,505,500 with the Controlling Shareholder through the issuance of 1,142,378,575 Settlement Shares or Adjusted Settlement Shares (whichever is relevant) as per terms of the Subscription Agreement;
“Settlement Shares”	1,142,378,575 shares to be issued by the Company to the Controlling Shareholder as per terms of the Subscription Agreement;
“Steelman & Partners”	Las Vegas based Steelman & Partners design architect/planner, interior designer;
“Share(s)”	the ordinary share(s) with par value of US\$0.0125 each in the share capital of the Company;
”Shareholder(s)”	holder(s) of the Share(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscriber”	ChenLipKeong Fund Limited, a Cayman Islands incorporated company wholly owned by the Controlling Shareholder;
“Subscription”	the subscription of the Settlement Shares pursuant to the Subscription Agreement;

“Subscription Agreement”	the subscription agreement dated 14 April 2019 entered into between the Company and the Subscriber;
“Subscription Sum”	(a) if the Total Development Cost is US\$3,515,011,000 or less, US\$1,757,505,500; or (b) subject to the Settlement Shares is fixed at 1,142,378,575 Shares, if the Total Development Cost is greater than US\$3,515,011,000, an amount in US dollars equal to the sum of: (i) US\$1,757,505,500; plus (ii) the Cost Overrun Amount;
“Term of Design and Build Agreement”	from date of commencement of works on or before 30 September 2019 till on or before 30 September 2025 and / or such other extended date as may be mutually agreed by the Company and the Contractor;
“Term of Subscription Agreement”	commencing from 14 April 2019 till the date of issuance of the Settlement Shares (subject to any relevant statutory approval) which shall coincide with the Completion of the Design and Build Agreement which falls on or before 30 September 2025 or such other extension period as may be mutually agreeable between the Company and the Contractor; for the sake of clarity, the Term of Subscription Agreement shall automatically be extended between the Company and the Subscriber in the event of any adjustment of extension of the Design and Build Agreement if any, as per the terms of the Design and Build Agreement;
“Total Developments Costs”	means the aggregate US dollar amount incurred by the Company or any of its subsidiaries in connection with the development of Naga 3 Project, which includes planning, construction, FF&E, operations equipment, contingency and is ready for commencement of operations of business by the Company as independently certified the Company’s team of Project Consultants led by its Project Architect;
“Variation Order”	means the alteration or modification of the design, quality or quantity of the works;

“VWAP” means the volume-weighted average price; and
”%” per cent.

By Order of the Board
NagaCorp Ltd.
Timothy Patrick McNally
Chairman

Hong Kong, 14 April 2019

As at the date of this announcement, the Directors are:

Executive Directors

Tan Sri Dr Chen Lip Keong, Philip Lee Wai Tuck and Chen Yiy Fon

Non-executive Director

Timothy Patrick McNally

Independent Non-executive Directors

Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir, Lim Mun Kee, Michael Lai Kai Jin and Leong Choong Wah

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

For the purpose of this announcement and for illustration purpose only, amounts denominated in US dollar (“US\$”) have been converted to Hong Kong dollars (“HK\$”) at the exchange rate of US\$1.0 to HK\$7.8.