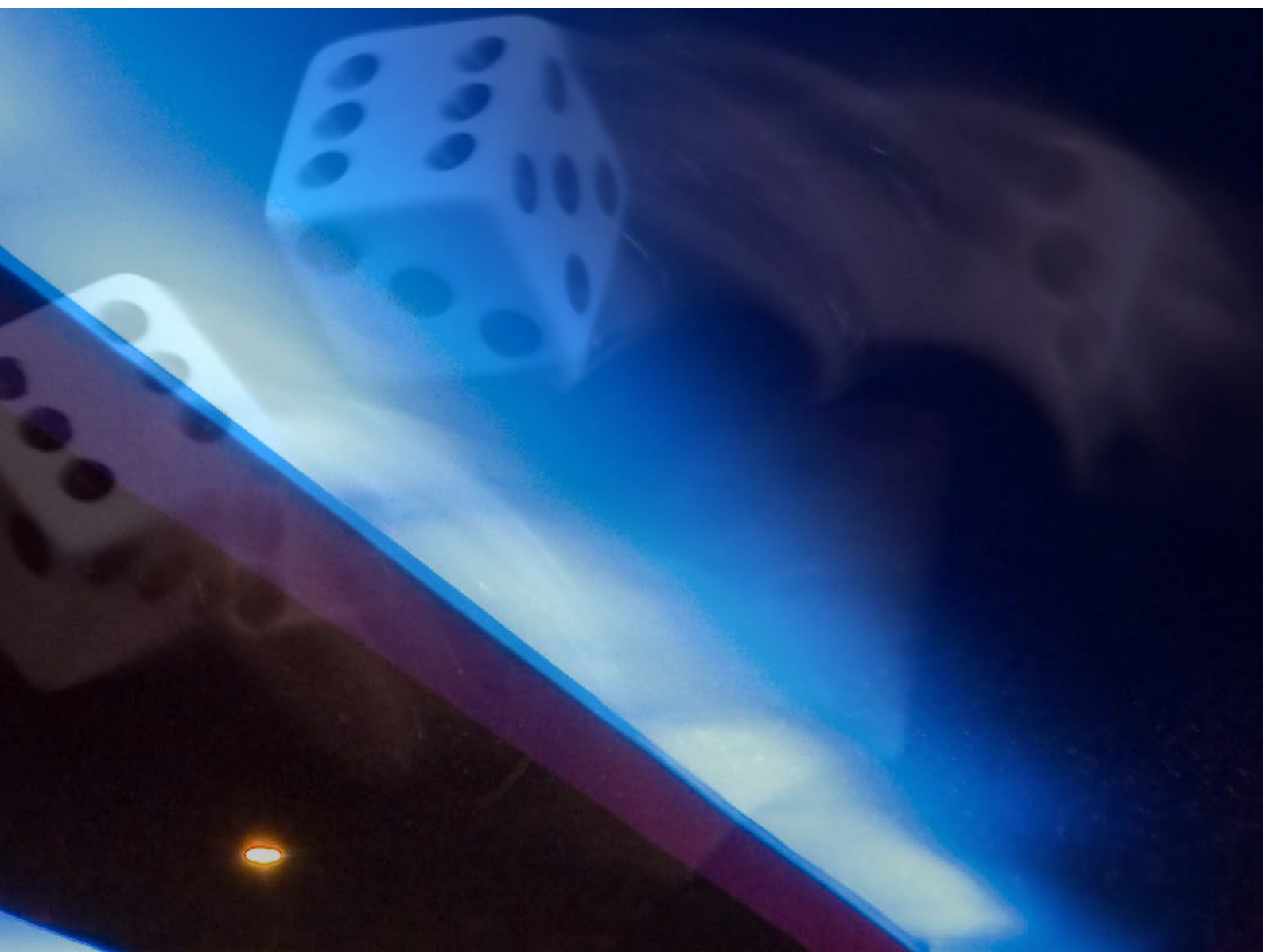


# SILVER HERITAGE GROUP

ACN 604 188 445

## SILVER HERITAGE GROUP LIMITED PROSPECTUS

For the initial public offering of 62,500,000 ordinary shares in the Company  
at an offer price of A\$0.40 per share to raise A\$25,000,000



**Lead Manager**  
 **CITIC CLSA**  
Securities  
(AFSL 350159)

**Co-Lead Manager**  
**Baillieu Holst**  
Since 1881  
(AFSL 245421)

**Australian Legal  
Adviser**  
 **DLA PIPER**

# IMPORTANT NOTICES

## OFFER

The Offer contained in this Prospectus is an invitation to acquire new fully paid ordinary shares in Silver Heritage Group Limited ACN 604 188 445.

## LODGEMENT AND LISTING

This Prospectus is dated 25 July 2016 and a copy of this Prospectus was lodged with ASIC on that date. The Company will apply to ASX for admission of the Company to the official list of ASX and for quotation of its Shares on ASX within seven days after the date of this Prospectus. Neither ASIC, ASX or their officers take any responsibility for the contents of this Prospectus or for the merits of the investment to which this Prospectus relates.

## EXPIRY DATE

No Shares will be allotted or issued on the basis of this Prospectus later than thirteen months after the date of this Prospectus.

## NOTE TO APPLICANTS

The information in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs. This Prospectus should not be construed as financial, taxation, legal or other advice. The Company is not licensed to provide financial product advice in respect of its securities or any other financial products.

No person is authorised to give any information or to make any representation in connection with the Offer or the Shares described in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company or the Lead Manager in connection with the Offer.

**This Prospectus is important and should be read in its entirety prior to deciding whether to invest in the Company's Shares. There are risks associated with an investment in the Company's Shares which must be regarded as a speculative investment. Some of the risks that should be considered are set out in "Section 4 – Risk Factors". You should**

**carefully consider these risks in light of your personal circumstances (including financial and tax issues). There may also be risks in addition to these that should be considered in light of your personal circumstances.**

If you do not fully understand this Prospectus or are in doubt as to how to deal with it, you should seek professional guidance from your stockbroker, lawyer, accountant or other professional adviser before deciding whether to invest in the Shares.

No person named in this Prospectus warrants or guarantees the Company's performance or any return on investment made pursuant to this Prospectus.

## NO OFFER WHERE OFFER WOULD BE ILLEGAL

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares in any jurisdiction outside Australia and New Zealand. The distribution of this Prospectus outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus outside Australia and New Zealand should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

## NOTICE TO UNITED STATES RESIDENTS

The Shares being offered pursuant to this Prospectus have not been registered under the United States Securities Act of 1933, as amended (the "US Securities Act") or any US state securities laws and may not be offered or sold in the United States absent registration or an applicable exemption from registration under the US Securities Act and applicable state securities laws. This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of the Shares in any state or other jurisdiction in which such offer, solicitation or sale would be unlawful under applicable law, including the US Securities Act. In addition, any hedging transactions

involving the Shares may not be conducted unless in compliance with the US Securities Act.

## FINANCIAL INFORMATION AND AMOUNTS

The financial information in this Prospectus is presented in United States dollars and has been prepared in accordance with International Accounting Standards. Where a convenience translation is provided to Australian dollars, an exchange rate of A\$1.00: US\$0.75, being the mid-market rate reported by the Reserve Bank of Australia as at 20 July 2016, has been used. Where a convenience translation is provided from Nepalese Rupee, an exchange rate of NPR1:A\$0.0124 and NPR1:US\$0.0093 has been used. Details of the exchange rates used for other currencies referred to in this Prospectus are set out in "Section 6.6 – Financial Information – foreign exchange policy".

## DISCLAIMER

No person is authorized by the Company or the Lead Manager to give any information or make any representation in connection with the Offer that is not contained in the Prospectus. Only information or representations contained in this Prospectus may be relied on as having been authorized by the Company, its Directors or any other person in connection with the Offer. The business, financial condition, results of operations and prospects of the Company and the Group may have changed since the date of this Prospectus.

This Prospectus contains forward-looking statements concerning the business, operations, financial performance and condition of the Company and the Group, as well as their respective plans, objectives and expectations for the Group's business, operations, financial performance and condition. Any statements contained in this Prospectus that are not of historical facts may be deemed to be forward-looking statements. You can identify these statements by words such as "aim", "anticipate", "assume", "believe", "could", "due", "estimate", "expect", "goal", "intend", "may", "objective",

"plan", "predict", "potential", "positioned", "should", "target", "will", "would" and other similar expressions that are predictions of or indicate future events and future trends.

These forward-looking statements are based on current expectations, estimates, forecasts and projections about the Group's business and the industry in which the Group operates and Management's beliefs and assumptions. These forward-looking statements are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors that are in some cases beyond the Group's control. As a result, any or all of the forward-looking statements in this Prospectus may turn out to be inaccurate. Factors that may cause such differences or make such statements inaccurate include, but are not limited to, the risk factors described in "Section 4 – Risk Factors".

Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements set out herein and are cautioned not to place undue reliance on such forward-looking statements.

These forward-looking statements speak only as at the date of this Prospectus. Unless required by law, the Company does not intend to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise. You should, however, review the factors and risks that the Company describes in its reports to be filed from time to time with ASX after the date of this Prospectus.

Certain numerical figures included in this Prospectus may have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that preceded them.

This Prospectus, including the Independent Market Report in Appendix 1 uses market data, estimates, industry forecasts and projections. There is no assurance that any of the forecasts referred to in this Prospectus will be achieved and the Company has

not independently verified and cannot give any assurances as to the accuracy and completeness of the market and industry data in the Independent Market Report. The Independent Market Report includes and is based on certain information supplied to Frost & Sullivan by the Group. Frost & Sullivan has not independently verified or audited information or materials provided to it by or on behalf of the Group. The Independent Market Report also includes and relies on secondary information derived from recognised public sources, which the Company has not independently verified. The conclusions and underlying assumptions in the Independent Market Report involve risks and uncertainties and are subject to change based on various factors, including the risk factors in Section 4.

CLSA Australia Pty Ltd has acted as Lead Manager to the Offer. CLSA Australia Pty Ltd has not authorised, permitted, or caused the issue or lodgement, submission, despatch or provision of this Prospectus and there is no statement in this Prospectus which is based on any statement made by it or any of its affiliates, officers, employees. To the maximum extent permitted by law, CLSA Australia Pty Ltd and each of its affiliates, officers, employees and advisers expressly disclaim all liabilities in respect of, and make no representations regarding, and take no responsibility of, any part of this Prospectus other than reference to their name (as applicable) and make no representation or warranty as to the currency, accuracy, reliability or completeness of this Prospectus.

## EXPOSURE PERIOD

The Corporations Act prohibits the Company from processing Applications under the Offer in the seven-day period after the date of lodgement of the Prospectus with ASIC (the "**Exposure Period**"). This period may be extended by ASIC for a further period of seven days. The purpose of the Exposure Period is to enable this Prospectus to be examined by ASIC and market participants prior to the raising of funds under the Offer. This Prospectus will be made generally available to Australian residents

during the Exposure Period, without the Application Form, by being posted on the following website: [www.silverheritagegroup.com](http://www.silverheritagegroup.com).

Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on any Applications received during the Exposure Period.

## ELECTRONIC PROSPECTUS

This Prospectus will be made available in electronic form on the following website: [www.silverheritagegroup.com](http://www.silverheritagegroup.com).

The information on [www.silverheritagegroup.com](http://www.silverheritagegroup.com) does not form part of this Prospectus.

The Offer constituted by this Prospectus in electronic form is available only to persons receiving this Prospectus in electronic form within Australia or New Zealand. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. If unsure about the completeness of this Prospectus received electronically, or a print out of it, you should contact the Company. A paper copy of this Prospectus will be available for Australian and New Zealand residents free of charge by contacting the Silver Heritage Offer Information Line:

Tel: 1300 737 760 (from within Australia) and +61 2 9290 9600 (from outside Australia) between 8:30am to 5:30pm AEST

Applications for the Shares under this Prospectus may only be made on either a printed copy of the Application Form attached to or accompanying this Prospectus or via the electronic Application Form attached to the electronic version of this Prospectus, available at [www.silverheritagegroup.com](http://www.silverheritagegroup.com).

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a hard copy of the Prospectus or the complete and unaltered electronic version of the Prospectus. If this Prospectus is found to be deficient, any Applications may need to be dealt with in

# IMPORTANT NOTICES

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accordance with section 724 of the Corporations Act.

## PRIVACY

The Company and the Lead Manager will collect, hold, use and disclose personal information provided by investors to allow it to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration of your investment. This means that the Company will need to collect your personal information (for example, your name, address and details of the Shares that you hold). Under the Corporations Act some of this information must be included in the Company's Share register, which will be accessible by the public.

The Company will only use and/or disclose your personal information for the purposes for which it was collected, other related purposes and as permitted or required by law. If you do not wish to provide this information, the Company and its Share Registry may not be able to process your Application.

The Company may also share your personal information with service providers of the Company or others who provide services on the Company's behalf, some of which may be located outside of Australia.

For more details on how the Company collects, stores, uses and discloses your information, please read the Company's Privacy Policy, which is located at [www.silverheritagegroup.com](http://www.silverheritagegroup.com). Alternatively, you can contact the Company by telephone on 1300 737 760 (from within Australia) or +61 2 9290 9600 (from outside Australia) or by email at [privacy@silverheritagegroup.com](mailto:privacy@silverheritagegroup.com) and the Company will send you a copy of its Privacy Policy free of charge. It is recommended that you obtain a copy of this Privacy Policy and read it carefully before making an investment decision.

By completing an Application Form or authorising a broker to do so on your behalf, or by providing the Company with your personal information, you agree to this information being collected, held, used and disclosed

as set out in this Prospectus and the Company's Privacy Policy.

The Company's Privacy Policy also contains information about how you can access and seek correction of your personal information, complain about a breach by the Company of the Australian privacy laws, and how the Company will deal with your complaint.

## DEFINITIONS AND ABBREVIATIONS

Defined terms and abbreviations used in this Prospectus are explained in "Section 11 – Defined Terms".

## TIME

All references to time in this Prospectus refer to Australian Eastern Standard Time (AEST) unless stated otherwise.

## DATA

All data contained in charts, graphs and tables is based on information available as at 31 March 2016 unless otherwise stated.

## PHOTOGRAPHS, ARTISTIC RENDERINGS AND DIAGRAMS

Photographs used in this Prospectus which do not have any descriptions are for illustration only and should not be interpreted to mean that any person shown endorses this Prospectus or its contents or that the assets shown in them are owned by the Company.

Diagrams and artistic renderings used in this Prospectus are illustrative only, may not be drawn to scale and may not accurately reflect the final appearance of the buildings when constructed.

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# IMPORTANT DATES & KEY OFFER STATISTICS

| Action  | Date           |
|---|----------------|
| Lodgement of the Prospectus with ASIC   | 25 July 2016   |
| Offer opens   | 9 August 2016  |
| Offer closes (Closing Date)   | 18 August 2016 |
| Settlement of the Offer   | 24 August 2016 |
| Allotment of Shares   | 25 August 2016 |
| Expected date for dispatch of holding statements                              | 25 August 2016 |
| Expected date for commencement of trading on ASX on a normal settlement basis | 29 August 2016 |

All times above are Australian Eastern Standard Time. The above timetable is indicative only. The Company reserves the right to vary the dates and times set out above subject to the Corporations Act and other applicable law without notice. In particular, the Company reserves the right to close the Offer early, extend the Closing Date or accept late Applications without notifying any recipients of this Prospectus or any Applicants. Investors who wish to submit an Application are encouraged to do so as soon as practicable after the Offer opens.

## KEY PARTICULARS

|                                  |  |
|----------------------------------|--|
| Company                          | Silver Heritage Group Limited<br>ACN 604 188 445 |
| Proposed ASX code for the Shares | SVH  |
| Securities offered               | Fully paid ordinary shares                       |

## KEY OFFER STATISTICS

|  |                   |
|--|-------------------|
| Offer Price per Share  | A\$0.40 per Share |
| Total number of Shares available under the Offer   | 62,500,000        |
| Gross proceeds from the Offer  | A\$25.0 million   |
| Total number of Shares on issue on Completion of the Offer (undiluted)                   | 190,285,153       |
| Indicative market capitalisation on Completion of the Offer <sup>1</sup> (undiluted)     | A\$76.1 million   |
| Total number of Options on issue on Completion of the Offer <sup>2</sup>                 | 29,904,306        |
| Pro forma net debt/(net cash) on Completion of the Offer <sup>3</sup>                    | (A\$13.2 million) |
| Enterprise value at the Offer Price on Completion of the Offer <sup>4</sup>              | A\$62.9 million   |
| Total number of Shares on issue on Completion of the Offer (fully diluted)               | 220,189,459       |
| Indicative market capitalisation on Completion of the Offer <sup>1</sup> (fully diluted) | A\$88.1 million   |

1 The indicative market capitalisation is determined by multiplying the applicable number of Shares by the Offer Price per Share. The Shares may trade below the Offer Price after listing on the ASX in which case the market capitalisation may be lower. Undiluted refers to the number of Shares on issue prior to the exercise of any options. "Fully diluted" means the number of Shares that would be on issue assuming all of the options are exercised in full.

2 29,904,306 Options are being issued under this Prospectus in conjunction with the issue of the New Bonds (see section 10.7 for further details).

3 Refer to "Section 6.13 – Financial Information – Indebtedness and capitalisation" for components of pro forma net debt.

4 Enterprise value is calculated as the Company's indicative market capitalisation (undiluted) less pro forma net cash at Completion.

# CHAIRMAN'S LETTER

25 July 2016

## DEAR INVESTOR

On behalf of our Directors, it is with great pleasure that I invite you to become a Shareholder in Silver Heritage Group Limited (the "**Company**").

Silver Heritage, which was founded in 2003, operates and manages, through wholly or majority-owned subsidiaries, casinos and gaming assets in Nepal, Vietnam, Laos and Cambodia, with operational oversight and strategic management from the Group's headquarters in Hong Kong. The Group is building its first casino resort in close proximity to the India-Nepal border and seeks to offer its Shareholders diversified exposure to Asian gaming, Asian consumers and the outbound tourism markets of India and China.

The Group has built its reputation as a respected gaming group in the Asian region with experienced management alongside a team of highly respected Asian-based gaming professionals. The Company has established an experienced and well-credentialed Board to steer the Group through its next phase of development. The Group has increasingly focused on building on its early mover advantage in Nepal and development of its operations in Vietnam, which it believes are two markets with strong demand for, and little available supply of, gaming facilities. The Group's operations in these countries are principally targeted at customers in India, and Chinese, Taiwanese, Japanese, and Korean expatriates respectively.

Funds raised through the Offer will primarily be used to fund the future expansion of the Group's projects, in particular the development of the Group's first casino resort near the India-Nepal border.

An investment in the Company is subject to risks, including those associated with (i) the Group's existing business and its current projects, (ii) the Group's future growth strategies, (iii) the industry in which the Group operates, (iv) the countries in which the Group operates and (v) the Offer and an investment in the Shares. Section 4 of this Prospectus highlights some of the key risks which could impact an investment in the Company.

This Prospectus contains detailed information about the Offer, the Company and the Group's historical and forecast financial performance, as well as the risks associated with an investment in the Company. Please read this document carefully and in its entirety and also ensure you seek independent financial advice before making your investment decision.

On behalf of my fellow Directors, I encourage you to consider the Offer and look forward to welcoming many of you as Shareholders of the Company.

Yours sincerely,



David Green  
Chairman



1.

## INVESTMENT OVERVIEW



Artistic rendering of Tiger Palace Resort Bhairahawa. See Section 3.4.3.

| Topic                                       | Summary  | More Information |
|---|--|------------------|
| <b>1.1 INTRODUCTION</b>                     |  |                  |
| <b>Who is the issuer of the Prospectus?</b> | Silver Heritage Group Limited (ACN 604 188 445), a company incorporated in Victoria, Australia.  | Section 8.1      |
| <b>What is the business of the Company?</b> | The Group operates and manages casinos in Nepal and Vietnam and manages electronic gaming operations in casinos in Laos and Cambodia. Operational oversight and strategic management are provided from the Group's headquarters in Hong Kong.  | Section 3.1      |
| <b>What is the Offer?</b>                   | <p>The Offer is an initial public offering of 62,500,000 Shares for subscription under this Prospectus to raise A\$25.0 million (approximately US\$18.75 million).</p> <p>In conjunction with the Offer, the Group has refinanced its Existing Bonds with OCP, providing a further US\$10 million of debt financing for the Group's business.</p>  | Section 8.1      |
| <b>Why is the Offer being conducted?</b>    | <p>The Offer is being conducted to:</p> <ul style="list-style-type: none"> <li>• provide a liquid market for Shares and an opportunity for others to invest in the Company;</li> <li>• raise capital primarily (together with the New Bonds) to fund the completion of the Group's first casino resort and payment of an additional deposit for land for its second planned casino resort, both of which will be in close proximity to the India-Nepal border;</li> <li>• provide the Company with the benefits of the increased profile that arises from being a listed public company; and</li> <li>• provide the Company with access to the capital markets to improve capital management flexibility.</li> </ul> | Section 8.3      |

# 1. INVESTMENT OVERVIEW

| Topic                                   | Summary   | More Information |
|---|---|------------------|
| What are the key investment highlights? | <p>The Company believes that the key investment highlights of the Offer include the following:</p> <ul style="list-style-type: none"> <li>• <b>Exposure to Asian gaming</b> – Demand for gaming in Asia has been established for a number of years, and is best evidenced by the development of Macau and more recently through the development of other gaming markets throughout South-East Asia.</li> </ul> <p>The Group believes that it offers investors a unique exposure to the Asian gaming story, with operations in four Asian markets that address the needs of those Asian gaming consumers who do not have ready access to more developed Asian gaming markets. In particular, the Group targets Indian gaming consumers, as well as Chinese, Taiwanese, Japanese, and Korean expatriates living and working in Vietnam.</p> <ul style="list-style-type: none"> <li>• <b>Proven track record of successfully identifying, developing and operating Asian gaming operations</b> – Silver Heritage has taken a staged approach to investment in the region. It has typically entered new markets through revenue sharing or other partnership arrangements in relation to the provision and ongoing technical support and maintenance of EGMs, which it considers to be relatively lower risk than seeking to build or operate gaming facilities, while it develops an understanding of the broader market opportunity.</li> <li>• <b>The Company is now focused on improving its revenue margins</b> – The company is seeking to improve revenue margins through the management of live gaming tables and the construction and development of its own integrated hotel and licensed gaming facilities, the first being Tiger Palace Resort Bhairahawa in Nepal.</li> <li>• <b>Early mover access to large untapped Indian gaming demand</b> – The Group believes that its presence in Nepal since 2012 has positioned it well to develop properties that will enable it to capitalise on substantial Indian demand for gaming facilities in close proximity to the India-Nepal border.</li> </ul> <p>With only six licensed live table casinos in India, Management considers that the development of Tiger Palace Resorts located near the India-Nepal border, once opened, will present alternative leisure and entertainment destinations, particularly for the emerging middle-class residents in the Indian states bordering Nepal.</p> <ul style="list-style-type: none"> <li>• <b>Highly experienced and successful Board and management team</b> – Silver Heritage's management team has a proven track record of identifying and developing gaming opportunities. Each member of the Group's key Management has more than fifteen years' experience operating in Asia and/or Asian gaming markets, and Mike Bolsover and Tim Shepherd have been with the Group since it was founded in 2003. This experience is key, not only in understanding the markets in which the Group operates, but also in allowing the Group to develop relationships with licensing bodies, regulators, and other key stakeholders in these markets.</li> </ul> |                  |

| Topic   | Summary  | More Information |
|---|--|------------------|
| What is the proposed use of proceeds raised from the Offer? | <p>Silver Heritage expects to receive approximately A\$25.0 million (approximately US\$18.8 million) of gross proceeds from the Offer and US\$20 million from the New Bonds.</p> <p>The table below sets out the proposed use of proceeds from the Offer and the New Bonds and represents the Group's current intentions based upon its plans and the present business conditions in each of its markets. The amounts and timing of the actual expenditures and investments may vary significantly and will depend on numerous factors including any changes in the business and economic environment. In addition, as the proceeds of the Offer will be received in Australian dollars and the expenditure will be in US dollars or other local currency, the actual amount of the proceeds used for each of the items below will depend on the exchange rate at the relevant time.</p> | Section 8.3      |
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<sup>1</sup> Anticipated cost of buying back SHL Shares held by SHL Shareholders who elected not to exchange their SHL Shares for Shares in the Company. See "Section 10.6 – Additional Information – Implementation Deed and Repurchase of SHL Shares".

# 1. INVESTMENT OVERVIEW

| Topic  | Summary   | More Information             |
|--|---|------------------------------|
| <b>What is the proposed use of proceeds raised from the Offer? (continued)</b> | <p>In addition to the US\$4.3 million available for working capital noted in the table above, statutory cash flows from operations less finance costs in FY2016 are forecast to amount to US\$3.6 million.</p> <p>The Board believes that the Group's current cash reserves plus the net proceeds of the Offer, the New Bonds and operating cash flows forecast to be generated in FY2016 will be sufficient to fund the Company's key objectives as set out in the Prospectus. These key objectives comprise:</p> <ul style="list-style-type: none"> <li>• completing the construction and full fit-out, and funding the pre-opening expenses, of Tiger Palace Resort Bhairahawa, scheduled to be fully operational in early 2017; and</li> <li>• payment of an additional deposit for the acquisition of a site with main road frontage / access for Tiger Palace Resort Jhapa.</li> </ul>  | Section 8.3                  |
| <b>1.2 KEY FEATURES OF SILVER HERITAGE'S BUSINESS MODEL</b>                    |   |                              |
| <b>What is Silver Heritage's business?</b>                                     | <p>The Group's business is divided into two core business lines:</p> <ul style="list-style-type: none"> <li>• <b>Operation of casinos</b> – The Group operates The Millionaire's Club &amp; Casino in Kathmandu, Nepal ("TMC"), under its own licence, and provides management services to the Phoenix International Club casino in Bac Ninh, Vietnam (the "<b>Phoenix International Club</b>"). The Group is building a five-star casino resort, Tiger Palace Resort Bhairahawa and is in the planning stages to acquire the land for and build a second five-star casino resort, Tiger Palace Resort Jhapa, both in Nepal near the border with India; and</li> <li>• <b>Provision and operation of EGMs</b> – The Group provides EGMs to casinos and licensed gaming clubs in Laos and Cambodia. These are structured either as revenue sharing arrangements or leases of EGMs and represent some of the Group's longest standing relationships. It has provided EGMs in Laos since 2004 and Cambodia since 2005. The EGMs business has provided strong strategic experience and relationships while the Group built its broad knowledge in new markets. With its now established position in those markets, Management expects this part of the business will be less important to the Group's future growth strategy. However, the Group will take an opportunistic view should projects with outsized returns become available.</li> </ul> | Section 3.1                  |
| <b>What is Silver Heritage's growth strategy?</b>                              | <p>When the Group commenced operations in 2004, it was initially engaged in the supply and management of EGMs. Since then, Silver Heritage has used its experience and track record in rapidly developing Asian gaming markets to transition its business strategy to focus on management and operation of casinos, which allows the Group greater operational control, as well as a larger relative share of revenue generated by the EGMs and from the live gaming tables.</p> <p>The Group's core growth strategy going forward is increasingly to focus on developing casino resorts on the India-Nepal border where it considers there will be strong demand from Indian gaming customers. It is currently developing Tiger Palace Resort Bhairahawa, which is scheduled to commence operations in early 2017, and has identified further development opportunities along the same border.</p> <p>Management also believes that Vietnam represents a key growth prospect and will, subject to obtaining appropriate funding, consider opportunities to acquire an equity interest in an existing or future licence holder within Vietnam, with a view to directly owning or operating casinos or other gaming facilities.</p>  | Section 3.2.2<br>Section 2.2 |

| Topic   | Summary  | More Information |
|---|--|------------------|
| How does Silver Heritage generate its revenue?    | <p>Silver Heritage generates:</p> <ul style="list-style-type: none"> <li>gross gaming revenue ("<b>GGR</b>") through the operation of TMC;</li> <li>a services fee calculated as a percentage of GGR generated at the Phoenix International Club for the provision of management services at the casino;</li> <li>a revenue sharing fee for the provision of technical support and maintenance services and EGMs to casinos and gaming clubs in Laos and Cambodia; and</li> <li>a lease of EGMs to the operator of ST Vegas in Laos.</li> </ul>  | Section 3.1      |
| Does the Group have any debt facilities?          | <p><i>Group Facilities</i></p> <p>In conjunction with the Offer, the Group has agreed to issue the New Bonds to OLMS and OLII for US\$20 million. The Existing OLMS and OLII Bonds (approximately US\$10.5 million as at the date of this Prospectus) will be repaid through a refinancing with OLMS and OLII for US\$20.0 million (being an additional US\$10.0 million).</p> <p><i>Nepal Credit Facility</i></p> <p>The Group has a Syndicated Credit Facilities Agreement (the "<b>Nepal Credit Facility</b>"), with a group of lenders in Nepal led by Nepal Investment Bank Limited, under which the lenders have provided a facility of NPR 750 million (A\$9.3 million) for a term of 12 years, repayable in 38 equal quarterly instalments, commencing in October 2017. In addition, on 28 May 2015, the Group entered into a Bridge Loan Agreement with Nepal Investment Bank Limited (the "<b>Nepal Bridge Loan</b>") to facilitate the periodic drawdown under the Nepal Credit Facility. The amount drawn down under the Bridge Loan automatically converts to a loan under the Nepal Credit Facility 90 days from drawdown.</p> <p>At the date of this Prospectus, the full amount available of NPR 750 million (A\$9.3 million) had been drawn under the Credit Facility and Nepal Bridge Loan (refer to Section 9.8).</p> | Section 9.8.2    |
| How does the Group expect to fund its operations? | <p>The Group has funded its operations historically through equity issues, the debt facilities described above and cash generated from operations.</p> <p>The Group intends to fund its future operations using the proceeds of the Offer, the New Bond, the Nepal Credit Facility and cash generated from its operations. In addition, the Group proposes to seek additional debt financing in order to pursue its planned construction of Tiger Palace Resort Jhapa and the additional hotels, the Village Hotel and the Forest Hotel at Tiger Palace Resort Bhairahawa.</p>   | Section 8.3      |

# 1. INVESTMENT OVERVIEW

| Topic  | Summary   | More Information |
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| What is the Group's pro forma historical and forecast financial performance? | The Group has incurred losses since its inception in growing and developing its business in particular in constructing Tiger Palace Resort Bhairahawa. Despite this, the Group has experienced growth in revenue in recent years. | Section 6.4      |
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| Topic   | Summary   | More Information   |
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| <b>1.3 KEY STRENGTHS OF SILVER HERITAGE</b>                       |   |                    |
| <p><b>What are the key strengths of the Group's business?</b></p> | <p>The Company believes that the Group's key strengths include the following:</p> <ul style="list-style-type: none"> <li> <b>Established early mover advantage in undersupplied emerging gaming markets</b> – The Group has positioned itself over a number of years to establish first or early mover advantage in its key markets, which have strong demand for gaming facilities and little available supply. Its operations in Nepal are intended to provide ready access to the growing and relatively unsatisfied gaming demand from India, whilst its operations in Vietnam are intended to cater to the Chinese, Taiwanese, Japanese, and Korean expatriates proximate to Hanoi. In particular, in Nepal, the Group is well positioned as the first entity to be granted a licence under the Nepal Casino Rules in February 2015, and successfully renewed this licence in July 2015, and is in the process of again renewing this licence, in accordance with the applicable regulations. </li> <li> <b>Highly experienced management team and proven track record in key markets</b> – The Group's management team has a proven track record of identifying market opportunities and developing gaming operations. Each member of the key Management team has more than fifteen years' experience operating in Asia and/or Asian gaming markets. <p>Key members of Management have overseen the Group's transition from the provision and ongoing technical support and maintenance of EGMs under revenue sharing arrangements to operators and managers of casinos and have been able to observe, and participate in, the development of the regulatory landscape in a number of newly developing gaming markets. In addition, the Group has strengthened its management team to provide support in both casino operations and resort development and operation. Management believes that this deep understanding of the market, coupled with established key relationships with regulators, relevant government ministries and other stakeholders, represents a competitive advantage for the Group.</p> </li> <li> <b>Dynamic business model, allowing scalable growth and management of risk</b> – The Group has been able to grow its business successfully in a number of gaming markets through a dynamic business model which allows for the management of risk in the early stages of the development of the regulatory landscape. It has achieved this by initially adopting a conservative approach, entering markets through the provision of EGMs to third party gaming facilities, while the Group develops the local knowledge required to be successful in these markets. Over time, in those markets that the Group has determined to be most suitable, namely Nepal and Vietnam, it has now assumed greater exposure and achieved higher returns on invested capital by directly owning or managing casinos. </li> <li> <b>Strong domestic partners in key markets</b> – In certain key markets, the Group has entered into arrangements with local partners, either due to foreign ownership restrictions, or where Management believes that their growth objectives are best met through such an arrangement where local knowledge and expertise can be leveraged to the Group's advantage. To date, its partners have added value to the Group's presence in their markets, and the Group believes these strong relationships represent a key competitive advantage. </li> </ul> | <p>Section 3.3</p> |

# 1. INVESTMENT OVERVIEW

| Topic  | Summary  | More Information |
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| <b>1.4 KEY RISKS</b>                                       |  |                  |
| <b>What are the key risks associated with the Company?</b> | <p>All investments are subject to risk which means the value of your investment may rise or fall. Before making an investment decision, it is important to understand the risks that can affect the value of your investment. Key risks in relation to an investment in the Company, all of which may materially adversely affect the Company's business and prospects, financial condition, results of operation and/or cash flows, include:</p> <p><b>Early stage development risk</b></p> <p>Tiger Palace Resort Bhairahawa is in a developmental phase and is not yet generating revenue. As such, there is no historical or forecast financial information available about Tiger Palace Resort Bhairahawa's operations upon which investors can make an evaluation of its business and prospects. Further, Tiger Palace Resort Bhairahawa gives rise to risks, expenses and challenges generally associated with projects in the early stages of development. If issues arise in the construction, certification, or licensing of Tiger Palace Resort Bhairahawa, the Group may be unable to open and operate Tiger Palace Resort Bhairahawa in the manner and at the time contemplated, or at all.</p> <p>In addition, the Group has incurred losses since its inception, as it has been investing in growing and developing its business and there is no guarantee that its business strategies will be successful.</p> <p><b>Nepal casino licensing risk</b></p> <p>The Group is required to be separately licensed by the Nepal Ministry of Tourism to operate each casino in Nepal. To be granted or to maintain (as applicable) a casino licence, the licence holder for each of Tiger Palace Resort Bhairahawa and TMC will need to satisfy certain requirements, including that the casino must be located within the premises of a five-star hotel or other deluxe resort of a comparable quality. There is a risk that the Group may be unable to operate the casino at Tiger Palace Resort Bhairahawa if it is unable to satisfy the Nepal Ministry of Tourism that the premises are of an appropriate standard. Further, there is a risk that the Group may be unable to operate TMC if the third party owner fails to maintain the standard of the hotel where the casino is situated.</p> <p><b>Tiger Palace Resort Bhairahawa development and construction risk</b></p> <p>Tiger Palace Resort Bhairahawa is subject to significant development and construction risks, which could have a material adverse impact on its projected timetable, anticipated project costs and the Group's ability to complete Tiger Palace Resort Bhairahawa as planned. These development and construction risks include modifications to plans and specifications, engineering problems, shortages of materials and skilled and unskilled labour, construction-related disputes and weather interferences or natural disasters, including earthquakes.</p> <p><b>Raw material risk</b></p> <p>The Government of Nepal has previously imposed bans on the mining or quarrying of gravel and subsequent to the earthquake in April 2015 has been involved in the allocation of raw materials such as cement, steel and bricks. Such a ban, or a similar ban if imposed in the future, or intervention in the supply of raw materials may affect the Group's ability to construct the Tiger Palace Resorts in accordance with its plans.</p> | Section 4        |

| Topic  | Summary  | More Information |
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| <b>What are the key risks associated with the Company? (continued)</b> | <b>Labour risk</b>   | Section 4        |
|  | <p>The construction of Tiger Palace Resort Bhairahawa and any future Group resorts is labour intensive. However, the employment market in Nepal is limited. As such, the Group may not be able to source suitably skilled or qualified labour for the construction of Tiger Palace Resort Bhairahawa or future resorts.</p>  |                  |
|  | <b>Patronage risk</b>  |                  |
|  | <p>As a condition of casino licences granted in Nepal, the operator must not permit a Nepali citizen to access its casino. As a result, the success of Tiger Palace Resort Bhairahawa will depend substantially on customers from India crossing the border to visit Tiger Palace Resort Bhairahawa. As the first casino resort on the border between India and Nepal, there is no certainty whether Tiger Palace Resort Bhairahawa will appeal to Indian gaming customers or that they will generate gaming revenue in the manner or at the time that the Group expects.</p>  |                  |
|  | <b>Tiger Palace Resort Jhapa land acquisition risk</b>   |                  |
|  | <p>The Group has entered into an agreement for the acquisition of the land identified for construction of Tiger Palace Resort Jhapa with a counterparty which owns or controls the land. The Group has paid to the counterparty a deposit and is required to pay a further deposit by 15 August 2016 to secure the land in respect of which the Group has not taken any security. If the counterparty for whatever reason fails to transfer the land to the Group, the Group will not be able to construct Tiger Palace Resort Jhapa in the planned location and the Group may not be able to recover its deposit. Further, if the Group is unable to raise the further financing required to purchase the land, it will forfeit the deposits.</p> |                  |
|  | <b>Strategic partner risk</b>  |                  |
|  | <p>The Group relies on strategic partners in the markets in which it operates, particularly in Nepal and Vietnam. The Group's strategic partners provide it with expert advice on local matters, and also hold minority interests in certain of the Group's foreign subsidiaries. If the Group's relationship with a strategic partner were impaired or were to end, the Group's relationships with its customers and suppliers may be damaged. Further, in the event that the interests of a strategic partner do not align with the Group's objectives over time, the Group subsidiary may be operated in a manner that is less than optimal from the Group's perspective.</p>   |                  |
|  | <b>Strategy risk</b>   |                  |
|  | <p>A substantial portion of the Group's growth strategy is focused on the development of new casinos and casino resorts, primarily within Nepal. In accordance with its proposed strategy, the Group has incurred, and will continue to incur, significant capital expenditures and fixed costs associated with the development of new casinos and casino resorts. However, the Group may not be able to successfully implement its current plans for the development of new casinos and casino resorts, and cannot provide any assurance that the introduction of new casinos and casino resorts will lead to a corresponding increase in the Group's revenue.</p>  |                  |

# 1. INVESTMENT OVERVIEW

| Topic  | Summary  | More Information |
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| <b>What are the key risks associated with the Company? (continued)</b> | <p><b>Limited operating history risk</b></p> <p>The Group only has a limited history in operating casinos. In addition, the Group plans to complement its newly developed casinos with other entertainment and hospitality businesses, such as hotels, spa facilities, retail facilities, convention rooms and food and beverage outlets to support its overall gaming operations. As the Group has limited experience in operating businesses ancillary to gaming combined with the unpredictability of operating in an emerging market, there is no guarantee that the casinos or proposed non-gaming businesses and facilities will be successful.</p> <p><b>Financing risk</b></p> <p>The Group will require additional funding in the future to acquire the land for, and for the construction of, the planned Tiger Palace Resort Jhapa and for the construction of the Tiger Hotels adjacent to the Tiger Palace Resort Bhairahawa. The Group may seek to raise the required funds through external debt or equity financing or a combination of both. However, the Group may not be able to obtain sufficient funding from external sources as required on terms satisfactory to it, or at all, to finance these and other future projects.</p> <p><b>Other risks</b></p> <p>More detail on these risks and a number of other risks are outlined in "Section 4 – Risk Factors", including risks relating to the Group's other operations as well as risks specific to the jurisdictions in which the Group operates.</p> | Section 4        |
| <b>1.5 DIRECTORS AND SENIOR MANAGEMENT</b>                             |  |                  |
| <b>Who are the Directors of the Company?</b>                           | <ul style="list-style-type: none"> <li>• David Green, Independent Non-Executive Chairman</li> <li>• Mike Bolsover, Managing Director and Chief Executive Officer</li> <li>• Hugh Holmes, Executive Director – Special Projects</li> <li>• Michael Anderson, Independent Non-Executive Director</li> <li>• Richard Barker, Independent Non-Executive Director</li> </ul>  | Section 5.1      |
| <b>Who are the members of the Group's senior management team?</b>      | <ul style="list-style-type: none"> <li>• Mike Bolsover, Managing Director and Chief Executive Officer</li> <li>• Hugh Holmes, Executive Director – Special Projects</li> <li>• Tim Shepherd, President, Business Development and Marketing</li> <li>• Martin Wright, Chief Financial Officer</li> <li>• Paul Simmons, Senior Vice-President, Casino Operations</li> <li>• Mike Walker, General Manager, Gaming Operations (Nepal)</li> <li>• Dewet Oosthuizen, Senior Manager, Operations (Vietnam)</li> <li>• Tim Nguyen, Director of SHLV, Marketing &amp; VIP Services</li> <li>• Andrew Dennis, Vice-President, Business Development and Marketing</li> <li>• Peter Stuble, Vice-President, Gaming and Information Technology</li> <li>• Anjali Raichandani, Group Human Resources Manager</li> <li>• Steven Baram, Legal Counsel</li> </ul>   | Section 5.2      |

| Topic   | Summary   | More Information       |                                 |                            |                            |      |                          |                          |            |                            |            |             |   |    |   |    |    |               |           |      |           |      |      |             |                        |      |                        |      |      |                  |   |    |   |    |    |                |   |    |   |    |    |               |
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| 1.6 SIGNIFICANT INTERESTS OF KEY PEOPLE AND RELATED PARTY TRANSACTIONS  |   |                        |                                 |                            |                            |      |                          |                          |            |                            |            |             |   |    |   |    |    |               |           |      |           |      |      |             |                        |      |                        |      |      |                  |   |    |   |    |    |                |   |    |   |    |    |               |
| Who are the key people and what will their interests in the Shares be at Completion?                          | <table><thead><tr><th rowspan="2"></th><th colspan="2">Immediately prior to Completion</th><th colspan="2">On Completion</th><th rowspan="2">Fully diluted percentage</th></tr><tr><th>No. of Shares</th><th>Percentage</th><th>No. of Shares<sup>1</sup></th><th>Percentage</th></tr></thead><tbody><tr><td>David Green</td><td>–</td><td>0%</td><td>–</td><td>0%</td><td>0%</td></tr><tr><td>Mike Bolsover</td><td>4,701,704</td><td>3.7%</td><td>4,701,704</td><td>2.5%</td><td>2.1%</td></tr><tr><td>Hugh Holmes</td><td>7,660,000<sup>2</sup></td><td>6.0%</td><td>7,660,000<sup>2</sup></td><td>4.0%</td><td>3.5%</td></tr><tr><td>Michael Anderson</td><td>–</td><td>0%</td><td>–</td><td>0%</td><td>0%</td></tr><tr><td>Richard Barker</td><td>–</td><td>0%</td><td>–</td><td>0%</td><td>0%</td></tr></tbody></table> |                        | Immediately prior to Completion |                            | On Completion              |      | Fully diluted percentage | No. of Shares            | Percentage | No. of Shares <sup>1</sup> | Percentage | David Green | – | 0% | – | 0% | 0% | Mike Bolsover | 4,701,704 | 3.7% | 4,701,704 | 2.5% | 2.1% | Hugh Holmes | 7,660,000 <sup>2</sup> | 6.0% | 7,660,000 <sup>2</sup> | 4.0% | 3.5% | Michael Anderson | – | 0% | – | 0% | 0% | Richard Barker | – | 0% | – | 0% | 0% | Section 5.5.4 |
|   |   |                        | Immediately prior to Completion |                            | On Completion              |      |                          | Fully diluted percentage |            |                            |            |             |   |    |   |    |    |               |           |      |           |      |      |             |                        |      |                        |      |      |                  |   |    |   |    |    |                |   |    |   |    |    |               |
|   |   | No. of Shares          | Percentage                      | No. of Shares <sup>1</sup> | Percentage                 |      |                          |                          |            |                            |            |             |   |    |   |    |    |               |           |      |           |      |      |             |                        |      |                        |      |      |                  |   |    |   |    |    |                |   |    |   |    |    |               |
|   | David Green   | –                      | 0%                              | –                          | 0%                         | 0%   |                          |                          |            |                            |            |             |   |    |   |    |    |               |           |      |           |      |      |             |                        |      |                        |      |      |                  |   |    |   |    |    |                |   |    |   |    |    |               |
|   | Mike Bolsover   | 4,701,704              | 3.7%                            | 4,701,704                  | 2.5%                       | 2.1% |                          |                          |            |                            |            |             |   |    |   |    |    |               |           |      |           |      |      |             |                        |      |                        |      |      |                  |   |    |   |    |    |                |   |    |   |    |    |               |
|   | Hugh Holmes   | 7,660,000 <sup>2</sup> | 6.0%                            | 7,660,000 <sup>2</sup>     | 4.0%                       | 3.5% |                          |                          |            |                            |            |             |   |    |   |    |    |               |           |      |           |      |      |             |                        |      |                        |      |      |                  |   |    |   |    |    |                |   |    |   |    |    |               |
|   | Michael Anderson  | –                      | 0%                              | –                          | 0%                         | 0%   |                          |                          |            |                            |            |             |   |    |   |    |    |               |           |      |           |      |      |             |                        |      |                        |      |      |                  |   |    |   |    |    |                |   |    |   |    |    |               |
|   | Richard Barker  | –                      | 0%                              | –                          | 0%                         | 0%   |                          |                          |            |                            |            |             |   |    |   |    |    |               |           |      |           |      |      |             |                        |      |                        |      |      |                  |   |    |   |    |    |                |   |    |   |    |    |               |
|   | Notes:  |                        |                                 |                            |                            |      |                          |                          |            |                            |            |             |   |    |   |    |    |               |           |      |           |      |      |             |                        |      |                        |      |      |                  |   |    |   |    |    |                |   |    |   |    |    |               |
|   | 1 Excludes any Shares which the Directors may acquire under the Offer   |                        |                                 |                            |                            |      |                          |                          |            |                            |            |             |   |    |   |    |    |               |           |      |           |      |      |             |                        |      |                        |      |      |                  |   |    |   |    |    |                |   |    |   |    |    |               |
| 2 Held by Champ Star Limited  |   |                        |                                 |                            |                            |      |                          |                          |            |                            |            |             |   |    |   |    |    |               |           |      |           |      |      |             |                        |      |                        |      |      |                  |   |    |   |    |    |                |   |    |   |    |    |               |
| What significant benefits are payable to Directors and other persons connected with the Company or the Offer? | All Directors, excluding Mike Bolsover and Hugh Holmes, will receive Directors' fees.   |                        |                                 |                            | Sections 5.5,5.6 and 5.8.1 |      |                          |                          |            |                            |            |             |   |    |   |    |    |               |           |      |           |      |      |             |                        |      |                        |      |      |                  |   |    |   |    |    |                |   |    |   |    |    |               |
|   | Mike Bolsover, Managing Director and CEO, and Hugh Holmes, Executive Director – Special Projects, will receive remuneration in accordance with their employment contracts.  |                        |                                 |                            |                            |      |                          |                          |            |                            |            |             |   |    |   |    |    |               |           |      |           |      |      |             |                        |      |                        |      |      |                  |   |    |   |    |    |                |   |    |   |    |    |               |
|   | Mike Bolsover was granted two interest-free loans by SHL to fund the exercise price for options under the SHL share option plan. The Group has agreed to waive the first loan and the second loan in full upon Completion of the Offer.   |                        |                                 |                            |                            |      |                          |                          |            |                            |            |             |   |    |   |    |    |               |           |      |           |      |      |             |                        |      |                        |      |      |                  |   |    |   |    |    |                |   |    |   |    |    |               |

# 1. INVESTMENT OVERVIEW

| Topic  | Summary   |  |            |                            |                      |               |            | More Information |  |
|--|---|--|------------|----------------------------|----------------------|---------------|------------|------------------|--|
| Who are the significant existing shareholders of Silver Heritage and what will their interests be after Completion?  | Shareholder   | Immediately prior to Completion <sup>1</sup> |            | On Completion              |                      | Fully diluted |            | Section 8.4      |  |
|  |   | No. of Shares                                | Percentage | No. of Shares <sup>2</sup> | Percentage           | No. of Shares | Percentage |                  |  |
|  | UBS Nominees Pty Ltd  | 12,267,184                                   | 9.6%       | 12,267,184                 | 6.4%                 | 12,267,184    | 5.6%       |                  |  |
|  | GZ Fund LLC   | 9,387,292                                    | 7.4%       | 9,387,292                  | 4.9%                 | 9,387,292     | 4.3%       |                  |  |
|  | Champ Star Ltd  | 7,660,000 <sup>3</sup>                       | 6.0%       | 7,660,000 <sup>3</sup>     | 4.0%                 | 7,660,000     | 3.5%       |                  |  |
|  | OCP parties <sup>4</sup>  | 6,000,000                                    | 4.7%       | 6,000,000                  | 3.2%                 | 35,904,306    | 16.3%      |                  |  |
|  | Directors and Management <sup>5</sup>   | 13,238,144                                   | 10.3%      | 13,238,144                 | 7.0%                 | 13,238,144    | 6.0%       |                  |  |
|  | Notes:  |  |            |                            |                      |               |            |                  |  |
|  | 1 Number of Shares in SHG which will be exchanged for such shareholders' SHL Shares under the Implementation Deed (see Section 10.6)  |  |            |                            |                      |               |            |                  |  |
|  | 2 Excludes any Shares which SHL Shareholders may acquire under the Offer which will not be subject to any escrow arrangement  |  |            |                            |                      |               |            |                  |  |
| 3 Controlled by Hugh Holmes' wife  |   |  |            |                            |                      |               |            |                  |  |
| 4 The registered holder of the Shares is OCP. OLMS and OLII will be the holders of 29,904,306 Options described at Section 9.8.3. OCP, OLMS and OLII are each part of the OCP Asia group and are associates.   |   |  |            |                            |                      |               |            |                  |  |
| 5 Excludes Hugh Holmes' interest via Champ Star Limited  |   |  |            |                            |                      |               |            |                  |  |
| Will any Shares be subject to restrictions on disposal following Completion of the Offer?  | Shares held by SHL Shareholders immediately prior to Completion, other than any Shares acquired under the Offer, will be subject to escrow arrangements in the period immediately following Completion of the Offer, as summarised below. |  |            |                            |                      |               |            | Section 10.8     |  |
|  | Shareholders  | No. of Shares                                | Percentage | Escrow period              | Mandatory/ Voluntary |               |            |                  |  |
|  | Board   | 1,378,816                                    | 0.7%       | 24 months                  | Mandatory            |               |            |                  |  |
|  |   | 10,982,888                                   | 5.8%       | 24 months                  | Voluntary            |               |            |                  |  |
|  | Management  | 4,880,350 <sup>1</sup>                       | 2.6%       | 24 months                  | Mandatory            |               |            |                  |  |
|  |   | 3,656,090                                    | 1.9%       | 24 months                  | Voluntary            |               |            |                  |  |
|  | SHL directors   | 3,493,592 <sup>2</sup>                       | 1.8%       | 24 months                  | Mandatory            |               |            |                  |  |
|  |   | 18,633,212                                   | 9.8%       | 12 months                  | Voluntary            |               |            |                  |  |
|  | Other SHL Shareholders  | 694,304                                      | 0.4%       | 24 months                  | Mandatory            |               |            |                  |  |
|  |   | 84,065,900                                   | 44.2%      | 6 months                   | Voluntary            |               |            |                  |  |
| Notes  |   |  |            |                            |                      |               |            |                  |  |
| 1 Includes Shares held by those persons identified in Section 5.2 but excludes Shares held by Mike Bolsover and Hugh Holmes (via Champ Star Limited)   |   |  |            |                            |                      |               |            |                  |  |
| 2 Excludes Shares held by Mike Bolsover, Hugh Holmes (via Champ Star Limited), Timothy Shepherd and Martin Wright (via Verilink Investment Limited) but includes Shares held by Phil Groves (via DAC China SOS (Barbados) SRL and GZ Fund LLC), Hamilton Tang (via SMC SHL Ltd) and Phillip Tose (via Hemphill Holdings Limited) |   |  |            |                            |                      |               |            |                  |  |

| Topic  | Summary  | More Information |
|--|--|------------------|
| <b>1.7 KEY TERMS AND CONDITIONS OF THE OFFER</b>                               |  |                  |
| <b>Who is the Company?</b>   | <p>The Company is a public company limited by shares incorporated in Australia.</p> <p>The Company will be the holding company of SHL at the Completion of the Offer.</p>  | Section 8.1      |
| <b>Will the Shares be quoted on ASX?</b>                                       | <p>The Company will apply for admission to the official list of ASX and quotation of Shares on ASX (which is expected to be under the code SVH).</p> <p>Completion is conditional upon ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.</p>                                  | Section 8.6      |
| <b>How is the Offer structured?</b>  | <p>The Offer comprises:</p> <ul style="list-style-type: none"> <li>The Retail Offer consisting of: <ul style="list-style-type: none"> <li>Broker Firm Offer;</li> <li>General Offer;</li> <li>Chairman's List Offer; and</li> </ul> </li> <li>The Institutional Offer.</li> </ul>  | Section 8.2      |
| <b>Is the Offer underwritten?</b>  | Yes. The Offer is fully underwritten by CLSA.  | Section 8.2      |
| <b>What is the allocation policy?</b>  | <p>The allocation of Shares between the General Offer, the Broker Firm Offer and the Chairman's List Offer and the allocation of Shares between Applicants under the Institutional Offer and Broker Firm Offer will be determined by the Lead Manager in consultation with the Company.</p> <p>With respect to the Broker Firm Offer, the Brokers will determine how they allocate Shares among eligible Retail Investors.</p> <p>The allocation of Shares among Applicants under the Chairman's List Offer and the General Offer will be determined by the Company.</p> | Section 8.5      |
| <b>Is there any brokerage, commission or stamp duty payable by Applicants?</b> | No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares in the Offer.   | Section 8.5      |
| <b>What are the tax implications of investing in the Shares?</b>               | <p>The tax consequences of any investment in the Shares will depend upon an investor's particular circumstances.</p> <p><b>Applicants should obtain their own tax advice prior to deciding whether to invest.</b></p>  | Section 10.7     |

# 1. INVESTMENT OVERVIEW

| Topic  | Summary  | More Information |
|--|--|------------------|
| <b>When will I receive confirmation that my Application has been successful?</b> | <p>Applicants may call the Silver Heritage Offer Information Line on 1300 737 760 (from within Australia) or +61 2 9290 9600 (from outside Australia) from 8:30 am to 5:30 pm, AEST on a Business Day from 9 August 2016 to enquire as to whether their applications have been successful.</p> <p>It is expected that initial holding statements will be despatched by standard post around or on 25 August 2016.</p> <p>Any trading before then will be at the Applicants' risk.</p>  | Section 8.5      |
| <b>What is the Company's dividend policy?</b>                                    | The Board has no current intention to declare and pay a dividend in the near term and has set no targets for a dividend payout ratio. While the Group continues to develop new casino resorts, it expects to re-invest cash flow generated internally.   | Section 6.15     |
| <b>What is the minimum and maximum Application size under the Offer?</b>         | Applicants must apply for a minimum of 5,000 Shares, representing a minimum investment of A\$2,000.  | Section 8.5      |
| <b>How can I apply?</b>  | <p>If you are an investor applying under the Broker Firm Offer, you may apply for Shares by completing and lodging a valid Application Form attached to or accompanying this Prospectus with your Broker from whom you received your firm allocation.</p> <p>If you are an investor applying under the General Offer, you may apply via <a href="http://www.onmarketbookbuilds.com.au">www.onmarketbookbuilds.com.au</a> or via the OnMarket app.</p> <p>In respect of the Institutional Offer, the Lead Manager has separately advised the Institutional Investors of the Application procedure.</p> <p>To the extent permitted by law, a valid Application by an Applicant under the Institutional Offer, Broker Firm Offer or Chairman's List Offer is irrevocable.</p> | Section 8.5      |
| <b>Can the Offer be withdrawn?</b>   | <p>The Company reserves the right not to proceed with the Offer at any time before the issue of Shares to Successful Applicants.</p> <p>If the Offer does not proceed, Application Monies will be refunded.</p> <p>No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.</p>   | Section 8.6      |
| <b>Where can I find more information about this Prospectus or the Offer?</b>     | <p>You can call the Silver Heritage Offer Information Line on 1300 737 760 (from within Australia) or +61 2 9290 9600 (from outside Australia) from 8:30 am to 5:30 pm, AEST on a Business Day during the Offer Period.</p> <p><b>If you are unclear in relation to any matter or are in any doubt as to whether to invest in the Company, you should seek professional advice from your stockbroker, financial adviser, accountant, lawyer or other professional adviser before deciding whether to invest in the Company.</b></p>  | Section 8        |

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# 2.

## INDUSTRY OVERVIEW



Artistic rendering of inside Tiger Palace Resort Bhairahawa. See Section 3.4.3.

## 2.1 INTRODUCTION

The Group operates in a number of Asian markets where the gaming industry is rapidly developing to capitalise on the Asian gaming market's potential. The Group's primary markets are Nepal and Vietnam. In many of the markets where the Group operates, oversight of the gaming industry and the regulatory framework, which includes the licensing regime and the methods of enforcement, are still evolving as the respective governments seek to strengthen regulation of the market in a commercially viable manner.

The regulatory framework is an important factor that the Company considers when deciding whether or not to enter into, or develop the Group's presence in, a particular market.

See "Appendix 1 – Independent Market Report on the Gaming Market in Asia by Frost & Sullivan", which provides further information on the markets in which Silver Heritage operates.

## 2.2 NEPAL

### 2.2.1 Market overview

Nepal has a long history of casino operations, with the first casino opening in Nepal more than forty five years ago. Casinos in Nepal must now be located within five-star hotels (or other deluxe resort of a comparable quality) and are promoted as tourist attractions. In July 2013, the then existing gaming licence regime was replaced by the Nepal Casino Rules, consisting of new rules and regulations that seek to provide greater clarity on the regulation of the casino industry and the licensing of casino operators, as well as allowing foreign investment and ownership.

As at the date of this Prospectus, there are only three licensed casinos operating in Nepal, all of which are located in the capital city, Kathmandu, and offer live tables as well as EGMs. One of these casinos is owned and operated by Silver Heritage in premises owned by a local company. There are five other five-star hotels in Kathmandu which previously housed casinos but where the casinos are now closed following the introduction of the Nepal Casino Rules. The Board expects that certain of the five-star hotels in Nepal may open up casinos, or rent out appropriate space to a third party approved casino operator in due course.

There are presently no casinos operating in Nepal outside of the capital. However, in Pokhara, a tourist destination north west of Kathmandu, two five-star hotels formerly housed casinos. Along the India-Nepal border, where the Group is constructing Tiger Palace Resort Bhairahawa and is planning the construction of Tiger Palace Resort Jhapa, the Board is

not presently aware of plans by any other parties to either develop or open casinos, nor is it aware of any concrete plans for five-star hotels which would be required for casino operations to exist. As it is illegal for Nepali citizens to visit casinos, the Tiger Palace Resorts will seek to attract, among others, Indian customers located in close proximity to the India-Nepal border.

So far, few gaming operators have considered India as potential source of gaming demand. However, India has a large prosperous economy, the world's second largest population, and favourable gaming habits (among other things). The Group seeks to attract Indian gaming patrons, which are not currently appropriately served by attractive and proximate gaming destinations which is leading to these patrons frequenting casinos that cater to them in neighboring countries like Nepal and Sri Lanka.

### 2.2.2 Market Drivers

Frost & Sullivan considers that the sites of the Group's Tiger Palace Resorts are ideally positioned to meet latent demand from Indian gaming customers and that there are a number of factors that are likely to stimulate growth in the market for gaming resorts which will be located on the India-Nepal border including:

Figure 1: Proximate legal gaming areas for Indian gaming customers



## 2. INDUSTRY OVERVIEW

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- India's demographics pointing to growth in both the size and proportion of the population in the 20-49 age bracket;
- Significant gaming demand in India;
- Restricted local gaming supply in India, which as at the date of this Prospectus is limited to the two Indian states of Goa and Sikkim whose casinos are difficult to access for many Indian customers;
- Rapid growth of the Indian middle class, which is forecast to increase from around 180 million in 2010 to 370 million by 2020;
- Large population bases adjacent to the Group's proposed Tiger Palace Resorts, with the three Indian states bordering Nepal estimated to have an aggregate population of over 415 million people;
- Significant increases in Indian outbound tourism, with an estimated around 2 million Indians entering Nepal by land each year; and
- Infrastructure improvements in Nepal and in adjacent Indian states.

### 2.2.3 Regulatory overview

#### 2.2.3.1 Casino licensing requirements

The regulatory framework in Nepal has been subject to substantial change since the Group entered the market in 2012, in particular with the introduction of the Nepal Casino Rules in July 2013. The Group has engaged with the government of Nepal in respect of the new regulatory framework and provided input on the drafting of the Nepal Casino Rules.

Nepali gaming regulations prohibit persons from operating or causing to operate a casino business without obtaining a licence, which must be renewed annually, from the Ministry of Culture, Tourism and Civil Aviation (the "**Nepal Ministry of Tourism**"). Pursuant to the Nepal Casino Rules, SHL's subsidiary, Happy World Pvt Limited ("**Happy World**"), was the first company to be granted a licence to operate a casino under the Nepal Casino Rules in February 2015.

To obtain and maintain a casino licence in Nepal, the casino operator must satisfy the following requirements:

- It must be registered as a company under the laws of Nepal;
- In order to offer live gaming, the casino must be located within the premises of a five-star hotel or other deluxe resort of a comparable quality. However, casinos with only EGMs can be operated within the premises of four-star hotels;
- It must have paid up capital of at least NPR 250 million (approximately US\$2.3 million);
- The casino must not be located within areas which are sensitive from religious and cultural perspectives;
- The casino must not be located within five kilometres of an international border;
- The casino must be appropriate from a tourism feasibility perspective; and
- The casino, or the resort at which it is located, must have certain infrastructure and facilities prescribed under Nepali gaming regulations, including adequate vehicle parking space, a restaurant, shower room, sauna, steam bath, exercise/gym hall, spa facilities and a swimming pool.

The casino licence will not be issued or will be cancelled or revoked in the following circumstances:

- If the casino licence was obtained using false details;
- If the casino licence is not renewed within the prescribed time (at least one month prior to its expiry);
- If the applicable royalty payable to the Nepal Ministry of Tourism is not paid within the prescribed time; or
- If a Nepali citizen is given access to the casino.

The casino licence may not be issued or may be cancelled or revoked:

- If a casino, either on its own or with its affiliates (including entities that are under common control), is deemed to be controlling competition within the Nepali gaming market; or
- If the casino facilitates the exchange of foreign currency without a licence to do so.

#### 2.2.3.2 The five-star hotel or other deluxe resort of comparable quality requirement

Casinos with live gaming facilities are only permitted in hotels with five-star ratings issued by the Nepal Ministry of Tourism or other deluxe resorts of comparable quality as determined by the Nepal Ministry of Tourism. Casinos that only offer EGMs are also permitted in hotels with four-star ratings issued by the Nepal Ministry of Tourism. In order to achieve a four or five-star rating, a hotel must formally apply to the Nepal Ministry of Tourism and satisfy a list of requirements for the rating. The rating process will typically take a minimum of four weeks and involves a number of assessment visits by a committee

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formed by the Nepal Ministry of Tourism. Upon satisfaction of the requirements, a certificate will be issued designating the hotel as a four or five-star hotel, as the case may be.

#### 2.2.3.3 Process for applying for a licence in Nepal

The process of obtaining a casino licence in Nepal is as follows:

- An application is submitted to procure the prior approval from the Nepal Ministry of Tourism in respect of the proposed casino licence holder. The Nepal Ministry of Tourism forms a committee to review the application and conducts an onsite inspection of the casino premises;
- Once prior approval is granted by the Nepal Ministry of Tourism, the proposed casino licence holder applies to incorporate a Nepali company and submits a copy of the prior approval; and
- Following incorporation, the proposed casino licence holder submits a further application (along with an application fee) to the Nepal Ministry of Tourism to obtain a licence to operate a casino.

#### 2.2.3.4 Key terms of the Nepal Casino Rules governing TMC's licence

The Group's casino licence for TMC was issued on 2 February 2015, and was the first licence to be issued under the Nepal Casino Rules. Key provisions of the Nepal Casino Rules governing TMC's licence include the following:

- **Article 10 (Initial Licence Fee)** – NPR 20,000,000 (approximately US\$186,000) was required to be paid as an initial licence fee in order to obtain a licence for a casino running live tables as per the Nepal Casino Rules.
- **Article 12. (Term of Licence)** – TMC's casino licence was granted on 2 February 2015. The licence was renewed on 17 July 2015 and now operates in line with the fiscal year, which runs in Nepal from mid-July to mid-July the following year.
- **Article 13 (Renewal of Licence)** – In accordance with the Nepal Casino Rules, any company holding a casino licence must submit an application for the renewal of that licence to the Nepal Ministry of Tourism one month prior to the end of the term. Such renewal application must be accompanied by prescribed documentation, which includes:
  - A certificate of payment of royalties in accordance with the Nepal Casino Rules;
  - The audit report of the licence holder for the previous fiscal year;
  - Details of directors and shareholders of the licence holder;
  - A tax payment certificate up to and including the previous fiscal year;
  - Documents evidencing the renewal of the bank guarantee as required under the Nepal Casino Rules; and
  - Any other documents as may be specified by the Nepal Ministry of Tourism.

There is also a fee payable for each renewed term equivalent to 50% of the initial licence fee, being NPR 10 million (approximately US\$93,000) for a casino running live tables.

- **Article 30 (Contribution towards CSR Activities)** – 2% of the net income (a term which has not been defined in the Nepal Casino Rules) generated by the casino operator is required to be spent for the purpose of corporate social responsibility such as education, sports, and health.

#### 2.2.3.5 Casino royalties

Details of casino royalties payable by licence holders are contained in the latest iteration of Nepal's Finance Bill, which is released towards the end of each fiscal year. In accordance with the latest Finance Bill, casino royalties are determined as follows:

- In the case of casinos operating live gaming tables, the royalty payable by casinos is NPR 30 million (approximately US\$279,000) per annum;
- In the case of casinos only operating EGMs, the royalty payable is reduced to NPR 20 million (approximately US\$186,000) per annum; and
- Such royalty amounts must be paid within two months of the commencement of each fiscal year to the Nepal Ministry of Tourism.

#### 2.2.3.6 Windfall gains tax

Windfall gains tax is currently levied at 25% of a person's winnings within a Nepali casino. The casino owner is required to withhold the tax from the customer's winnings and pay such tax to the Inland Revenue Department of the government of Nepal on behalf of that customer.

## 2. INDUSTRY OVERVIEW

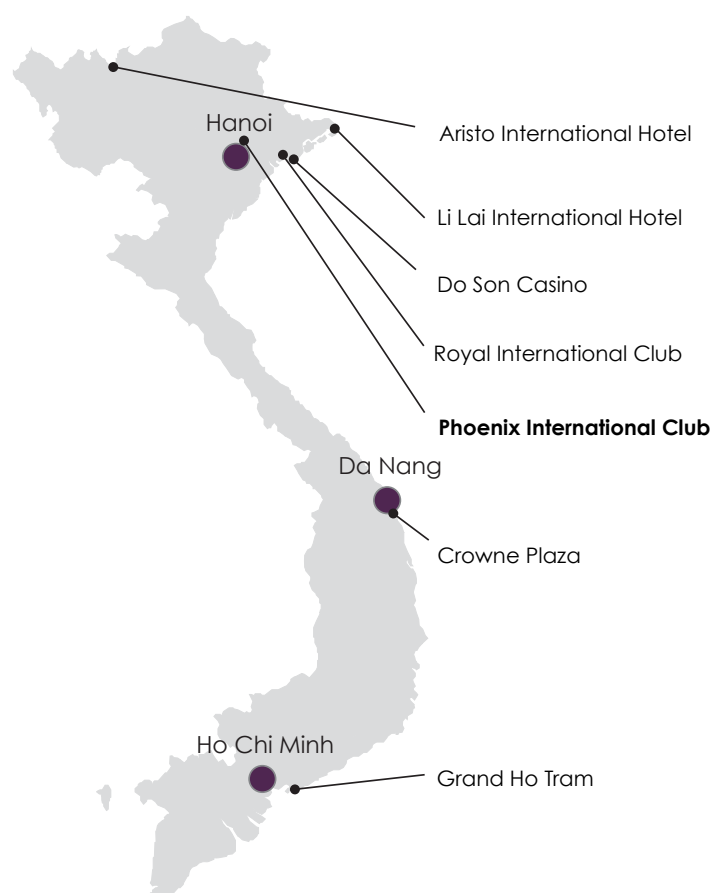
### 2.3 VIETNAM

#### 2.3.1 Market overview

As at the date of this Prospectus, there are seven casinos in Vietnam where live table gaming can legally take place.

All seven existing casinos focus on providing live table gaming, as well as EGMs. There are an additional estimated 25 other gaming venues in Vietnam which offer EGMs only, and are attached to four or five-star hotels. The majority of these EGM-only venues are located in Ho Chi Minh City and Hanoi.

The seven existing casinos in Vietnam are spread across Vietnam, with the most concentrated area being in the northeast where there are three in proximity to Halong Bay and Haiphong. The nearest casino to the Phoenix International Club in Bac Ninh, where Silver Heritage supplies its services, is approximately 100 kilometres away in Haiphong.



The Group is aware of a number of parties which have sought or are likely to seek approval for development of additional casinos in other provinces throughout Vietnam.

It is illegal for Vietnamese citizens to gamble in Vietnam unless such citizens also hold a foreign passport and enter and gamble in the licensed gaming centres for foreign passport holders in Vietnam under such foreign passport. Accordingly, Vietnamese casinos generally seek to attract international customers who either live in the region or are visiting for business purposes.

#### 2.3.2 Market drivers

Frost & Sullivan considers that there are a number of factors that are likely to stimulate growth in the market opportunity for casinos in Vietnam, including the Phoenix International Club, which include the following:

- Vietnamese government support for gaming;
- Growing expatriate workforce in Vietnam;
- Restricted gaming supply in China;

- 
- Long distance from Guangxi Province in China to Macau;
  - Infrastructure improvements in Vietnam;
  - Increasing disposable incomes in China; and
  - Significant growth in outbound travel in China.

### **2.3.3 Regulatory overview**

#### **2.3.3.1 Current licensing framework**

There is currently no clear regulatory framework for the licensing of live gaming tables in Vietnam. In practice, some casinos are permitted by the provincial people's committee, by way of granting of written ad hoc authorisations, to operate live tables. As at the date of this Prospectus, seven casinos for foreign passport holders, including Phoenix International Club which was granted its investment certificate to establish and operate in 2007, have been granted such ad hoc authorisations.

In relation to EGMs, Vietnamese registered entities are permitted, subject to obtaining authorisation from various government authorities, to establish and operate gaming centres for foreign passport holders to play EGMs. The authorisation, among other things, prescribes the number of EGMs that are permitted to be operated in the gaming centre and the term of the authorization.

A gaming enterprise which is authorised to operate a casino or gaming centre is permitted to engage contractors to provide services relating to the management of the gaming centre. Such arrangements are usually regulated by means of a management services agreement between the local authorised gaming enterprise and the contractor providing the management services. The extent of the activities which are permitted to be undertaken relating to the management of a casino or gaming centre are not prescribed by law. However, a management services agreement must be approved by the licensing authority in order to be valid and is limited to a term of ten years. Further, the maximum expenses that are permissible for a gaming enterprise for engagement of management services is limited to 4% of the turnover of the gaming enterprise.

#### **2.3.3.2 Proposed new Casino Decree**

The Vietnamese Government is currently considering a draft Casino Decree, which may alter the applicable casino regulatory framework in Vietnam.

# 3.

## ABOUT THE GROUP



Artistic rendering of Tiger Palace Resort Bhairahawa, Courtyard/Pool. See Section 3.4.3.

### 3.1 INTRODUCTION

The Group operates and manages casinos in Nepal and Vietnam and manages electronic gaming operations within casinos and gaming centres in Laos and Cambodia. Operational oversight and strategic management are provided from the Group's headquarters in Hong Kong.

Silver Heritage was incorporated in 2003 and was initially engaged in the supply and management of EGMs in casinos across Asia. Over its thirteen-year history, Silver Heritage has used its experience and track record in rapidly developing Asian gaming markets to transition its business to include development, operation and management of casinos. In addition to its own licensed casino operation at TMC in Kathmandu, Nepal, Silver Heritage has a casino resort under construction near the India-Nepal border and has plans in place both to expand the hotel facilities at this casino and to construct an additional casino resort approximately 550km further to the East near the India-Nepal border.

The Group's business is divided into two business lines:

- **Operation of casinos** – The Group operates TMC in Kathmandu, Nepal, under its own licence, and provides management services to the Phoenix International Club in Bac Ninh, Vietnam. The Group is building a five-star casino resort, Tiger Palace Resort Bhairahawa and is in the planning stages to acquire the land for and build a second five-star casino resort, Tiger Palace Resort Jhapa, both in Nepal near the border with India; and
- **Provision and operation of EGMs** – The Group provides EGMs and ongoing technical support and maintenance of EGMs to casinos and licensed gaming clubs in Laos and Cambodia. These are structured either as revenue sharing arrangements or, in the case of ST Vegas in Laos, a lease of EGMs and represent some of the Group's longest standing relationships, having commenced in Laos in 2004 and Cambodia in 2005. The EGMs business has provided strong strategic experience and relationships while the Group built its broad knowledge in new markets. With its now established position in those markets, Management expects this part of the business will be less important in the Group's future growth strategy. However, the Group will take an opportunistic view should projects with outsized returns become available. See "Section 3.2 – About the Group – Company history and strategies".

For the year ended 31 December 2014, the Group's pro forma total revenue was US\$9.9 million and its pro forma EBITDA was US\$2.2 million. For the year ended 31 December 2015, the Group's pro forma total revenue and pro forma EBITDA was US\$17.2 million and US\$2.0 million, respectively. For the year ending 31 December 2016, the Group forecasts its total revenue and pro forma EBITDA to be US\$19.3 million and US\$3.9 million, respectively.

Figure 2: Key gaming markets in Asia



## 3. ABOUT THE GROUP

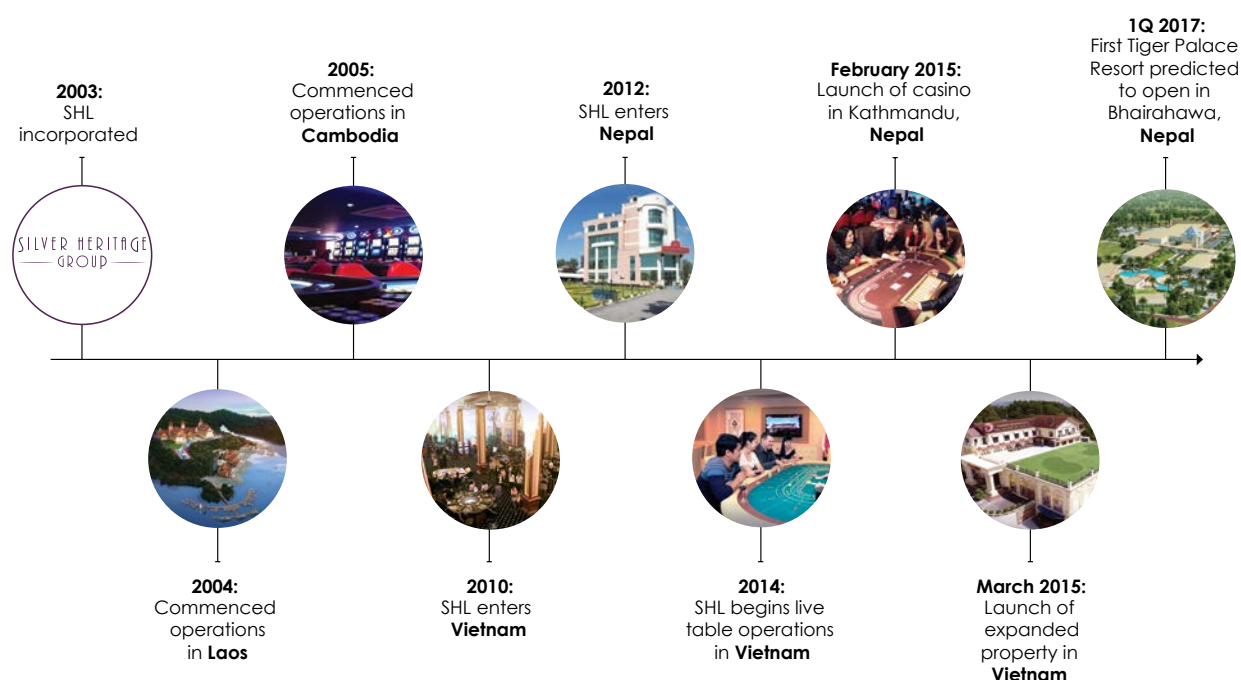
### 3.2 COMPANY HISTORY AND STRATEGIES

#### 3.2.1 Company history

The Group was founded in 2003 to supply gaming expertise and equipment to emerging Asian jurisdictions where it had identified strong demand for gaming. In particular, the focus was on identifying opportunities arising from the growing popularity of gaming in Asia in markets where supply is limited or did not exist due to government regulations and limited infrastructure. Markets such as India, Vietnam, Thailand and China in particular have significant demand but do not have corresponding supply in terms of casinos or EGM gaming. Such markets have few, if any, incumbent gaming operators, which is often the case in markets without a developed gaming regulatory framework.

Set out below is a chart showing the historical development of the Group and its entry into the various markets in which it operates today:

Figure 3: Timeline of the Group's historical development



Silver Heritage has a proven history of identifying opportunities and developing gaming facilities and services, through which it has developed a deep understanding and experience of local markets. Its team of executives have delivered successful gaming operations in a variety of Asian markets.

The Group has taken a staged approach to investment in the region. It has historically entered new markets through revenue sharing or other arrangements in relation to the provision and servicing of EGMs. Management believes that this strategy provided a lower risk entry into each market, allowing the Group to build and develop an understanding of the broader market opportunity before making a significant investment in operating or constructing a new gaming facility. The Group has then used the knowledge gained from entry into each market to assess its appetite for increasing its presence in that market. When a desire to pursue growth in a market has arisen, this desire has been pursued through increasing the level of management services that the Group provides or by developing its own casino. In certain cases, most recently the Philippines, the Group has elected to withdraw from a market after operating for a period of time, after determining that the commercial opportunities for the Group, or the market itself, has not developed in the way that Management envisaged, or where the regulatory environment is unfavourable to the Group's operations. In addition, the Group recently terminated its revenue share arrangement with respect to EGMs at ST Vegas in Laos and has replaced this with a lease of EGMs (see Section 3.5.1.2).

#### 3.2.2 Strategies

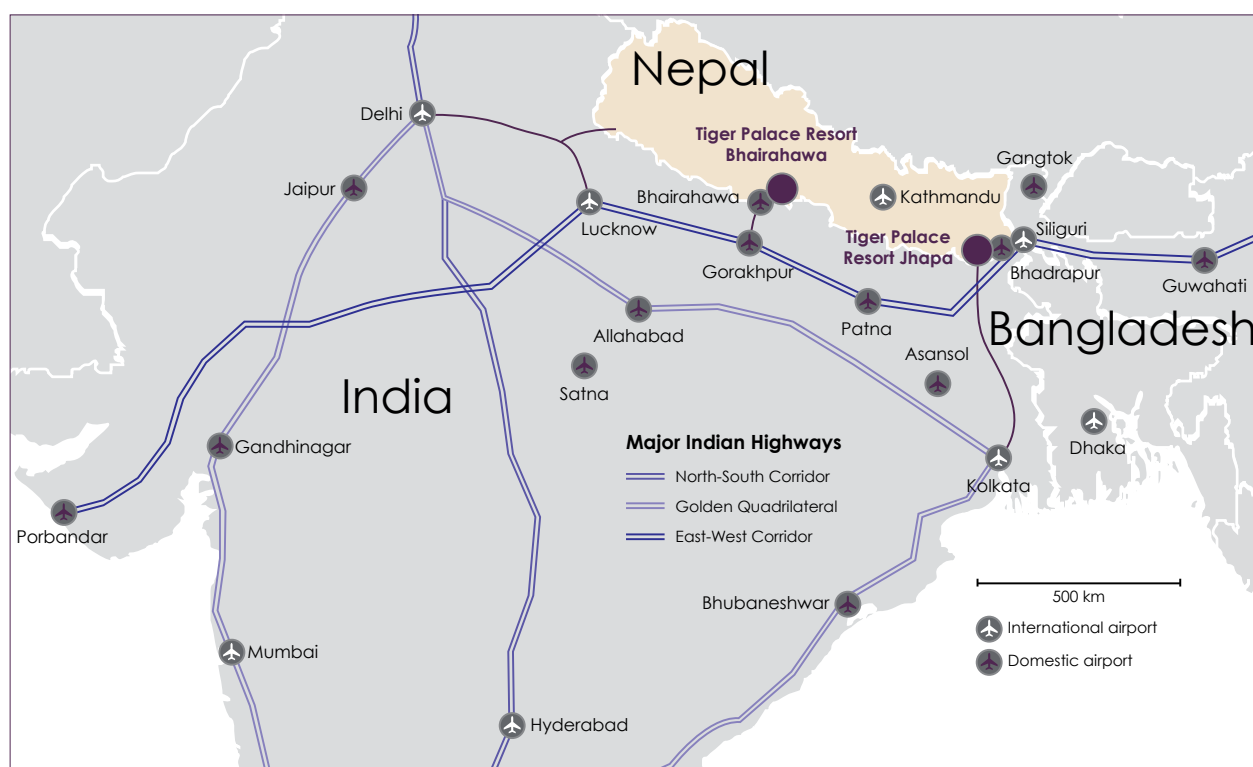
Management's vision is for the Group to be recognised as a leading Asian regional casino gaming operator with ownership of casinos and licensed gaming operations. In order to achieve this, Management plans to implement the following business strategies:

- **Continue to develop casino facilities in Nepal** – The Group believes that substantial opportunities exist in Nepal to secure first or early mover advantage in providing casino gaming which is principally aimed at meeting demand for gaming from Indian customers located in close proximity to the India-Nepal border. To capitalize on this demand, the Group is currently building and developing Tiger Palace Resort Bhairahawa. The casino and resort are expected to open in early 2017 and will be the Group's first wholly-owned and operated casino resort in Nepal.

The Group also plans to open a second wholly-owned and operated casino resort, Tiger Palace Resort Jhapa. The Group has identified a site for and has paid a deposit (in two separate instalments) for the acquisition of land to be developed for this purpose. The Group's longer-term intention is to develop further Tiger Palace Resorts near to the India-Nepal border.

- **Seek new opportunities to acquire an equity interest in and management of casinos in Vietnam** – The Group believes that Vietnam, where it has operated since July 2010, represents a key growth opportunity. Through its experience providing management services to the Phoenix International Club, the Group believes that it has proven its ability to generate strong margins and revenue growth in a Vietnamese casino and will, subject to appropriate funding, consider opportunities which will allow it to directly operate its own casino in Vietnam.
- **Seek opportunities to develop other Asian markets** – The Group will seek, on an opportunistic basis, to broaden its revenue streams through the introduction of additional gaming facilities or properties, either as operator or through revenue sharing arrangements in other Asian markets. However, Management believes that these markets are challenging, principally as a result of having extensive competition and less regulation, and therefore will carefully consider any future opportunities in these markets before pursuing them, to ensure they align with the Group's overall strategy.

Figure 4: The Group's Tiger Palace Resorts and their proximity to Indian gaming customers



### 3.3 COMPETITIVE STRENGTHS

The Company believes its key competitive strengths include the following:

- **Established early mover advantage in undersupplied emerging gaming markets** – The Group has positioned itself over a number of years to establish first or early mover advantage in its key markets, which have strong demand for gaming facilities and little available supply. Its operations in Nepal are intended to provide ready access to the growing and relatively unsatisfied gaming demand from India, whilst its operations in Vietnam are intended to cater to the Chinese, Taiwanese, Japanese, and Korean expatriates proximate to Hanoi. In particular, in Nepal, the Group

## 3. ABOUT THE GROUP

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is well positioned as the first entity to be granted a licence under the Nepal Casino Rules in February 2015, and successfully renewed this licence in July 2015, and is in the process of again renewing this licence, in accordance with the regulations.

- **Highly experienced management team and proven track record in key markets** – The Group's management team is highly experienced in Asian gaming and has a proven track record of identifying and developing gaming facilities and services. Newly developing gaming markets have high degrees of inherent risk, which can act as a barrier to entry for new market participants, even if they have substantial gaming experience in other markets. In the markets where the Group has developed operations, it has established its gaming presence over time using a conservative approach while it gets to understand those markets.

Key members of Management have overseen the Group's transition from the provision and ongoing technical support and maintenance of EGMs under revenue sharing arrangements to operators and managers of casinos and have been able to observe, and participate in, the development of the regulatory landscape in a number of newly developing gaming markets. In addition, the Group has strengthened its management team to provide support in both casino operations and resort development and operation. Management believes that this deep understanding of the market, coupled with established key relationships with regulators, relevant government ministries and other stakeholders, represents a competitive advantage for the Group.

- **Dynamic business model allowing scalable growth and management of risk** – The Group has been able to grow its business successfully in a number of gaming markets through a dynamic business model which allows for the management of risk in the early stages of the development of the regulatory landscape. It has achieved this by initially adopting a conservative approach, entering markets through the provision of EGMs to third party gaming facilities, while the Group develops the local knowledge required to be successful in these markets. Over time, in those markets that the Group has determined to be most suitable, namely Nepal and Vietnam, it has now assumed greater exposure and achieved higher returns on invested capital by directly owning or managing casinos.

This experience has been invaluable in assisting Management in targeting those markets which present the greatest opportunities. It has also aided Management in its decision not to pursue direct ownership of gaming assets in certain markets where the market has developed in a way that does not satisfy the Group's growth objectives. Management believes that the ability to adapt its business model based on risk appetite for a particular market allows the Group a key competitive advantage as it grows its presence in rapidly developing gaming landscapes.

- **Strong domestic partners in key markets** – In certain key markets, the Group has entered into arrangements with local partners, either due to foreign ownership restrictions, or where Management believes that its growth objectives are best met through such an arrangement where local knowledge and expertise can be leveraged to the Group's advantage. To date, its partners have consistently added value to the Group's presence in their markets, and the Group believes these strong relationships represent a key competitive advantage.

### 3.4 THE GROUP'S CASINOS AND GAMING FACILITIES

#### 3.4.1 Operation and management of casinos

##### 3.4.1.1 Nepal – The Millionaire's Club, Kathmandu

The Group initially commenced its Nepal operations in 2012, providing EGMs to a number of licensed casino operators and providing management services to a so called "mini-casino" in Dhangadhi (the operation of which was licensed to the Group's partner at the time under Nepal's former gaming legislation) near to the Indian border between November 2012 and October 2013. This mini casino housed 3 live gaming tables together with 20 EGMs and had over 10,000 visitations during its period of operation. The Group used this entry to review and understand the market and to determine the best approach to take to increase operations in Nepal.

In February 2015, the Group commenced its first licensed casino operation at The Millionaire's Club & Casino ("TMC") in Kathmandu, Nepal (although it subsequently closed for two weeks following the earthquake on 25 April 2015 during the period of mourning and reopened in May 2015). TMC is located in space rented from the five-star Shangri-La Hotel & Resort ("Shangri-La"). TMC was the first casino to be licensed under the Nepal Casino Rules, Nepal's new gaming legislation gazetted in July 2013. See "Section 2.2 – Industry Overview – Nepal".

In addition to its value as a standalone gaming facility, Management considers TMC to have substantial strategic value in terms of the Group's overall growth strategy in Nepal, allowing it to build experience and develop relationships during the ongoing development of Nepal's casino industry. Further, TMC demonstrates that the Group can successfully procure and renew a gaming licence in Nepal; that it can profitably operate a casino in Nepal, while concurrently implementing its growth strategy through the development and construction of the Group's first owned casino resort, Tiger Palace Resort Bhairahawa; and it has allowed, on the one hand, the Group to develop an employee team capable of working to the international standards that the Group requires and, on the other, gaming customers to experience the high standard of gaming and ancillary entertainment that the Group offers.

## The Casino

TMC is located in Lazimpat in Kathmandu, within the grounds of the Shangri-La, in a dedicated three storey building. The Shangri-La, which is an independent hotel established in 1979 (and not connected to the Hong Kong-based Shangri-La Hotels & Resorts Group), is a five-star rated hotel<sup>1</sup> centrally located in Kathmandu with more than 100 rooms and suites. On 1 August 2014, Silver Heritage entered into a ten year lease with the owners of the Shangri-La to rent the space for TMC. This will expire in 2024, with an option for the parties to extend for a further ten year term by mutual agreement.

TMC ordinarily operates 24 hours a day, 7 days a week, 365 days a year. The casino has approximately 1,600m<sup>2</sup> of gaming area available, with a total current capacity for 22 live gaming tables and 36 EGMs, which enables TMC to offer customers a selection of popular casino games including roulette, baccarat, poker, flush and blackjack.

The casino is decorated to high international standards principally aimed at appealing to Indian gaming consumers.

Figure 5: TMC – Exterior



Figure 6: TMC – Interior



The casino entrance is on the ground floor with secure street access, where guests are welcomed and their nationality and age are checked. Gaming floors are located on the first and second floors. There is an entertainment stage and restaurant located on the second floor of the casino alongside the main gaming floor.

## Customers

Under the Nepal Casino Rules, Nepali citizens are prohibited from accessing casinos in Nepal. Customers are drawn from Kathmandu's Indian and other Asian expatriate community and international visitors, many of whom are from India and China. The Group operates stringent checks when customers arrive at TMC to ensure they meet entry requirements.

The Group operates a membership program at TMC, which as at 31 March 2016 had almost 15,000 individual members (of which 10,000 are Indian customers and over 3,000 are Chinese customers). Members are able to enjoy benefits at TMC, including complimentary food and beverage, invitations to private parties and free entry into lucky draws.

## Strategic partners

The Group's strategic partners in Nepal are Mr Rajendra "Raj" Bajgain, an entrepreneur involved in the tourism and trekking businesses in Nepal, and his brother, Mr Nabaraj Bajgain, an entrepreneur involved in the publishing and real estate businesses in Nepal. Raj Bajgain owns a 1% equity interest in Happy World, the Silver Heritage subsidiary licensed to operate TMC. The Group owns the remaining 99% of Happy World, but has entered into an agreement to transfer 9% of its interest in Happy World to Naboraj and Rajendra Bajgain. See "Section 5.9.5 – Minority interests in Happy World".

Raj Bajgain has also entered into an agreement to act as the local expert to Happy World, pursuant to which he is paid a monthly retainer and is entitled to a share of Happy World's profits. See "Section 5.7 – Key people, interests and benefits – Consultancy agreement with Mr Rajendra Bajgain".

## Employees

The general manager of TMC is Mike Walker, a British Citizen with over 25 years of experience in the gaming industry. See "Section 5.2 – Key people, interests and benefits – Senior management".

As at 31 March 2016, TMC had 419 staff, the vast majority of which work on a shift basis and are Nepali, with a dedicated and experienced team of international casino managers and technicians. Staff members of TMC are required to have

1. As rated by the Nepal Ministry of Tourism

## 3. ABOUT THE GROUP

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excellent Hindi and English language skills and to provide the highest standards of hospitality. Management believes that the staff of TMC compare favourably with casino staff throughout the region.

### Revenue and licensing arrangements

The Group, through its interest in Happy World, holds the casino licence in relation to TMC, pursuant to which it is responsible for operating all TMC gaming services. As the licence holder, Happy World is entitled to retain 100% of the Gross Gaming Revenue as it is both the owner of the casino licence and the manager of the casino. This, coupled with the fact that the casino royalty payable to Nepal authorities is a fixed amount each year rather than being linked to the revenue generated, is a key attraction of TMC and the gaming market in Nepal generally.

To use the premises at which TMC is located, Happy World pays a fixed monthly rental to the owner of the Shangri-La and all associated operating costs.

Happy World is required to pay to the Nepal Ministry of Tourism an annual fixed gaming royalty. The royalty payable in 2014 was NPR 30 million (approximately US\$273,000). Happy World must also pay a fixed licence fee each year of NPR 10 million (approximately US\$91,000) and is required to withhold 25% windfall tax on customers' winnings and account for such amount to the Inland Revenue Department of the government of Nepal. See "Section 2.2 – Industry Overview – Nepal".

### 2015 – Nepal earthquake

On 26 April 2015, a major earthquake hit close to Kathmandu, causing substantial damage to many buildings and affecting business, infrastructure and everyday life in the surrounding areas. Although the casino building in which TMC is situated and its operations were unaffected, TMC closed for fourteen days to observe Nepali mourning customs. The Group used that time to actively assist disaster relief efforts in Kathmandu, Gorka and elsewhere in Nepal.

### 3.4.2 Vietnam – The Phoenix International Club

The Phoenix International Club is owned by Phoenix International Travel Development Co., Ltd ("**Phoenix International Travel**"), a company controlled by the Group's strategic partner in Vietnam, Mr Nguyen Van Hung. The Phoenix International Club is one of only seven casinos in Vietnam. See "Appendix 1 – Independent Market Report on the Gaming Market in Asia by Frost & Sullivan".

The Group provides management services to the Phoenix International Club pursuant to an Entertainment Services Agreement ("**ESA**") with Phoenix International Travel, which is due to run until March 2025. The Group is paid a fee equal to an agreed portion of the GGR generated at the gaming centre at the Phoenix International Club, out of which it must meet certain operating costs. See "Section 9.3.1 – Material Contracts – Entertainment Services Agreement".

The Group first became involved with the Phoenix International Club in 2010.

In March 2015, the Phoenix International Club relocated a few kilometres from downtown Bac Ninh to its current location in a restored and extended hotel (previously used for government entertainment) on Phao Thu Hill overlooking Bac Ninh.

### The gaming and hotel facilities

The Phoenix International Club is a leisure complex, incorporating a gaming centre. It stands in its own grounds set against a hillside backdrop and overlooking the city of Bac Ninh.

Bac Ninh is in the northern industrial heartland of Vietnam, 32 kilometres from Hanoi Airport and approximately 40 kilometres from Hanoi city centre, making it approximately 60 kilometres closer to Hanoi than any of the other regional legal Vietnamese casinos. The Phoenix International Club is located two hours from the Chinese border adjacent to Guangxi Province in China, which has a population of approximately 47 million.

Figure 7: Aerial view of the Phoenix International Club



The gaming centre and casino, which ordinarily operates 24 hours a day, 7 days a week, 365 days a year, offers more than 1,500 m<sup>2</sup> of gaming floor space, housing 12 live gaming table games (nine baccarat, one blackjack, one Sic Bo and one roulette table) together with 72 EGMs at 31 March 2016. In accordance with its investment certificate, Phoenix International Travel is permitted to operate up to 30 gaming tables and 100 EGMs.

Figure 8: The Phoenix International Club – main gaming floor



Figure 9: The Phoenix International Club – high limit room



In addition to the gaming centre, the Phoenix International Club offers sixteen hotel suites, 20 rooms, two restaurants, a spa block, a floodlit tennis court and a unique roof top golf practice range. Phoenix International Travel is currently developing plans for a swimming pool and four two-bedroom villas to be built on Phao Thu Hill among the woodland surrounding the Phoenix International Club.

#### Customers

Customers at the Phoenix International Club principally comprise Koreans, many of whom are associated with the several Korean businesses in the area, as well as Japanese, Chinese, Taiwanese and South-East Asian expatriate customers. The majority of the customers either live in or visit Bac Ninh and Hanoi for business purposes. It is illegal for Vietnamese citizens to gamble in Vietnam unless such citizens also hold a foreign passport and enter and gamble in the licensed gaming centres for foreign passport holders in Vietnam under such foreign passport.

The Group and Phoenix has also recently entered into a Marketing and Promoter Cooperation Agreement with a third party promoter for a trial period of three months under which the promoter will have an exclusive right to bring customers to Phoenix International Club from certain countries in return for a share of the GGR generated by those customers.

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### Strategic partner

Phoenix International Travel, the owner of the Phoenix International Club, has two shareholders. The majority shareholder of Phoenix International Travel is its chairman, Mr Nguyen Van Hung, from Ho Chi Minh City, Vietnam. Phoenix International Travel is responsible for setting the strategic direction of the Phoenix International Club and for providing all staff at the hotel, including within the casino (other than as described below).

During the six years of its relationship with Phoenix International Travel, the Group has provided considerable support to the repositioning and development of the Phoenix International Club, which was under-performing at the commencement of the Group's ESA. The Group's relationship with Phoenix International Travel has been enhanced by the increase in financial returns that it has enjoyed arising from the Group's growing involvement in operating the Phoenix International Club.

### The Entertainment Services Agreement

The ESA with Phoenix International Travel, which governs the commercial relationship between the Group and Phoenix International Travel, was first entered into in 2014, and has been amended several times since, most recently in September 2015. The current term of the ESA expires in March 2025.

Under the terms of the ESA, the Group is paid a proportion of the GGR from all gaming operations at the Phoenix International Club. The Group is required to provide management expertise and services in relation to the gaming staff and provision of the gaming equipment. In addition to its own costs, the Group is also responsible for monthly contributions towards the operational costs of Phoenix International Travel, which include staff costs and other variable costs.

See "Section 9.3.1 – Material Contracts – Entertainment Services Agreement".

### Employees

As at 31 March 2016, the Group had 15 employees present on a full time basis at the Phoenix International Club. These Group employees are principally responsible for supervising the staff at the Phoenix International Club, which are all employed by Phoenix International Travel as required under the conditions of its authorization to conduct the casino business. The Group's employees on-site are mostly experienced expatriates.

### 3.4.3 The Group's casino under development

#### Nepal – Tiger Palace Resort at Bhairahawa

Figure 10: Artistic rendering of Tiger Palace Resort Bhairahawa



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*"Led by a vision to transform the South Asian casino landscape, Tiger Palace is an exhilarating, heart-stopping entertainment destination unlike anything the Indian consumer has seen before. A place to let loose, escape the everyday and live for the moment, it perfectly combines international flair with local sensibility to create a truly dynamic, engaging experience."*

- Concept statement for the Group's Tiger Palace Resorts

Management believes that India represents one of the largest untapped and materially underserved gaming markets in the world, in part due to only two Indian states, Goa and Sikkim permitting and having casinos. The Group considers that a cost-effective way to provide a compelling new proposition that is easily accessible by Indian gaming customers is by building substantial casino resort facilities on the border of India within Nepal. With this in mind, and having proven its ability to operate successfully a casino within Nepal under the requirements of the Nepal Casino Rules, the Group has commenced construction of Tiger Palace Resort Bhairahawa.

Upon opening, which is scheduled for early 2017, Tiger Palace Resort Bhairahawa will be the first purpose-built casino resort in Nepal. Tiger Palace Resort Bhairahawa will be located on the outskirts of Bhairahawa, very close to the border of India and Nepal and will comprise a 100-room five-star integrated resort hotel with spa, gym, food and beverage facilities and function (wedding and conference) rooms, as well as a casino, principally aimed at Indian gaming customers who live within a six hour drive of the Indian border.

#### 3.4.3.1 The planned gaming and hotel facilities

The site is located within 12km of both the Indian border (Uttar Pradesh and Bihar states) and the regional domestic Nepal airport at Bhairahawa. The area is renowned for its local attractions, which include two UNESCO world heritage sites, Lumbini and the Chitwan National Park, as well as the Valmiki Wildlife Sanctuary.

The Group acquired an initial 80,000m<sup>2</sup> site located to the north of Bhairahawa in May 2014 and additional land totalling 20,000m<sup>2</sup> in June and July 2014, upon which the principal resort hotel and casino is being constructed.

The principal resort hotel at Tiger Palace Resort Bhairahawa will be completed to the five-star standard demanded by the Nepal Government in order to qualify for a casino licence with live tables (see "Section 2.2 – Industry Overview – Nepal") and will feature the following facilities:

- a 100 room five-star hotel, with two villas directly adjoining the gaming floors;
- 2,471m<sup>2</sup> gaming area, of which 462m<sup>2</sup> will be high limit gaming space, with two food and beverage facilities therein;
- 52 tables and 200 EGMs;
- meeting, convention, exhibition and, importantly for the Indian consumer, wedding facilities for up to 500 guests;
- a wide range of entertainment facilities including tennis, swimming pool, kids club and spa;
- four additional food and beverage outlets located outside the casino; and
- four retail outlets.

In addition to the principal hotel and its casino, the Group has entered into joint venture agreements to develop two hotels adjacent to the site of Tiger Palace Resort Bhairahawa.

- The Forest Hotel – a 200 room four-star hotel, located to the southwest of the main casino building; and
- The Village Hotel – a 100 room four-star hotel, located to the northeast of the main casino building.

Subject to obtaining the required financing and the satisfaction of certain conditions, the Village Hotel and the Forest Hotel will be developed by Tiger Village Hotel Private Limited and Tiger Forest Hotel Private Limited respectively, which are joint ventures between the Group and its Nepali strategic partner, Nabaraj Bajgain. See "Section 3.4.3.4 – About the Group – Joint venture hotel development" below.

#### 3.4.3.2 Construction partners

The Group has entered into agreements for the development of the Tiger Palace Resort Bhairahawa with a number of contractors. Overall supervision is being coordinated by Hugh Holmes (Executive Director – Special Projects). Certain of the key contractors are set out below. See "Section 9.5 – Material Contacts – Arrangements in relation to Tiger Palace Resort Bhairahawa" for further details.

### 3. ABOUT THE GROUP

| Role   | Contractor               | Comments   |
|--|--------------------------|--|
| <b>Architect and landscaping</b>                                     | Architects Pacific       | Architects Pacific is a New Zealand-based architecture firm with more than 40 years' experience undertaking design, planning and contract management on a broad range of commercial and hospitality projects in China, Australia, New Zealand and the South Pacific. Architects Pacific has completed projects for international developers, as well as Marriott, Hilton and Shangri-La Hotels & Resorts Group.  |
| <b>Interior and Lighting Design</b>                                  | Space Studio             | Space Studio is a specialist design firm with a focus on the hospitality, retail and commercial sectors throughout Asia Pacific, who are currently working on projects in Fiji, New Zealand and Nepal. Space Studio has completed projects for hotel brands including Sofitel, Pullman and Hilton.   |
| <b>Mechanical, electrical and plumbing ("MEP") Services – design</b> | Temo Consulting          | Temo Consulting is a well-known and long-established services engineering consultancy with expertise in civil and services infrastructure engineering. It has broad experience throughout Asia and currently has major projects in Asia Pacific and Oceania.   |
| <b>MEP Services – construction</b>                                   | Airtech Industries       | Airtech Industries is an ISO certified services contractor located in Kathmandu, Nepal and is responsible for the construction and installation of all MEP systems for the project, including heating, ventilation and air-conditioning, as well as fire fighting systems and sewage treatment plant. With over fifteen years' experience, Airtech Industries has been involved in numerous commercial and hospital projects as well as hotels throughout Nepal, including for such major hotel brand names as InterContinental, Marriott and Sheraton, ensuring each hotel meets brand requirements as well as international MEP standards. |
| <b>Structural and Civil Engineering</b>                              | Structure Design         | Structure Design is a New Zealand-based consultant and recognised authority in innovative seismic structural designs. It has particularly strong experience and expertise in the design of buildings for earthquake safety and regularly acts as a consultant to government.   |
| <b>Hotel contractor</b>  | Kali Gandaki Nirman Sewa | Kali Gandaki Nirman Sewa is responsible for the construction of the perimeter wall and all site works as well as the hotel room blocks, spa, gym, pool bar and grille, villas and swimming pool. It is a recognised local contractor, experienced in the Bhairahawa area where it has constructed hotels and hospitals. Kali Gandaki Nirman Sewa is one of the contractors engaged for the new international airport currently under construction in Bhairahawa.   |
| <b>Casino contractor</b>   | Lama Construction        | Lama Construction is responsible for the construction of the casino block, which includes the large pillar-less casino space as well as the food and beverage outlets, lobby area, retail shops and function rooms. Lama has experience constructing all types of buildings throughout Nepal, for which it is recognised as a Class A Contractor, the highest category of contractor according to the Nepali rating system, allowing it to bid and work on its most complicated projects.  |

#### 3.4.3.3 Construction update

Preparatory ground clearing work for Tiger Palace Resort Bhairahawa began in September 2014 and it is anticipated that the facility will open to the public in early 2017 with all gaming and hotel facilities available for customers' use.

As of 1st July 2016, site progress and future plans in relation to Tiger Palace Resort Bhairahawa were as follows:

- **Room blocks** – The structure of the room blocks is 100% complete. The internal brickwork is complete and stairways and roofing are complete. Interior and exterior plastering work is effectively complete. MEP is 90% complete and interior fit out works are underway and are expected to be completed before the casino block is sealed and ready for interior fit out.
- **Villas** – The structure of the two villas is now 100% complete. The interior brickwork and internal and external plastering is complete. The roofing works are completed. MEP works are 85% complete and interior fit out is underway and expected to be completed at the same time as the room blocks.
- **Auxiliary buildings** – The gym, activities arcade, pool bar grille and spa are 100% complete and the internal brickwork and internal and external plastering is 100% complete as is the roofing. MEP and interior fit out works are well advanced and will be completed after the arrival of imported specialty tiles.
- **Swimming pool** – The swimming pool is approximately 95% complete, with waterproofing, lighting and tiling awaiting imported materials to complete. Full completion of the swimming pool is expected to parallel progress of the auxiliary buildings.
- **Casino block** – The casino block, which includes the casino, lobby and public areas, food and beverage facilities and function rooms is estimated to be about 65% complete. The first level foundation and plinth levels are now 100% complete. It is anticipated that the interior walls and columns as well as roofing works will be completed in Q3 2016. MEP and interior fit out will begin after the structure is sealed and roofing complete.
- **Landscaping** – Hard and soft landscaping work will be carried out at various times during the project, as certain buildings are completed. For instance, the courtyard landscaping has begun and that around the auxiliary buildings will start in Q3 2016. The final landscaping will be done while the MEP and interior fit out of the casino are underway; final landscaping around the site will be completed before the resort opens to guests in Q1 2017.

Figure 11: Construction progress of Tiger Palace Resort Bhairahawa



Artist Rendering of Tiger Palace Resort, Bhairahawa from the South



Tiger Palace Resort from the South – Drone Photo July 2016



Artist Rendering of Room Blocks and Pool Area



Room Blocks and Pool Area – Drone Photo July 2016

#### 3.4.3.4 Joint venture hotel development

On 17 September 2015, the Group entered into 50:50 joint venture agreements with Pipal Investment Private Limited, a company controlled by the Group's strategic partner, Nabaraj Bajgain, pursuant to which the parties agreed to construct the Village Hotel and the Forest Hotel, on land owned by Pipal Investment Private Limited adjacent to Tiger Palace Resort Bhairahawa. The Group's obligations under the joint venture agreements are subject to Silver Heritage Investment Pvt Limited ("SHIPL") electing to subscribe for 50% of the shares in the joint venture entities in its absolute discretion and Pipal Investment Private Limited procuring financing as described below. The Forest Hotel and Village Hotel are proposed to be built to a four-star standard, offering 200 and 100 rooms respectively, with full resort facilities including food and beverage outlets, spa, gym facilities and function rooms suitable for business meetings and weddings. Following construction, it is intended that the Group will operate and manage the Tiger Hotels on behalf of the joint venture.

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Pursuant to the terms of the joint venture agreements, SHIPL may elect in its absolute discretion whether or not to subscribe for shares in the joint venture entities and the construction and development of the proposed hotels is subject to the Group's joint venture partner securing debt financing deemed sufficient in the absolute discretion of SHIPL to fund the development and construction costs of the Village Hotel and the Forest Hotel. The Group does not intend to subscribe for shares in the joint venture entities or commence further development of the Tiger Hotels until appropriate debt financing has been obtained. See "Section 9.6 – Material Contracts – Joint ventures in relation to the Forest Hotel and Village Hotel".

### 3.4.3.5 Strategic partners

As with TMC, management of the casino at the Tiger Palace Resort Bhairahawa is to be undertaken by Happy World, in which Raj Bajgain and Nabaraj Bajgain will, subject to Nepal Rastra Bank approval of underlying agreements, collectively own a 10% equity interest. However, it is intended that Tiger One Private Limited ("**Tiger One**"), which is a wholly owned Group Company, will apply for, and if granted will be the holder of, the licence for the casino at the Tiger Palace Resort Bhairahawa. See "Section 5.9.5 – Minority interests in Happy World".

### 3.4.3.6 Employees

The Group is currently recruiting a senior resort manager to oversee the launch and ongoing management of Tiger Palace Resort Bhairahawa. Closer to the date of opening, the Group intends to offer key positions at Tiger Palace Resort Bhairahawa to Nepali employees who have been trained at TMC, using the Group's access to its well trained employees with significant experience in the Nepali gaming landscape.

### 3.4.4 Nepal – Development of Tiger Palace Resort Jhapa

The Group has identified the land on which it plans to develop its second resort near to the India-Nepal border, Tiger Palace Resort Jhapa. On 17 September 2015, the Group entered into an agreement for the acquisition of the land pursuant to which Nabaraj Bajgain has agreed to arrange for the purchase of identified plots of land located along the Eastern part of the India-Nepal border. The Group has paid Nabaraj an initial deposit and a further deposit of US\$2 million is payable by 15 August 2016 to secure the land (which Nabaraj now owns or controls). The Group may notify Nabaraj Bajgain whether it wishes to acquire 17 bighas (approximately 115,134m<sup>2</sup>) or 22 bighas (148,998m<sup>2</sup>) at any time before 31 March 2018 and the land must be transferred to the Group within 45 days of such notification. See "Section 9.7 – Material Contracts – Acquisition of land for Tiger Palace Resort Jhapa".

The payment of the remaining purchase price to acquire the land and the subsequent development of Tiger Palace Resort Jhapa are subject to the Group obtaining the required financing (see Section 4.3.3).

## 3.5 THE COMPANY'S PROVISION AND OPERATION OF EGMS AND OTHER BUSINESS

In addition to owning and operating casinos and gaming facilities, the Group continues to provide and manage its own EGMS at casinos and gaming clubs in Laos and Cambodia, governed by revenue sharing arrangements and, in the case of ST Vegas in Laos, under a lease agreement.

Although forming an integral part of the Group's history and risk management strategy, Management considers its EGM operations are of declining importance to the Group's business, particularly in those markets where the Group has already established a presence and track record.

The Group historically sought to provide EGMS and associated services under a revenue sharing model to enter new markets. The advantage was that it allowed the Group to enter and gain an understanding of a market with relatively low risk compared with the establishment of self-owned and operated gaming facilities. The Group is not actively seeking any new revenue sharing contracts, but may consider new arrangements as they arise on an opportunistic basis, or consider particularly where such arrangement may lead to equity ownership of licences or management of casinos.

### 3.5.1 Laos

The Group entered the Laos market in 2004, where it still supplies international traditional slot machines and international automated table game EGMS to three casinos and gaming clubs located at Dansavanh Nam Ngum Resort and ST Vegas, and in certain cases provides technical support and maintenance of the EGMS, as well as certain management expertise.

#### 3.5.1.1 Dansavanh Nam Ngum Resort and Casino ("**DNNR**")

The Group has provided EGMS to DNNR since 2004. DNNR is a golf resort located approximately one hour's drive north of Vientiane.

DNNR has 200 rooms and is currently undergoing extensive renovation. As at 31 March 2016, the Group operated 206 EGMS at DNNR and has a loyalty and promotions program installed, which logs play and rewards loyal players.

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#### Strategic partner

The Group's partner at DNNR is a privately held Cambodian-Chinese group, Syuen-Lao Resort Development Limited ("**Syuen-Lao**"), which also has interests in casinos in Cambodia. The partner has a 15-year exclusive casino licence, expiring in 2029 unless extended, for Vientiane Province (which contains Vientiane, the capital city of Laos) and a concession term of seventy years from 1 April 2014 for DNNR. This group purchased its interest in DNNR from DNNR's founder, a Malaysian entrepreneur, in 2012 and has since invested in the upgrading and development of the resort as the first part of a US\$110 million plan which envisages further development of the hotel and resort facilities.

#### Revenue arrangements

The Group provides its EGMs pursuant to contracts with Syuen-Lao. Pursuant to these contracts, the Group is paid a share of GGR after tax. Under settlement arrangements in respect of a revenue sharing agreement between the Group and a third party which has since been terminated, Silver Heritage is required to pay to the third party 10% of its share of GGR earned between 1 September 2015 to 31 December 2016.

##### 3.5.1.2 ST Vegas Slot Club, Tanelang ("**ST Vegas**")

ST Vegas, which is owned by the ST Group, is a large gaming club located 100m from a bridge across the border with Thailand within the Laos side of the business border crossing. The property has more than 600 EGMs and no live tables. The Group has supplied EGMs to ST Vegas through a partner at Tanelang since 2012. As at 31 March 2016, the Group had supplied more than 200 EGMs to ST Vegas.

#### Strategic partner

The Group's partner at ST Vegas is IPG International Pty Limited ("**IPG**"), which is owned by William Redshaw, an Australian entrepreneur and a shareholder of the Group. IPG has very strong relationships with the owners of ST Vegas and a long standing agreement that it will continue to supply equipment on lease to their casino.

#### Revenue arrangements

The Group until recently provided EGMs pursuant to revenue share contracts with IPG under which the Group was paid a share of GGR after tax. However, these revenue share arrangements have since been terminated in consideration for IPG paying to the Group US\$550,000 and have been replaced by a lease under which the Group will continue to lease EGMs to IPG (for sublease to ST Vegas) for a monthly amount calculated based on the number of EGMs leased.

### 3.5.2 Cambodia

#### 3.5.2.1 NagaWorld casino ("**NagaWorld**")

The Group started working in Cambodia in 2005 and since 2008 has supplied EGMs to NagaWorld on a revenue sharing basis. NagaWorld is a casino in Phnom Penh owned by NagaCorp Ltd, a Hong Kong listed company. The Group has a contract with NagaWorld Limited for the provision and maintenance of 30 EGMs for which the Group is paid a percentage of the GGR (less marketing and administration costs), which expires in September 2016.

The remaining revenues from the EGMs are retained by NagaWorld Limited. Each party is responsible for paying their own gaming taxes.

## 3.6 OTHER BUSINESS

### 3.6.1 Gaming Concepts

The Group has a 50% equity interest in Gaming Concepts, a Belize incorporated company, which sources and provides products from Europe, UK, Australia and the United States, including essentials for table games, cage, surveillance, security, VIP services and slots to gaming operations throughout Asia. Gaming Concepts also provides services to the Group including consulting, management contracts with full turnkey solutions, research and feasibility studies in relation to opportunities for new and existing gaming facilities.

The Group provides certain management and administration services to Gaming Concepts and has agreed to provide a working capital facility to Gaming Concepts of up to US\$300,000, all of which remains available for draw down as of 20 April 2016 (see Section 5.9.6).

## 3. ABOUT THE GROUP

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### 3.7 CENTRALIZED FUNCTIONS

#### 3.7.1 Management and strategic oversight

The Group has its headquarters in Hong Kong, from which Management provide oversight and strategic direction in relation to the Group's overall business. Key personnel based in Hong Kong include:

- the Chief Executive Officer;
- the Executive Director – Special Projects;
- the Chief Financial Officer;
- the President of Business Development;
- the Head of Group Human Resources; and
- the Group Legal Counsel.

While based in Hong Kong, these officers spend as much as half of their time in the various markets in which the Group operates.

The Group's central accounting, administration and support team of seven people as at 31 March 2016 is also based in Hong Kong.

#### 3.7.2 Centralized support functions

In 2012, the Group centralized its technical, asset management and IT functions for the entire Group at a technical facility in the Philippines located in Bertha Phil 1 Industrial Park in the Clark Special Economic Zone, which is adjacent to Clark International Airport and 85 km from Manila.

The facility has a total floor area of 800m<sup>2</sup>, with a warehouse which can accommodate up to 472 EGMs on 118 standard pallets, and also provides the Group with the following services:

- Development and customization;
- Venue support – systems, electronic and tables;
- Machine pre-installation configuration;
- Installation;
- Engineering design;
- Construction support;
- Duty-free storage – machines, spares, cards, chips, documents;
- Shipping and logistics; and
- Group IT support – email and SharePoint.

### 3.8 KEY SUPPLIERS

The Group has relationships with a number of suppliers of EGMs:

| Manufacturer         | Owner/Group              | Commencement date |
|----------------------|--------------------------|-------------------|
| <b>Aristocrat</b>    | Aristocrat               | 2010              |
| <b>Bally</b>         | Scientific Games         | 2010              |
| <b>Cadillac Jack</b> | Apollo Global Management | 2009              |
| <b>IGT</b>           | Lottomatica-GTech        | 2009              |
| <b>Inspired</b>      | Vitruvian                | 2007              |
| <b>SHFL</b>          | Scientific Games         | 2011              |

Major equipment suppliers to the gaming industry globally, including the Group's key suppliers, are typically regulated by the jurisdictions in which they wish to sell their EGMs and supporting products. These jurisdictions include highly regulated markets such as New Jersey, Nevada and Singapore. As part of this regulation, suppliers are legally bound to require that their customers, including the Group, meet the highest standards of compliance and probity.

### 3.9 THE GROUP'S BRANDS

The Group has developed and uses two brands for use in its businesses. The first, The Millionaire's Club, is being used in Nepal and Laos. The second, Tiger Palace Resort, will be deployed on the new casino resort which is currently under construction in Bhairahawa, Nepal and on future casino-hotel resorts in Nepal (including in Jhapa) and elsewhere.

### 3.10 EMPLOYEES

As at 31 March 2016, the Group had 575 permanent employees.

Certain groups of employees, particularly in Nepal, belong to unions. As at the date of this Prospectus, the Group had suffered no material disruptions from, or disputes with, its employees.

### 3.11 GOVERNANCE AND BUSINESS STANDARDS

Since its incorporation in 2003, the Group has developed a strong understanding of both the opportunities and the risks arising from the various markets in which it operates.

In particular, with many of the markets within which the Group operates having relatively new and developing gaming landscapes, the Group works closely with the industry regulators in each market to share its experience and has assisted in the formulation of the professionally run and sustainable regulatory framework in certain of its markets. In particular, the Group has provided advice on anti-corruption best practices, implementing stringent global anti-money laundering procedures and improving standards across the sector. The Group uses Hill & Associates to assist in consulting on, and auditing these practices. Further, the Group has a compliance committee which reports to the Board (for internal control reasons) and a compliance charter which sets out its best practice standards.

The Group seeks to use its Asian experience to develop business standards and a centralised corporate governance framework incorporating its regulatory standards across the various markets in which it operates. These have included the introduction of global best practice governance procedures such as AML procedures, anti-corruption and bribery practices and working with respected and credentialed partners to ensure operations satisfy good commercial practice in terms of employment, environment and regulatory matters.

## 3. ABOUT THE GROUP

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### 3.12 CORPORATE SOCIAL RESPONSIBILITY

The Group has a long-term commitment to supporting charities and other organisations working with underprivileged people, particularly children, in each of the countries in which it operates. The Group's aim with its community engagement programs is to give back in a meaningful way which improves the outlook for some of the most disadvantaged people in the region.

In particular, as well as providing support and donations in response to particular events, such as the earthquake in Nepal in 2015, the Group supports a number of charitable efforts in the various markets in which it operates, including the following:

- Nepal Youth Foundation / Olga's Promise (Nepal);
- Lao Rugby Foundation;
- New Hope for Cambodian Children (Cambodia); and
- Bykota House (Cambodia).

### 3.13 RESPONSIBLE GAMING

The Group is committed to providing assistance to anyone suffering as a result of their involvement in gaming, and actively supports organisations that provide counselling and other services to those people who require them.

As part of its staff development program, Silver Heritage employees undertake training in how to identify people who may be at risk. This forms a core component of the Group's Code of Conduct which all of its employees must follow under the terms of their employment.

Further, the Group is committed to working with the governments of every country in which it operates, as an advocate for the introduction and strengthening of the rules and laws surrounding problem gaming.

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# 4.

## RISK FACTORS



Artistic rendering of Tiger Palace Resort Bhairahawa, Lobby Exterior. See Section 3.4.3.

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## 4.1 INTRODUCTION

This "Section 4 – Risk Factors" outlines some of the potential risks associated with an investment in the Company. The Group's business is subject to risks, specific to its business activities, the jurisdictions within which it operates and of a more general nature. Each of the risks set out below, if they eventuate, could have a material adverse impact on the Group's business and prospects, financial condition, results of operation, cash flows and on the value of the Company's Shares. While the Board endeavours to manage these risks to prevent adverse outcomes, many of the circumstances giving rise to these risks are beyond the control of the Company, its Directors and its Management.

Investors should note that the risks outlined in this "Section 4 – Risk Factors" are not exhaustive and are not the only risks associated with an investment in the Company, now or in the future. Additional risks that the Company is unaware of or that it currently considers to be immaterial may also potentially have a material adverse impact on the Group's business, financial condition and the value of its Shares. All or part of an investment in the Shares may be lost.

An investment in the Company should be considered speculative. Before deciding whether to invest in the Company, you should read the entire Prospectus and satisfy yourself that you have a sufficient understanding of these potential risks and should consider whether an investment in the Company is suitable for you having regard to your own investment objectives, financial circumstances and taxation position. If you do not understand any part of the Prospectus or are in any doubt as to whether to invest in the Company, you should seek independent professional advice from your stockbroker, accountant, lawyer or other professional adviser.

## 4.2 RISKS RELATED TO THE GROUP'S EXISTING BUSINESS AND ITS CURRENT PROJECTS

### ***4.2.1 Tiger Palace Resort Bhairahawa is in an early stage of development and is subject to significant risks and uncertainties***

The development of Tiger Palace Resort Bhairahawa will be a key focus of the Group for the next several years, will require a significant amount of its available funds, and is important to the success of its current strategies. If the Group fails to develop and operate Tiger Palace Resort Bhairahawa profitably, its future results could be adversely affected. As the Group commenced construction of Tiger Palace Resort Bhairahawa in late 2014 and it is expected to open in early 2017, it remains in a developmental phase and is not yet generating revenue. As such, there is no historical or forecast financial information available about Tiger Palace Resort Bhairahawa's operations upon which investors can make an evaluation of its business and prospects. The Board is not currently aware of any other casino resorts having commenced construction or operation on the India-Nepal border.

The Group's business and prospects should be considered in light of the risks, expenses and challenges generally associated with projects in the early stages of development. Some of these risks relate to the Group's ability:

- to complete construction of Tiger Palace Resort Bhairahawa within its anticipated time schedule and on budget;
- to receive confirmation from the relevant authorities that the Tiger Palace Resort Bhairahawa meets five-star standards, as well as any new or additional conditions, guidelines or other regulations the Nepal Ministry of Tourism may impose. See "Section 2.2 – Industry Overview – Nepal";
- to attract and retain customers and qualified employees; and
- to operate, support, expand and develop the Group's operations and facilities.

If the Group is unable to complete any of these tasks, in part or at all, it may be unable to operate Tiger Palace Resort Bhairahawa in the manner it contemplates or at all, or to generate revenues in the amounts and the periods it anticipates. This may consequently cause the Group to default under one or more of its financing facilities or under the provisions of any licence granted to it.

Further, even if Tiger Palace Resort Bhairahawa is completed and opened as planned, it still may not be a financially successful venture or generate the cash flows that the Group anticipates. If Tiger Palace Resort Bhairahawa does not attract sufficient business, this will limit the Group's revenues and cash flow, and could adversely affect its operations and future plans. Accordingly, the inability to complete all or part of the development of Tiger Palace Resort Bhairahawa, or any other future Tiger Palace Resorts, or to operate these resorts profitably, may materially adversely affect the Group's business and prospects, financial condition, results of operation and cash flows.

In addition, despite experiencing steady growth in revenue in recent years, the Group has incurred losses since its inception as it has been investing in growing and developing its business and there is no guarantee that its business strategies will be successful.

### ***4.2.2 Silver Heritage may be unable to secure or maintain casino licences in Nepal***

The Group is required to be separately licensed by the Nepal Ministry of Tourism to operate each casino, including Tiger Palace Resort Bhairahawa and TMC. See "Section 2.2 – Industry Overview – Nepal". As such, the licence holder for each

## 4. RISK FACTORS

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of Tiger Palace Resort Bhairahawa and TMC will need to satisfy certain requirements under the Nepal Casino Rules to be granted or to maintain (as applicable) a casino licence, including that the casino must be located within the premises of a five-star hotel or other deluxe resort of a comparable quality and not be within areas which are sensitive from a religious and cultural perspective. As the Nepal Casino Rules have only been introduced relatively recently, there is very little guidance as to their operation and they remain largely untested. As such, there is a risk that Silver Heritage may be unable to operate the casino at Tiger Palace Resort Bhairahawa if it is unable to satisfy the Nepal Ministry of Tourism that its facilities are of an appropriate standard or if the Nepal Ministry of Tourism considers the site to be within a sensitive area. Further, there is a risk that Silver Heritage may be unable to operate TMC if the third party owner of those premises fails to maintain the standard of the hotel in which TMC is situated.

Under the Nepal Casino Rules, a casino licence must be renewed annually and may be revoked in certain circumstances, including failure to comply with on-going licensing requirements such as the payment of annual royalties on each licence to the Nepal Ministry of Tourism. The amount of the royalty that a licence holder is required to pay may be changed annually at the Nepal Ministry of Tourism's discretion. If Silver Heritage is unable to secure or retain a separate casino licence for the operation of each of its casinos in Nepal, or if an existing casino licence is revoked or not renewed, this may adversely impact Silver Heritage's ability to operate its business.

### **4.2.3 Tiger Palace Resort Bhairahawa is subject to development and construction risks which may delay its completion**

Tiger Palace Resort Bhairahawa is subject to significant development and construction risks, which could have a material adverse impact on its projected timetable, anticipated project costs and the Group's ability to complete Tiger Palace Resort Bhairahawa as planned. These development and construction risks may include, but are not limited to, the following:

- modifications to plans and specifications, which may be substantial due to unforeseen circumstances;
- engineering problems, including defective plans and specifications;
- shortages of, and price increases in, energy, materials and skilled and unskilled labour, and inflation in key supply markets including as a result of the recent political unrest (which may also result in disruptions to the delivery of raw materials) and the earthquake in Nepal;
- delays in obtaining or the inability to obtain necessary permits, licences and approvals (including as a result of Tiger Palace Resort Bhairahawa not being licensed as a five-star hotel or other deluxe resort of comparable quality, which is a requirement for the grant of a casino licence);
- changes in laws and regulations, or in the interpretation and enforcement of laws and regulations, applicable to gaming, leisure, real estate development or construction projects;
- labour disputes or work stoppages;
- disputes with and defaults by contractors and subcontractors;
- environmental, health and safety issues, including site accidents – construction workers at Tiger Palace Resort Bhairahawa may be subject to hazards that may cause personal injury or loss of life, which may subject the contractor and the Group to liabilities, possible losses, delays in completion of the projects and negative publicity;
- weather interferences or delays;
- earthquakes, fires, typhoons or other natural disasters;
- geological, construction, excavation, regulatory and equipment problems; and
- other unanticipated circumstances or cost increases.

Any of these may delay or prevent the construction or opening, or otherwise affect the design and features of, Tiger Palace Resort Bhairahawa, and consequently delay Silver Heritage's ability to commence operations of Tiger Palace Resort Bhairahawa, on schedule or at all, and earn revenues. Certain of these risks may also result in liabilities and losses being incurred by Silver Heritage which may not be covered by insurance, and Silver Heritage's business, prospects and reputation may be materially and adversely affected.

### **4.2.4 Raw materials may be difficult or expensive to obtain as a result of Government intervention**

The Government of Nepal has previously imposed bans on the mining or quarrying of gravel, and subsequent to the earthquake in April 2015 became involved in the allocation of raw materials such as cement, steel, and bricks and other raw materials. These materials are necessary for the construction of Tiger Palace Resort Bhairahawa and for future planned resorts. In the event that such a ban, or a similar ban, affecting the raw material required to build the Group's resorts is imposed in the future:

- the price of raw materials required to construct the resorts may rise (either as a result of limited availability or the transportation cost of materials acquired outside Nepal); and / or
- the raw materials required to construct the projects may not be available for a period of time or at all.

Either of these effects of a ban could delay the construction and opening of the resorts.

#### **4.2.5 There is a limited amount of skilled labor in Nepal**

The construction of Tiger Palace Resort Bhairahawa and any future Tiger Palace Resorts or Tiger Hotels is labour intensive. However, the employment market in Nepal is limited. In these circumstances, there is no assurance that the Group will be able to source suitably skilled or qualified labour for the construction of Tiger Palace Resort Bhairahawa or future resorts. If the Group is unable to source the necessary labour, there is a risk that construction costs will increase, or that the construction of the resorts will be delayed, which in turn may adversely affect the Group's operations and profitability.

#### **4.2.6 The success of Tiger Palace Resort Bhairahawa depends on attracting gaming customers from India**

As far as Silver Heritage is aware, there has never been a purpose-built casino resort comparable to Tiger Palace Resort Bhairahawa in Nepal on or near to its borders or near the two Indian states in close proximity to its location. Therefore, the business model underlying this casino is untested.

As a condition of casino licences granted in Nepal, the operator must not permit a Nepali citizen to access its casino. As a result, the success of Tiger Palace Resort Bhairahawa will depend substantially on customers from India crossing the border to visit Tiger Palace Resort Bhairahawa. As the first casino resort on the border between India and Nepal, there is no guarantee that Tiger Palace Resort Bhairahawa will appeal to Indian gaming customers or that they will generate gaming revenue in the manner or at the time that the Group expects.

Further, in the event that Indian customers are restricted from crossing the border to Nepal, or from visiting Nepali casinos, the financial performance and operation of Tiger Palace Resort Bhairahawa and future casinos developed to appeal to Indian gaming customers may be materially adversely affected.

#### **4.2.7 The deposit paid under an agreement to acquire land for Tiger Palace Resort Jhapa is unsecured and does not guarantee that the land will be available for the resort**

The Group has entered into a land acquisition agreement (see "Section 9.7 – Material Contracts – Acquisition of land for Tiger Palace Resort Jhapa") for the acquisition of the land identified for construction of Tiger Palace Resort Jhapa with a counterparty which owns or controls the land. The Group has paid to the counterparty an initial deposit and is required to pay a further deposit by 15 August 2016. If the counterparty fails for whatever reason to transfer the land to the Group, the Group will not be able to construct Tiger Palace Resort Jhapa in the planned location and its plans may be delayed if it is required to identify and acquire an alternative site. The Group has no security for the deposit monies in the event that the counterparty is unable or unwilling to return the funds in question and there is a risk that such amount may not be recovered.

#### **4.2.8 The Group relies on strategic partners in certain of the markets in which it operates**

The Group relies on strategic partners in the markets in which it operates, in particular in Nepal and Vietnam. The Group's strategic partners provide expert advice on local matters to the Group, and also hold minority interests in certain of the Group's foreign subsidiaries. If the Group's relationship with a strategic partner were impaired or were to end, the Group's relationships with customers and suppliers may be damaged which may have a material adverse effect on the Group's business. There is a risk that the Group may not be able to compel the disposal of the strategic partner's minority interest in the Group's foreign subsidiaries, attract a new strategic partner, or a new strategic partner will not have the same level of expertise as the current strategic partner.

The Group's strategic partners influence the operations of some of the Group's subsidiaries and the businesses that the Group operates in certain markets. There is a risk that the interests of a strategic partner may not align with the Group's objectives over time, which may result in a Group subsidiary being operated in a manner that is less than optimal from the Group's perspective, and in turn may have a material adverse effect on the Group's business.

#### **4.2.9 TMC casino space is secured under contractual arrangements with a third party and the Group is only licensed to operate at these premises**

The Group operates TMC in Nepal under contractual arrangements for the use of premises in the Shangri-La in Kathmandu. If the Shangri-La loses its five-star resort rating, or if the contractual arrangements are terminated, the Group will not be able to operate TMC on the premises or any other premises unless a licence is procured in respect of those premises. Further, in the event that the contractual arrangements are terminated, there can be no guarantee that the Group will be able to relocate its casino to a comparable location or lease another property on commercially reasonable terms. If the Group is unable to renew or replace its existing lease or enter a comparable contractual

## 4. RISK FACTORS

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arrangement, its operations will be disrupted and it will need to procure a new casino licence to operate at the new premises. Further, future rental rates could increase to rates that are significantly higher than the current rates. Any of these events could adversely affect the Group's business, cash flow, results of operations, financial condition and prospects.

### **4.2.10 The Group may not be paid by counterparties**

As part of its gaming operations, Silver Heritage supplies EGMs to third party casino operators under revenue sharing arrangements (and a lease in one instance) and provides management services to third parties for the operations of casinos and gaming facilities under other agreements. See "Section 3.5 – About the Group – The Company's provision and operation of EGMs and other business". If for any reason third parties fail to pay to the Group the amounts owed to it under any applicable agreement, it could materially adversely affect the Group's financial position.

In addition, in connection with the sale of the Group's previous Philippines operations (see "Section 9.2 – Material contracts – Sale of Silver Heritage's operations in the Philippines"), the purchaser has agreed to guarantee the outstanding loan between SHL and SHPI, and the outstanding loan between SHL and SHAGI, both owed to the Group in the amount totalling US\$3.6 million. There is no guarantee that the purchaser will be able to refinance or repay the loans in accordance with its terms and SHL may not have adequate security over the assets of SHPI and SHAGI. Accordingly, there is no guarantee that SHL will be able to recover the full amount of the loan.

### **4.2.11 Potential unenforceability of the management fee payable under the Entertainment Services Agreement in relation to the Phoenix International Club**

The maximum management fee payable under a management services agreement under Vietnamese law is 4% of the "turnover" of the gaming enterprise. The term "turnover" is open to interpretation and there is currently no guidance of any nature as to how it is to be interpreted. A management fee is currently payable under the ESA. There is a risk that the management fee may be deemed to exceed the threshold, which may result in the ESA being held unenforceable (among other things). This may result in an inability to remit fees derived under the ESA offshore, or otherwise end the Group's management of the casino, which would adversely affect Silver Heritage's business and financial condition.

### **4.2.12 Earthquakes in Nepal may damage the Group's casinos**

While the sites of both the Tiger Palace Resort Bhairahawa and TMC are not located near the fault line running across Nepal, there is a risk that an earthquake will occur that may damage or destroy Silver Heritage's Nepal casinos, Tiger Palace Resort Bhairahawa, TMC or any of the Group's future projects or deter tourists from visiting Nepal. An earthquake, damage, or any material disruption to construction or operations of the Nepal casinos or a decrease in tourism may have a material adverse effect on Silver Heritage's Nepal operations and revenue which may, in turn, have a material adverse effect on the Group's business. An earthquake may also cause injury or death to the employees and customers of the Nepal casinos and, there is a risk that persons may pursue the Group for compensation for injury or death.

### **4.2.13 Labour shortages may limit the Group's ability to operate its gaming and gaming related operations effectively**

The leisure and tourism industry is typically labour intensive. There is no assurance that the Group will be able to source suitably skilled or qualified labour to operate its gaming and gaming-related operations, and to construct the Group's future projects. Further, there is no assurance that labour costs will not increase. Given the limited pool of workers available and the growing number of gaming and gaming-related operations being developed in Nepal, Vietnam, Laos and Cambodia, the Group faces and may continue to face significant competition for the services of these workers, which may require that it increase wages to attract workers in the future.

Further, the Group's operation of gaming and gaming-related operations will require the Group to hire and train a significant number of additional hospitality employees. If the Group is unable to employ a sufficient number of local Nepali citizens it may be necessary for the Group to source suitably qualified employees from other countries, which may result in higher operating costs (including costs of procuring regulatory approval to employ foreign persons). Additionally, there is no assurance that the Group will be successful in training, retaining and motivating current and future employees. If the Group is unable to attract, retain and train skilled workers, the ability to adequately manage and staff the Group's gaming and gaming-related operations may be impaired and there is a risk that project construction costs will increase, or that the construction of future projects will be delayed, which in turn may adversely affect the Group's operations and profitability.

### **4.2.14 Silver Heritage's insurance coverage may not be adequate**

The Group maintains insurance coverage across a number of risks. However, there are certain events for which the Group does not maintain insurance cover, including in respect of loss or damage suffered in connection with the construction of Tiger Palace Resort Bhairahawa, for which insurance is maintained by Silver Heritage's third party contractors. However,

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no assurance can be given that such insurance maintained by the Group, or its third party contractors, will be available in the future on commercially reasonable terms or that any cover provided will be adequate and available to cover any or all claims. If the Group incurs uninsured losses or liabilities (including damage to the buildings at Tiger Palace Resort Bhairahawa currently under construction), its assets, profits and future prospects may be adversely affected.

#### **4.2.15 The Group may not successfully retain existing, or attract new, key management personnel**

The Group's ability to maintain its competitive position overall and in each market in which it operates assumes the continued service of certain of Silver Heritage's key management personnel. The Group does not maintain key man insurance.

Further, with a limited pool of experienced management personnel in many of the markets in which the Group operates, competition to hire skilled personnel is intense. The retirement or loss of service of any key management personnel or the Group's inability to attract and retain additional senior management personnel could hinder its ability to manage its business effectively, and to implement its growth and development strategies, which could have a material and adverse effect on the Group's business, cash flow, financial condition, results of operations and prospects.

#### **4.2.16 If the Group's internal controls are inadequate in any of the markets in which it operates, it may be unable to detect and prevent fraud**

The Group expects that it will need to continue to dedicate a significant amount of management, operational and financial resources to enhance and maintain its internal controls in the future in relation to fraud detection, particularly in relation to TMC and new casinos and gaming facilities, such as Tiger Palace Resort Bhairahawa, which will increase administrative and other operating expenses.

While the Group continues to review its internal control policies and procedures on an ongoing basis, given the constantly changing gaming industry environment and very stringent regulations in Nepal, which have been only recently introduced and not yet tested in the market, there may be deficiencies and there is no guarantee there will not be deficiencies in the future.

Any such deficiency, if material or significant, could adversely affect the Group's ability to monitor, evaluate and manage its business and operations, or may constitute a substantial business or operational risk or lead to inaccurate financial reporting. Any of these issues could have a material adverse effect on the Group's business, cash flow, financial condition, results of operations and prospects.

#### **4.2.17 Allegations, complaints or reports made by third parties, may affect the Group's reputation, corporate image and ability to conduct or expand its operations**

Incidents, regulatory investigations, media or other third party reports, including research reports issued by industry analysts, involving the Group, or in relation to gaming activities or the Group's casinos, employees, patrons, or shareholders, could harm the Group's reputation and its corporate image, or otherwise affect its ability to conduct or expand its business, both in the markets in which it operates and abroad. This may consequently have a material and adverse effect on its business, cash flow, financial condition, results of operations and prospects.

#### **4.2.18 The Group may not be able to remit funds from the source country**

The prior approval of the Nepal Department of Industries and the Nepal Rastra Bank is required for any foreign investment in Nepali entities. The Nepal Rastra Bank has approved SHL's investment in SHIPL. A condition of this approval is that any distribution of profit or dividends from SHIPL to SHL is subject to the prior approval of the Nepal Rastra Bank. There is a risk that such approval may not be forthcoming, which may materially adversely impact the Group's operations and financial condition, and may impact the Company's ability to pay dividends to Shareholders.

#### **4.2.19 Certain EGM suppliers may terminate revenue sharing contracts at any time for any reason**

The Group has revenue sharing agreements with certain EGM suppliers that allow these suppliers to deploy their machines without the Group incurring significant capital expenditure, which Management believes is favourable to the Group. However, certain of these EGM suppliers are entitled to terminate their revenue sharing agreements at any time with notice for any reason whatsoever. As such, there is a risk that these agreements will be terminated as a result of no fault of the Group which may materially affect the Group's business and financial condition.

### **4.3 RISKS RELATED TO THE COMPANY'S FUTURE GROWTH STRATEGIES**

Many of the risks set out in Section 4.2 will also be applicable to the development of the Group's future projects, including the construction and operation of the Group's planned Tiger Palace Resort Jhapa. In addition, a number of other risks may impact on the Group's growth strategy, including the following.

#### **4.3.1 The Group's future developments and new businesses may not have the desired impact on its overall revenues**

A substantial portion of the Group's growth strategy is focused on the development of new casinos and casino resorts, primarily within Nepal. In accordance with its proposed strategy, the Group has incurred, and will continue to incur, significant capital expenditures and fixed costs associated with the development of new casinos and casino resorts. There is no guarantee that the Group will be able to successfully implement its current plans for the development of new casinos and casino resorts, or that it will be able to maintain or improve on its current operating margins.

There is also no guarantee that the introduction of new casinos and casino resorts will lead to a corresponding increase in the Group's revenue or that the Group will be able to maintain or grow its market share in the future or otherwise compete effectively. Any failure on the Group's part to successfully implement its current plans for the development of these casinos and casino resorts would adversely affect its business, financial condition and results of operations.

#### **4.3.2 The Group has a limited history operating casinos and associated gaming-related businesses and facilities in emerging markets and may not successfully navigate challenges**

The Group has a limited history in operating casinos and has no experience in operating hotels. In particular, although the Group commenced operation at TMC in March 2015, TMC subsequently closed for two weeks following the earthquake on 25 April 2015 during the period of mourning and reopened in May 2015. In addition, Nepal has recently experienced a temporary fuel blockade which had an adverse impact on tourist visits in Nepal and the number of patrons in TMC. As a result, its business and prospects should be considered in light of the risks, expenses and challenges arising from any company seeking to develop and operate casinos, hotels and licensed gaming facilities in an emerging and underdeveloped market.

The Group plans to complement its newly developed casinos with other entertainment and hospitality businesses, such as hotels, spa facilities, retail facilities, convention rooms and food and beverage outlets to support its overall gaming operations. Due to the Group's limited experience in operating businesses ancillary to gaming, and the unpredictability of operating in an emerging market, there can be no guarantee that the proposed non-gaming businesses and facilities will be successful or that Silver Heritage's investments in these businesses will have the desired effect on its overall revenues. Moreover, there is no guarantee that the additional expenses incurred in, and management resources dedicated to, these businesses will not adversely affect the Group's existing operations.

#### **4.3.3 The Group will require external debt or equity financing to complete its existing and future investment projects, which may not be available on satisfactory terms or at all**

The Group will require additional funding in the future to pay the purchase price to acquire the land for Tiger Palace Resort Jhapa, for the construction of the planned Tiger Palace Resort Jhapa and in order to construct the Tiger Hotels adjacent to the Tiger Palace Resort Bhairahawa. The Group may seek to raise this financing through external debt or equity financing or a combination of both. The debt market in Nepal is not as developed as other markets, including Australia, and the terms on which debt is provided from local financial institutions may be on terms that are not usual for the provision of debt in other markets.

The Group's ability to obtain debt and/or equity financing on acceptable terms depends on a variety of factors that are beyond its control, including market conditions, investors' and lenders' perceptions of, and demand for, debt and equity securities of gaming companies, credit availability and interest rates. As a result, there can be no guarantee that the Group will be able to obtain sufficient funding from external sources as required on terms satisfactory to it, or at all, to finance future capital investment projects. If the Group is unable to obtain such funding, it may not be able to pursue its planned future projects and its business, cash flow, financial condition, results of operations and prospects could be materially and adversely affected.

### **4.4 RISKS RELATED TO THE INDUSTRY IN WHICH THE GROUP OPERATES**

#### **4.4.1 The Group operates in a competitive environment**

Across Asia, casino gaming has either been prohibited outright, or prohibited unless licensed. Macau's expansion to three concessionaires in 2002 and Singapore's licensing of casinos in 2010 have led to increased liberalization in the Asian region. While Nepal (1960s), Cambodia (1990s) and Vietnam (1990s) (on a limited basis) have had casino gaming for a longer period, it has been on a significantly smaller scale than is now evident in Macau and Singapore. This liberalization has resulted in new entrants into the gaming industry in the region, which may have attracted gaming customers from the Group's target markets. This has also led to increased competition for gaming customers across Asia, some of which are the Group's target customers, who may choose to visit other casinos instead of, or in addition to, those owned or operated by the Group. If the number of visitors to the Group's casinos decreases, this may adversely impact the profitability of its operations, which may be compounded if the Group decides to offer more attractive incentives to its visitors.

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In Nepal, the Group competes with two other licensed casinos in Kathmandu, with more expected to open in the future. On the India-Nepal border, where it has an early mover advantage, competition will take time to eventuate to create a competitive market for Indian consumers living adjacent to Nepal. However, there is no limit in the Nepal Casino Rules on the number of licences that may be granted and accordingly, other resorts may be developed by third parties in Kathmandu or on the India-Nepal border that may compete directly with the Group's own resorts. Any competing casino resort that is successful in attracting similar gaming customers to the Group may adversely affect the Group's operations, financial performance and prospects.

#### **4.4.2 The Group operates in a regulated industry and its operations could be adversely affected by changes in, or its failure to comply with, applicable laws and regulation**

The Group operates in a regulated industry. In particular, the Group is generally required to obtain a licence, or enter into permitted contractual arrangements with existing licence holders, in each jurisdiction in which it conducts its gaming operations. There is an on-going risk in relation to markets where the Group operates or intends to operate under its own licence that the Group may be unable to secure a licence, may lose or have its existing licences varied or have an existing licence not renewed when it expires. Further, where the Group operates through contractual arrangements with third party licence holders, there is the risk that such third party will be unable to secure its own licence or that it may not be permitted or may choose not to continue its contractual relationship with the Group.

Additionally, there is a risk that the Group may not obtain licences in relation to casinos contemplated as part of its growth strategies in new or existing markets, or that there may be significant delays and costs in obtaining additional licences. Also, a number of the markets in which the Group operates have rapidly developing regulatory landscapes, and as such, the ability to obtain or renew a licence or the conditions under which such licences are issued or renewed may be subject to rapid and material changes. These may include additional conditions which could have an impact on the Group's operating environment(s), such as the introduction of partial or total smoking bans. The inability to secure a licence, as well as the loss, variation, refusal or revocation of a licence in one jurisdiction may impact on the ability of Silver Heritage to obtain or maintain licences in other jurisdictions. The loss, variation, refusal or revocation of an existing licence or any delays in obtaining additional licences or the breach of any applicable laws or regulations may have a material adverse effect on Silver Heritage's business and operating results.

#### **4.4.3 The Group's operations may be subject to attempted money laundering by gaming customers**

The casino gaming industry is prone to money laundering and other illegal activities, including the use of laundered proceeds for terrorist financing, and Silver Heritage may not be able completely to prevent money laundering and other illegal activities from occurring within its casino premises.

The Group's casinos or gaming operations have incorporated, inter alia, anti-money laundering procedures, which though in line with the standards set by the Financial Action Task Force with a view to preventing terrorist financing, as well as other illegal or anti-social acts, may fail to detect money laundering transactions. In the event that any of the Group's operations become a target for money laundering, the activities offered by the Group's casinos and gaming outlets may be exploited. Certain staff and operations may be investigated by regulators, as a result of which the business operations may be interrupted and certain rights currently enjoyed by the Group may be withdrawn or revoked, any of which may have a material adverse impact on the Group's operations, financial performance and operating results.

#### **4.4.4 Local taxation may increase**

If the government of Nepal, Vietnam or Laos decides to increase the effective rate of gaming tax or royalties, amend existing laws and regulations applicable to the Group's business, or raise the amount of the gaming premium, Silver Heritage may incur substantial further costs and expenses or lead to the closure of the affected operations. This could adversely affect its financial condition, results of operations and cash flow.

#### **4.4.5 Payout of winnings in the Group's gaming operations may exceed amounts bet by players, resulting in losses**

The gross profitability of the Group's gaming operations is primarily determined by the difference between the amount of money bet by players at its casinos and gaming outlets and the amount paid-out as winnings to players. Gaming, by its nature, involves an element of chance that cannot be controlled. The higher the amount paid out as winnings, the lower the profitability may be. In the event that the amount paid out as winnings actually exceeds the amount bet by players, the Group may record a loss from its gaming operations, which could materially and adversely affect the business, cash flow, financial condition, results of operations and prospects.

#### **4.4.6 By its nature, gaming is susceptible to fraud or cheating**

Gaming is principally a cash business and there is a possibility that players may seek to cheat the Group's casinos and gaming operations, particularly if players collude with the employees. In the event that the Group is not able to detect such cheating in time or at all, it may suffer losses and the results of operations may be adversely affected. Any negative

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publicity arising from such incidents may also tarnish the Group's reputation and may result in a decline in business, and as such the operating results and profits may be adversely affected.

### **4.4.7 Operation of illegal casinos may adversely affect the Group's operations**

It is illegal to operate a casino in each jurisdiction in which the Group has gaming operations without a licence or other consent of the relevant regulator or government authority. Silver Heritage only operates where it or its partner has a licence (or equivalent). However, there may be unlicensed casinos operating in Vietnam, Nepal, Cambodia and Laos illegally. In India, one target market for the Group's operations in Nepal, illegal casinos do operate from time to time before being closed down by the Indian authorities. The presence of illegal casinos may attract target gaming customers of the Group, which may affect the Group's operations and adversely impact its revenue and profitability.

### **4.4.8 Online gaming competes with the Group's operations**

A significant development presently taking place within the gaming industry is the evolution of online gaming, which effectively allows persons to gamble on the internet. Players may prefer gambling online instead of visiting a casino, which may particularly be the case for those who must travel long distances to visit a casino. If this occurs, it may adversely impact the profitability of the Group's operations.

## **4.5 RISKS RELATING TO THE COUNTRIES IN WHICH THE GROUP OPERATES**

### **4.5.1 General**

4.5.1.1 Silver Heritage's business may be disrupted by terrorist or criminal activities, natural disasters or other catastrophes, or outbreaks or infectious diseases or fears of such occurrences, which could have an adverse impact on the Company

The markets in which the Group operates have experienced a number of major natural catastrophes over the years, including typhoons, droughts, floods, volcanic eruptions, earthquakes and acts of violence. Government authorities and agencies in many emerging markets, including the markets in which the Group operate, may not be prepared or equipped to respond to these types of events in the future, which may increase or prolong the impact they have on the affected areas. Further, the countries in which the Group operates may also be subject to outbreaks of contagious diseases. If major natural catastrophes occur in the future, there is a risk that they may materially disrupt and adversely affect the Group's business operations.

The Group cannot predict the extent to which its business will be affected by any of the above occurrences or fears that such occurrences will take place, and cannot guarantee that any disruption to its business will not be protracted, that its property will not be damaged or that any such damage will be covered by insurance completely or at all, that it will respond adequately, or that it will be able to rebuild or restore operations in a timely fashion. Any of these occurrences may disrupt the Group's operations and therefore the Company's financial condition and results of operations. Further, any of the above occurrences may also destabilize the economy and business environment, which could also materially and adversely affect the Group's business and financial condition.

4.5.1.2 Markets in which the Group operates may have underdeveloped legal, financial and political systems

Many of the legal, financial and political systems of the countries in which the Group operates are not as developed as systems in Australia or other Western jurisdictions. As a result, protections that the Group or its stakeholders may have in Australia or such other jurisdictions may not be available in the markets in which it operates. Further, the systems in these markets have been subject to various reforms over a number of years. As such, the applicable laws may be uncertain and the legal interpretation of which may still be evolving, and political, social and economic factors may lead to further reforms. There is no guarantee that any change will have a positive effect on the economic development of a market in which the Group operates or that the Group will be able to benefit or capitalise on these changes.

4.5.1.3 The regulatory gaming frameworks in the markets in which the Group operates are rapidly developing

The legal systems and regulatory framework in the markets in which the Group operates are subject to continuing development and government intervention including in relation to gaming, foreign investment, tax and foreign exchange. These developments may impact, inter alia, the Group's ability successfully to enforce its legal rights in such jurisdictions and consequently could have a material adverse effect on the Group's business.

4.5.1.4 Changes in public acceptance of gaming may adversely affect Silver Heritage's business

Public acceptance of gaming changes periodically in various gaming locations in the world and represents an inherent risk to the gaming industry. There is a risk that communities in a market in which the Group operates may oppose, or come to oppose, gaming. Silver Heritage cannot guarantee that negative sentiments will not be expressed

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in the future against the gaming industry generally and its operations in particular, and that such sentiments will not reduce the number of visitors to its facilities and materially and adversely affect the Group's financial condition and results of operations.

#### 4.5.1.5 The Group's transfer pricing practices could result in additional taxation

The Group undertakes a number of related-party transactions in the various tax jurisdictions in which it operates. These are generally required to be on arm's length terms for transfer pricing purposes. The position and pricing applied in respect of these related party transactions by the Group may be subject to challenge by the local revenue authorities giving rise to additional taxation in those jurisdictions.

#### 4.5.1.6 The Group's manner of operation could expose it to additional taxation if it is found to have a permanent establishment in certain jurisdictions

The manner in which the Group operates in various jurisdictions, in particular Cambodia, Laos and Vietnam, may cause the activities of the local Group entity to constitute a permanent establishment of the relevant non-resident Group entity. Where the local revenue authorities assert that a permanent establishment exists in their jurisdiction they may seek to assess the non-resident Group entity on income attributable to the permanent establishment giving rise to additional taxation in those jurisdictions.

Further, with respect to the Group's operations in Cambodia and Laos there is a risk that appropriate withholding tax has not been deducted and remitted to the local revenue authorities in respect of payments made by the local trading partner to SHL.

### 4.5.2 Nepal

#### 4.5.2.1 Prohibited trading of foreign currency in the casino at TMC could result in penalties

The unlicensed trading of foreign currency in Nepal is prohibited. The Group has recently obtained a licence from the Nepal Rastra Bank to engage in foreign exchange transactions at TMC. Previously, it did not hold a licence. The casino licence holder and its officers and employees responsible for TMC's operations may be penalised if the Nepali authorities were to find previous instances of trading of foreign currency at TMC. If this were to eventuate, this may have a material adverse impact on the Group's business operations and financial position.

#### 4.5.2.2 The withholding requirements on the Group in relation to windfall taxes are unclear

Windfall tax is currently levied at 25% on a person's winnings within a casino and the Group is required to withhold the tax from the customer's winnings and pay such windfall tax to the Nepali Inland Revenue on behalf of that customer. Currently the Group only withholds windfall tax in relation to jackpot and prize draw winnings. There can be no assurance that the Group's interpretation of what is required to be withheld is correct, and if such interpretation is deemed incorrect, the Group may be subject to penalties and potential liabilities. Further, any increase in windfall tax may diminish the attractiveness to gaming customers, which may materially adversely impact the Group, its financial position and operations.

### 4.5.3 Vietnam

#### 4.5.3.1 Lack of clarity around licensing of live gaming tables in Vietnam could impact the Group's live gaming operations

There is currently no clear regulatory framework for the licensing of live gaming tables in Vietnam. In practice, some gaming centres are permitted by the provincial People's Committee, via ad hoc authorisations, to operate live gaming tables. Phoenix International Club currently operates live gaming tables, in relation to which Silver Heritage provides management services. In the event that Phoenix International Club is no longer able to operate live tables or the Group is unable to provide its services to Phoenix International Club, the financial condition, operations and prospects of the Group may be adversely affected.

#### 4.5.3.2 Prohibited trading of foreign currency in the casino at the Phoenix International Club could result in penalties

The unlicensed trading of foreign currency in Vietnam is prohibited. Phoenix International Club does not have a licence from the Vietnamese Central Bank to engage in foreign exchange transactions. The Group, in accordance with its role pursuant to the ESA, has adopted stringent compliance procedures and protocols to ensure that such activities are not permitted. However, as a casino whose customers include nationals from many different countries, there nevertheless remains a risk that foreign currency will be traded on the premises. Although Phoenix International Travel bears primary responsibility for all activities conducted on the premises as the owner and casino licence holder, there is a risk that the Group will also be penalised and/or have the ESA terminated, if it is found to have participated in, or permitted the

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trading of, foreign currency, including through a fine or suspension of the casino. These circumstances would have a materially adverse impact on the Group's business operations and financial position.

### 4.6 RISKS RELATED TO THE OFFER AND AN INVESTMENT IN THE SHARES

#### **4.6.1 *Certain statistics, industry data and other information relating to the economy and the gaming industry contained in this Prospectus is derived from official government sources and may not be reliable.***

Statistics, industry data and other information relating to the economy and the industry contained in this Prospectus have been derived from various official government publications with information provided by the governments of Nepal, Vietnam, Laos and other government agencies, as well as third party providers. The Company cannot provide any assurance or make any representation as to the accuracy or completeness of such information. Statistics, industry data and other information relating to the economy and the industry derived from official government sources may not be consistent with other information available from other sources and should not be unduly relied upon.

#### **4.6.2 *Prices of Shares may fluctuate significantly in the future***

Once the Company becomes a publicly-listed company on ASX, it will be subject to the general market risk that is inherent in all securities listed on a stock exchange. This may result in fluctuations in its Share price that are not explained by the fundamental operations and activities of the Group.

The price at which Shares are quoted on ASX may increase or decrease due to a number of factors. These factors may cause the Shares to trade at prices below the Offer Price. There is no assurance that the price for the Shares will increase following their quotation on ASX, even if the Group's earnings increase.

Factors which may affect the price of the Shares include fluctuations in the domestic and international market for listed stocks, general economic conditions, including interest rates, inflation rates, exchange rates, commodity and oil prices, changes to government fiscal, monetary or regulatory policies, legislation or regulation, inclusion in or removal from market indices, the nature of the markets in which the Group operates and general operational and business risks.

#### **4.6.3 *An active market may not develop for the Company's Shares***

There is currently no public market through which the Shares of the Company may be sold. On Completion of the Offer, there can be no guarantee that an active market will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of the Shares on ASX at any time. This may increase the volatility of the market price of the Shares and may prevent investors from acquiring more Shares or disposing of Shares. It may also affect the prevailing market price at which the Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less or more than the price that Shareholder paid.

Following Completion of the Offer, SHL Shareholders will hold approximately 67% of the Shares, which may also impact liquidity. The Escrowed Shareholders have entered into voluntary escrow arrangements in relation to the Shares they hold immediately following Completion of the Offer (see "Section 10.8 – Additional Information – Escrow arrangements"). The absence of any sale of Shares by the Escrowed Shareholders during this period may cause, or at least contribute to, limited liquidity in the market for the Shares, which could affect the prevailing market price at which Shareholders are able to trade Shares and the volumes they are able to trade.

Following release from escrow, Shares held by the Escrowed Shareholders will be able to be freely traded on ASX. A significant sale of shares by an Escrowed Shareholder, or the perception that such sale has occurred or might occur, may potentially adversely affect the price of Shares in the lead-up to, at the time of, or post any completed or attempted sale.

#### **4.6.4 *Currency movements could adversely impact the Group's results of operations***

The Group currently conducts business in Hong Kong, Nepal, Cambodia, Vietnam and Laos, and reports its financial statements in United States dollars. Adverse movements in the exchange rate between the US dollar and those respective foreign currencies, which may or may not be freely convertible, and any other foreign currencies as a result of future international expansion, may cause the Group to incur foreign currency losses. Such losses may impact and reduce Silver Heritage's profitability, ability to pay dividends and ability to service debt obligations it may take on in the future.

Further, while the Company is listed on ASX, its financial statements are presented in US dollars and not Australian dollars. Fluctuations between the two currencies may adversely affect the Company's financial performance in Australian dollars.

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#### **4.6.5 Should the Company pay dividends, such dividends may not be fully franked**

Franking credits are generated on the payment of tax by the Company on taxable income taxed in Australia, and the availability of franking credits will therefore depend on the nature of income derived by the Company. Generally speaking, dividend income derived by the Company from its underlying subsidiaries will not be taxable in Australia and will therefore not give rise to franking credits and as a result, dividends are unlikely to be fully franked. Such income may however constitute conduit foreign income which can be paid as dividends to non-Australian tax resident Shareholders free of dividend withholding tax. Normally it would be necessary to fully frank a dividend paid to non-Australian tax resident Shareholders in order that dividend withholding tax not be incurred.

For Australian tax resident Shareholders, the value and availability of franking credits to a Shareholder will differ depending on the Shareholder's particular tax circumstances. Shareholders should also be aware that the ability to use franking credits, either as a tax offset or to claim a refund after the end of the income year, will depend on the individual tax position of each Shareholder.

#### **4.6.6 Taxation reform may adversely impact the Group**

Any changes to the current rate of company income tax in the markets in which the Group operates may impact Shareholder returns. Any changes to tax laws applicable to the Group, the way they are interpreted and applied, or the current rate of taxes may have an adverse effect on the Group's financial performance or results. In addition, any change in tax rules and tax arrangements could have an adverse effect on the level of dividend imputation or franking and Shareholder returns.

#### **4.6.7 Risk of Shareholder dilution**

In the future, the Company may elect to issue Shares to engage in fundraisings including to fund acquisitions that the Group may decide to make or to fund its future strategies in general. While the Company will be subject to the constraints of ASX Listing Rules regarding the percentage of capital it is able to issue within a 12 month period (other than where exceptions apply), Shareholders may be diluted as a result of such issues of Shares and fundraisings.

#### **4.6.8 The Group is exposed to changes in general economic conditions**

The operating and financial performance of the Company is influenced by a variety of general domestic and global economic and business conditions that are outside its control, including long-term inflation rates, exchange rate movements, interest rate movements and movements in the general market for ASX and internationally listed securities. A prolonged deterioration in general economic conditions, for example a decrease in consumer and business demand which may impact the demand for the Group's gaming facilities, may have a material adverse impact on the financial performance, financial position, cash flows, dividends, growth prospects and share price of the Company.

#### **4.6.9 Enforcing liabilities against the Group's assets outside of Australia may be difficult**

The Group's assets are and will continue to be located outside Australia. As a result, it may be difficult to enforce judgments obtained in Australian courts against any of them. In addition, there is uncertainty as to whether the courts of the jurisdictions in which the Group operates would recognize or enforce judgments of Australian courts obtained against the Company or its subsidiaries based on provisions of the laws of Australia. Furthermore, because the majority of the Group's assets are located outside Australia, it may also be difficult to access those assets to satisfy an award entered against the Group in Australia. As a result of all of the above, Shareholders may have more difficulty in protecting their interests in the face of actions taken by Management, the Board or controlling Shareholders than they would as shareholders of a company with assets in Australia.

# 5.

## KEY PEOPLE, INTERESTS AND BENEFITS





Artistic rendering of Tiger Palace Resort Bhairahawa swimming pool. See Section 3.4.3.

## 5.1 BOARD OF DIRECTORS




The Board comprises five members; two Executive Directors and three Non-Executive Directors. The Board has a broad range of experience in gaming operations and regulatory compliance, corporate strategy, financial management, construction, as well as experience in developing and managing hotel operations.

### 5.1.1 Experience and background

A biography of each of the Directors is set out in the below table:

| Director   | Experience  |
|--|---|
|  <p><b>David Green</b><br/>Independent Chairman<br/>and Non-Executive<br/>Director</p> | <p>David Green is a qualified accountant, and is also admitted to legal practice in Victoria and South Australia. He has spent much of his career in professional firms, and has served as a partner of Deloitte in Australia, Arthur Andersen in Australia, Hong Kong and Macau and PricewaterhouseCoopers in Hong Kong and Macau.</p> <p>David lived and worked in Macau for almost 15 years, until February 2016, when he returned to reside in Australia. Since September 2010, David has operated a gaming consulting business, Newpage Consulting, and he consults broadly on matters related to the regulation of gaming. Newpage Consulting was non-exclusively contracted to DICJ, the Macau gaming regulator, during the period September 2010 to December 2015. David has also worked on gaming engagements in a variety of Asian countries, including Nepal, Cambodia, Vietnam, Singapore, Taiwan, the Philippines, India and Japan.</p> <p>David served for more than seven years on the Board of South Australia's Gaming Supervisory Authority, and its successor, the Independent Gambling Authority. He was Chairman of the Authority from March 1999 until his resignation in August 2002. He also served for three years on the National Tax Liaison Group, chaired by the Federal Commissioner of Taxation. His community involvement includes service as a Board member of both Operation Flinders Foundation, and the Child Health Research Institute, prior to his departure from South Australia in 2001. His commercial involvement has included several Board positions with both private and unlisted public companies, and service as a Director of the State Government Insurance Commission of South Australia.</p> <p>David holds a B.Comm, LL.B (Hons), LL.M, from the University of Melbourne, and an MBA (Hons) from IMD, in Lausanne, Switzerland. He is a Fellow of the Australian Institute of Company Directors, and a Fellow of the Institute of Public Accountants.</p> |
|  <p><b>Mike Bolsover</b><br/>Managing Director<br/>and CEO</p>                        | <p>Mike is a co-founder of Silver Heritage. Mike was born in Hong Kong, and educated in England and the United States.</p> <p>Mike has an in-depth understanding of Asian gaming operations and previously worked for online gaming operator Victor Chandler in the trading and business development departments from 1999 to 2003. Mike became an executive director of Silver Heritage in 2005 and was appointed CEO in 2008.</p> <p>In 2015 Mike was voted one of Asia's Top 50 most influential people in the Asian gaming industry (Asian Gaming Magazine). Mike is also a member of the 2016 Class of 40 under 40 (Global Gaming Business), and received a G2E Emerging Leader Scholarship in conjunction with Innovation Group.</p> <p>Mike holds a degree in Finance and Marketing from Emory University in Atlanta GA, USA.</p>  |

## 5. KEY PEOPLE, INTERESTS AND BENEFITS

| Director  | Experience   |
|---|--|
|  <p><b>Hugh Holmes</b><br/>Executive Director – Special Projects</p>     | <p>Hugh has lived and worked in the Asia Pacific Region for over 30 years and has strong analytical skills as well as broad in-depth commercial experience at the executive level including finance, development and real estate with particular expertise in esoteric structures and special situations.</p> <p>Hugh is currently a partner at DAC Management LLC, a leading alternative investment management and advisory firm focused on distressed credit and special situations in China where he focuses on real estate. Hugh was previously Vice President Development-Asia Pacific at Holiday Inn Worldwide (now the InterContinental Group) and Vice President Development and Project Finance-Asia Pacific at Hilton International. Hugh also has extensive experience in hotel operations having served as Vice President of Operations at both Hilton and Holiday Inn at various times, managing operations in Indonesia, Philippines, Taiwan, and China.</p> <p>Hugh holds a Bachelor of Arts, magna cum laude, in East Asian Studies from Harvard College in Cambridge, Massachusetts, USA; a Master of Arts from Harvard University in Cambridge, Massachusetts, USA; and a Master of Business Administration from Harvard Graduate School of Business Administration in Boston, Massachusetts, USA.</p> <p>He is fluent in Mandarin Chinese and co-author of <i>Business Communication Theory and Practice</i>, a college textbook published in 2014.</p> |
|  <p><b>Michael Anderson</b><br/>Independent Non-Executive Director</p> | <p>Michael Anderson has a proven track record operating in volatile, disrupted and competitive markets. He has strong strategic skills, with a background in sales and marketing and strong leadership experience.</p> <p>Michael has been a Non-Executive Director of Fairfax Media Limited for the past 5 years, Chairman and Non-Executive director of oOh! Media Limited since 2013 and Chairman and Non-Executive Director of OzTAM Pty Limited since 2010.</p> <p>He was previously CEO of Austereo, which was Australia's national radio broadcaster, for 7 years until 2010.</p> <p>Michael holds a Bachelor of Arts with a Political Science major from La Trobe University, Melbourne. He is a member of the Australian Institute of Company Directors.</p>  |
|  <p><b>Richard Barker</b><br/>Independent Non-Executive Director</p>   | <p>Richard Barker has spent most of his professional life in financial markets, primarily in investment banking and stockbroking. Although originally trained as an accountant, he has specialised in mergers and acquisitions, capital raisings and corporate financial advice. He has previously worked for Potter Warburg, Morgan Grenfell (both in Australia and the United Kingdom), NM Rothschild &amp; Sons Australia and RBC Capital Markets, the investment banking arm of the Royal Bank of Canada. Richard has a strong understanding of the capital markets' investment landscape.</p> <p>In addition, he was previously CEO of Betcorp, an ASX listed online gaming company with operations in Australia and the Caribbean, during 2003 and 2004.</p> <p>Richard is currently a Non-Executive Director of unlisted resources companies Batchfire Resources and Australian Future Energy.</p> <p>He holds a Bachelor of Arts degree (Economics and Financial Studies, majoring in Accountancy) from Macquarie University, Sydney and is a Fellow of both the Financial Services Institute of Australia (FINSIA) and CPA Australia.</p>   |

Each Director has confirmed to the Company that they anticipate being available to perform their duties as Non-Executive or Executive Director, as the case may be, without constraints from other commitments.

The Board considers that each of David Green, Michael Anderson and Richard Barker are free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent

exercise of a Director's judgement and are able to fulfil the role of an Independent Director. The Board has adopted a definition of independence that is based on the definition set out in the ASX Corporate Governance Principles.

Mike Bolsover and Hugh Holmes are not currently considered by the Board to be independent due to their executive roles with the Company.


#### 5.1.2 Bondholder Board nominee

Under the arrangements relating to the purchase of the New Bonds, the Bondholders of the Company are entitled to nominate a suitably qualified individual to become a Director from time to time and the Board is required to provide all reasonable assistance to appoint such person.




The nominee will initially be appointed to fill a casual vacancy on the Board. Such appointment will be subject to approval of the Shareholders at the next annual general meeting of the Company. Unless otherwise requested by the Company, the nominee will be required to retire as a Director following redemption of the New Bonds. Refer to "Section 9.8.2".




## 5.2 SENIOR MANAGEMENT

The Company has a highly experienced senior management team as set out below:




| Executive   | Experience   |
|---|--|
| <b>Mike Bolsover</b><br>Managing Director and<br>Chief Executive Officer  | See "Section 5.1 – Key people, interests and benefits – Board of Directors" above.   |
| <b>Hugh Holmes</b><br>Executive Director –<br>Special Projects  | See "Section 5.1 – Key people, interests and benefits – Board of Directors" above.   |
| <br><b>Tim Shepherd</b><br>President, Business<br>Development and<br>Marketing | <p>Tim is a co-founder of Silver Heritage. Today Tim manages the strategy and business development of the Group and has key responsibilities for growing the business in its existing markets as well as the development of strategic partnerships. In 2004, Tim recognised the investment opportunity in new casino gaming technologies in South-East-Asia and launched Asia's first sports betting lounge in a land-based casino in Laos.</p> <p>Tim is an acknowledged expert on the Asian gaming market, with a key focus on South-East-Asia and is a regular speaker at global gaming conferences.</p> <p>Tim was a management consultant with Price Waterhouse and holds a BSc(Hons) from The City University Business School, London.</p> |

## 5. KEY PEOPLE, INTERESTS AND BENEFITS

| Executive  | Experience  |
|--|---|
|  <p><b>Martin Wright</b><br/>Chief Financial Officer</p>                        | <p>Martin is a UK Chartered Accountant who has lived and worked in Asia since 1987. He joined Silver Heritage in 2006, bringing with him a wide range of financial and operational experience to Silver Heritage. He has co-founded and developed a number of successful private companies in Hong Kong and China and was also an independent Non-Executive Director and Chairman of the audit committee for Hong Kong listed, Grande Holdings Limited, for more than eight years.</p> <p>Prior to this, Martin worked in the professional audit sector for eight years initially with Touche Ross &amp; Co in the UK, and subsequently with Coopers &amp; Lybrand in Hong Kong.</p> <p>Martin is a member of the ICAEW and the HKICPA, and has a BSc degree in Electrical &amp; Electronic Engineering from Loughborough University in the UK.</p> |
|  <p><b>Paul Simmons</b><br/>Senior Vice-President,<br/>Casino Operations</p>   | <p>Paul has 40 years of gaming industry experience encompassing many facets of the industry, from table games and slot operations to VIP junket and player development programs to hotel and food and beverage management. Previous senior management positions include Burswood International Resort (Australia), Galaxy Star World (Macau) and NagaWorld (Cambodia).</p> <p>Paul is currently in charge of all of Silver Heritage's casino operations in Vietnam, Nepal, Laos, and Cambodia.</p>  |
|  <p><b>Mike Walker</b><br/>General Manager, Gaming<br/>Operations (Nepal)</p> | <p>Mike has over 25 years of gaming industry experience across all areas of operation and at management level, and has held appointments with private and governmental agencies within the casino industry. Previous senior management positions include General Manager of Gaming at the Thunderbird Resort Poro Point Casino (Philippines) and management positions at casinos in The Seychelles, Tanzania, Greece, and Turkey.</p> <p>Mike is currently in charge of the Kathmandu casino operations reporting to Silver Heritage's Senior Vice-President, Casino Operations.</p>  |

| Executive  | Experience  |
|--|---|
|  <p><b>Dewet Oosthuizen</b><br/>Senior Manager,<br/>Operations (Vietnam)</p>                  | <p>Dewet has over 17 years of gaming industry experience across all areas of operation and at management level. Previous senior management positions include Shift Manager at Savan Vegas (Laos), and Operations Manager at Royal International Resort and Casino (Vietnam). Dewet is currently in charge of Silver Heritage's casino operation in Vietnam, reporting to Silver Heritage's Senior Vice-President, Casino Operations.</p>  |
|  <p><b>Tim Nguyen</b><br/>Director of SHLV, Marketing<br/>&amp; VIP Services</p>             | <p>Tim Nguyen is director of SHLV, Marketing &amp; VIP Services. Tim is a highly experienced Vietnamese gaming executive with a wealth of knowledge earned from casinos in both Vietnam and Cambodia. He speaks Vietnamese, Mandarin and English fluently. He plays a key role working with local partners and suppliers to ensure the Group's hospitality services are of the highest standards.</p>   |
|  <p><b>Andrew Dennis</b><br/>Vice-President, Business<br/>Development and<br/>Marketing</p> | <p>Andy was born and educated in the UK and has lived and worked in South-East-Asia since 1996. He joined Silver Heritage in 2007 to develop its business in Laos and has since been key to the establishment and development of the business in each country in which the Group operates.</p> <p>Andy brings a wide range of skills to the Group and is now jointly responsible for developing Silver Heritage's new projects in Nepal and Vietnam from conception to operation.</p> |

## 5. KEY PEOPLE, INTERESTS AND BENEFITS

| Executive   | Experience   |
|---|--|
|  <p><b>Peter Stubley</b><br/>Vice-President, Gaming and Information Technology</p> | <p>Peter joined Silver Heritage in 2003, initially as technical manager, and is now in charge of all the assets from pre-purchase, shipping, installation, maintenance, upgrading to eventual disposal. He is a control systems engineer, and has worked on large infrastructure projects including railways and airports.</p> <p>Peter was responsible for the construction and fit-out of Silver Heritage's technical facility in the Philippines used for recruitment and training of technicians, and the development and integration of products for the company's Asian gaming machine estate. Peter is now responsible for operations at this technical facility.</p> |
|  <p><b>Anjali Raichandani</b><br/>Group Human Resources Manager</p>               | <p>Anjali is a multilingual senior human resources professional who has over 10 years of human resources leadership experience in a variety of industries including facilities management, asset management, charity and shipping, providing human resources expertise for both start-ups and establishing human resources departments within organisations.</p> <p>Anjali is CIPD qualified and has worked for multinational organisations both in Hong Kong and the UK. Anjali is fluent in Cantonese and Hindi.</p>   |
|  <p><b>Steven Baram</b><br/>Legal Counsel</p>                                    | <p>Steven holds a law and economics degree from the University of Leicester in the UK. He was admitted as a solicitor in the High Court of Hong Kong in 2010. Prior to joining Silver Heritage, Steven was an associate at Sidley Austin in Hong Kong.</p> <p>As Group Legal Counsel, Steven advises on legal and regulatory topics across a full range of transactions, including governance of local and international legal entities.</p>   |

Operational oversight and strategic management of the Group's operations are provided from its headquarters in Hong Kong. Reporting to senior Management in Hong Kong is the senior vice president of casino operations, who oversees locally based casino managers that are located at and manage the Group's casino properties in Nepal and Vietnam, as well as locally-based venue managers in Laos and Cambodia. See "Section 3.7 – About the Group – Centralized Functions".

The Group's headquarters in Hong Kong also house the Group legal, human resources, finance and accounting functions.

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### 5.3 DIRECTORS' DISCLOSURES

No Director of the Company has been the subject of any disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere in the last ten years which is relevant or material to the performance of their duties as a Director of the Company or which is relevant to an investor's decision as to whether to subscribe for Shares.

No Director has been an officer of a company that has entered into any form of external administration as a result of insolvency during the time that they were an officer or within a 12 month period after they ceased to be an officer.

### 5.4 INTERESTS AND BENEFITS

Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director of the Company;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- underwriter to the Offer,

holds at the time of lodgement of this Prospectus with ASIC, or held at any time during the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any such persons for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director of the Company.

### 5.5 DIRECTORS' INTERESTS AND REMUNERATION

#### 5.5.1 Managing Director and Chief Executive Officer

Mike Bolsover is employed in the position of Managing Director and Chief Executive Officer of the Company. The Company has entered into an employment contract with Mike Bolsover to govern his employment. See "Section 5.6 – Key persons, interests and benefits – Executive Remuneration" below.

#### 5.5.2 Executive Director – Special Projects

Hugh Holmes is employed in the position of Executive Director – Special Projects of the Company. The Company has entered into an employment contract with Hugh Holmes to govern his employment. See "Section 5.6 – Key persons, interests and benefits – Executive Remuneration" below.

#### 5.5.3 Non-Executive Director remuneration

Under the Constitution, the Board may decide the remuneration from the Company to which each Director is entitled for his services as a Director. However, under ASX Listing Rules, the total amount of fees payable to all Directors for their services (excluding for these purposes, the remuneration of any Executive Director) must not exceed in aggregate in any financial year the amount fixed by the Company in general meeting. This amount has been capped by the Company at A\$800,000 per annum. Any increase to that aggregate annual sum needs to be approved by Shareholders. Directors will seek approval of the Shareholders from time to time, as appropriate. This aggregate annual sum does not include any special remuneration which the Board may grant to the Directors for special exertions or additional services performed by a Director for or at the request of the Company, which may be made in addition to or in substitution for the Director's fees.

The annual Directors' fees currently agreed to be paid by the Company are A\$180,000 (exclusive of GST) to the Chairman and A\$120,000 (exclusive of GST) to each of the other Non-Executive Directors. In addition, the following annual fees are payable to Directors for their involvement in Board committees:

- People & Culture Committee: Chair – A\$15,000; other member A\$10,000; and
- Audit & Risk Management Committee: Chair – A\$15,000; other member A\$10,000.

## 5. KEY PEOPLE, INTERESTS AND BENEFITS

### 5.5.4 Directors' interests in Shares

Directors are not required under the Constitution to hold any Shares. On Completion of the Offer, the number of Shares held by the Directors will be as outlined in the table below.

|                  | Shares held at Completion of the Offer <sup>1</sup> | Proportion of Shares on issue at Completion of the Offer |
|------------------|---|--|
| David Green      | –   | 0%   |
| Mike Bolsover    | 4,701,704   | 2.5%   |
| Michael Anderson | –   | 0%   |
| Hugh Holmes      | 7,660,000 <sup>2</sup>                              | 4.0%   |
| Richard Barker   | –   | 0%   |

Notes

1 Excludes any Shares which Directors may acquire under the Offer

2 Held by Champ Star Limited

### 5.5.5 Indemnification of Directors and officers

The Company has entered into deeds of indemnity, access and insurance with each Director. Under these deeds, the Company has agreed to indemnify, to the extent permitted by the Corporations Act, each Director in respect of certain liabilities which the Director may incur as a result of, or by reason of (whether solely or in part), being or acting as an officer of the Company. These liabilities include losses or liabilities incurred by the Director to any other person as an officer of the Company, including legal expenses. The Company has also agreed to maintain in favour of each officer a directors' and officers' policy of insurance for the period that they are officers and for seven years after they cease to act as officers.

### 5.5.6 Other interests and payments

Directors may also be reimbursed for travel and other expenses reasonably incurred in connection with the performance of their duties as Directors. Directors may be paid such special remuneration as the Directors decide is appropriate where a Director performs extra work or services for or at the request of the Company. There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

During the lead up to the Offer, prior to their formal appointment as Directors of the Company, both David Green and Michael Anderson were appointed as a consultant to the Company. For their consultancy services, each of these Directors was paid a fee of A\$10,000 per month.

## 5.6 EXECUTIVE REMUNERATION

The employment contracts for the senior Management are summarised below:

### 5.6.1 Managing Director and Chief Executive Officer

Mike Bolsover, along with other senior Management, has signed a new employment contract which will take effect from the Allotment Date. From the Allotment Date, Mr Bolsover will be employed by the Company in the position of Managing Director and Chief Executive Officer.

As at the date of this Prospectus, Mr Bolsover is employed by SHL Leisure Management Ltd, a subsidiary in the Group, in the position of Chief Executive Officer of Silver Heritage. Mr Bolsover has been employed full-time within the Group since 19 April 2005.

As part of that new contractual arrangement:

- Mr Bolsover will receive a remuneration package of US\$350,000 gross;
- Mr Bolsover will continue to participate in a Hong Kong Mandatory Provident Fund Scheme ("MPFS"), with the ability to voluntarily contribute additional funds to the MPFS which will be matched by the Company up to a maximum of 5% of Mr Bolsover's monthly base salary;

- Mr Bolsover will be eligible to participate in an annual short term incentive plan ("**STI Plan**") up to a maximum of 30% of his remuneration package for the relevant financial year. The STI Plan provides for cash payments to be made after the finalisation of the Company's audited accounts, subject to achieving specific targets as against key performance indicators agreed with the Board for that year; and
- Mr Bolsover is also entitled to participate in the Company's new long-term incentive plan ("**LTI Plan**") (as summarised in Section 5.8.2).

The new employment contract contains express provisions protecting the Company's confidential information and intellectual property.

Under the terms of Mr Bolsover's employment contract, either party is entitled to terminate Mr Bolsover's employment by giving 6 months' written notice. The Company may, at its election, make a payment in lieu of that notice based on Mr Bolsover's remuneration package or place Mr Bolsover on garden leave for that period. In addition, and reflecting his previous employment terms, where Mr Bolsover's employment is terminated by the Company on notice, he also will be entitled to receive a payment from the Company calculated on the basis of one months' remuneration package for each completed year of continuous service calculated from the date of his first employment with the Group, less any payment in lieu of notice to be paid to Mr Bolsover, and with that payment capped at a total of 12 months' remuneration package. Any payments to Mr Bolsover will also be subject to the termination payment cap provisions set out in the Corporations Act. The Company may also terminate Mr Bolsover's employment immediately and without further payment where he commits serious misconduct and on other similar grounds.

After termination of employment, the employment contract provides that Mr Bolsover will be subject to non-compete, non-solicitation of clients and non-solicitation of employees restrictions, within the main countries in which the Company operates and for a maximum period of 12 months.

#### **5.6.2 Executive Director – Special Projects**

Hugh Holmes has signed a new employment contract which will take effect from the Allotment Date. From the Allotment Date, Mr Holmes will be employed by the Company in the position of Executive Director – Special Projects.

As at the date of this Prospectus, Mr Holmes provides consultancy services to the Group via Hotel Investment Partners Limited in relation to the development of the Group's casino resorts in Nepal.

As part of that new contractual arrangement:

- Mr Holmes will receive a remuneration package of US\$300,000 gross;
- Mr Holmes will participate in a MPFS, with the ability to voluntarily contribute additional funds to the MPFS which will be matched by the Company up to a maximum of 5% of Mr Holmes's monthly base salary;
- Mr Holmes will be eligible to participate in the Company's STI Plan up to a maximum of 25% of his remuneration package for the relevant year, subject to achieving specific targets as against key performance indicators agreed with the Board for that year; and
- Mr Holmes is also entitled to participate in the Company's LTI Plan (as summarised in Section 5.8.2).

The new employment contract contains express provisions protecting the Company's confidential information and intellectual property.

Under the terms of Mr Holmes's employment contract, either party is entitled to terminate Mr Holmes's employment by giving 6 months' written notice. The Company may, at its election, make a payment in lieu of that notice based on Mr Holmes's remuneration package or place Mr Holmes on garden leave for that period. The Company may also terminate Mr Holmes's employment immediately and without further payment where he commits serious misconduct and on other similar grounds.

After termination of employment, the employment contract provides that Mr Holmes will be subject to non-compete and non-solicitation of employees restrictions, within the main countries in which the Company operates and for a maximum period of 6 months.

#### **5.6.3 Other senior Management**

All other senior Management are employed under written terms of employment with the Company. Like Mr Bolsover and Mr Holmes, certain of the other senior Management have signed new employment contracts which will take effect from the Allotment Date.

The key terms and conditions of their employment include:

- remuneration packages and participation in MPFS;

## 5. KEY PEOPLE, INTERESTS AND BENEFITS

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- participation in the STI Plan on similar terms as those summarised in Section 5.6.1 for Mr Bolsover, but with the maximum STI for any year up to 20% of their remuneration package;
- eligibility to participate in the Company's LTI Plan (as summarised in Section 5.8.2);
- express provisions protecting the Company's confidential information and intellectual property;
- notice of termination of employment provisions, with the relevant notice period being 3 months, and reflecting previous employment terms, potentially an additional payment on termination on similar terms as those summarised in Section 5.6.1 for Mr Bolsover; and
- post-employment restrictions covering non-competition, non-solicitation of clients and non-poaching of employees, within the main countries in which the Company operates for a maximum duration of 12 months.

### 5.7 CONSULTANCY AGREEMENT WITH MR RAJENDRA BAJGAIN

Happy World and Rajendra Bajgain are parties to a consultancy agreement dated 15 April 2015 (the "**Consultancy Agreement**"). Under the Consultancy Agreement, Happy World engages Mr Bajgain to provide consultancy and management services to Happy World in relation to its operation of TMC and any other casinos it may operate in the future. Mr Bajgain has agreed to provide these services until the Consultancy Agreement is terminated in accordance with its terms.

In consideration for the services provided by Mr Bajgain, Happy World has agreed to pay Mr Bajgain monthly gross compensation of NPR 1,700,000 (A\$21,080) as well as the lower of 10% of Happy World's annual net profits and NPR 10,000,000 (A\$124,000) annually per casino operated by Happy World. In addition, Happy World has agreed to reimburse Mr Bajgain for all pre-approved expenses.

Happy World indemnifies Mr Bajgain against any and all liabilities incurred in the performance of his obligations under the Consultancy Agreement.

The Consultancy Agreement may be terminated by Happy World in circumstances where Mr Bajgain is convicted of a felony, Mr Bajgain's material breach of the Consultancy Agreement where such breach is not remedied within 7 days following receipt of notice of such breach, or Mr Bajgain's gross negligence, wilful misconduct, fraud or breach of trust in his performance of his duties or obligations owed to Happy World.

### 5.8 LONG TERM INCENTIVE PLANS

#### 5.8.1 SHL option plan

Prior to the Reorganisation, share options were granted to certain employees of the Group in accordance with the Company's employee share option plan dated 16 April 2010 to acquire SHL Shares. In February 2013, the Company granted non-recourse loans to those employees to enable them to exercise their share options. The loans are interest free and due for repayment when the applicable SHL Shares are sold, except that the board of SHL agreed that the loans granted to Mike Bolsover and Martin Wright would be waived on Completion of the Offer.

In March 2014, additional options were granted to certain employees of the Group and they were immediately exercised by the provision of additional loans. As with the previous loans, the loans which were granted to Mike Bolsover, Martin Wright, and now also Tim Shepherd, are due to be waived on Completion of the Offer.

#### 5.8.2 New option and performance rights plan

In connection with the Company's listing, the Company intends to introduce a new long-term incentive plan ("**LTI Plan**"). The terms and conditions of the LTI Plan will be set out in comprehensive plan rules.

Under the LTI Plan, Directors, Management and other key employees identified by the Board will be offered participation in the form of options and/or performance rights (which will be options with a zero exercise price). Those grants will be designed to assist in the reward, retention and motivation of the Company's Directors, Management and key employees.

The vesting of those performance rights and options will be subject to the satisfaction of appropriate service-based conditions and performance hurdles, which when satisfied will allow participants to receive fully paid ordinary shares in the Company or vested options that are exercisable over ordinary shares in the Company respectively.

The Company does not intend to make any grants under the LTI Plan at the time of the listing.

At an appropriate time after the Company has listed, the Board will determine those Directors, Management and key employees who should participate in the LTI Plan, whether to issue performance rights and/or options (and if so, the exercise price), and the service-based conditions and/or performance hurdles to apply in order for those options and/or performance rights to vest.

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## 5.9 AGREEMENTS WITH RELATED PARTIES AND STRATEGIC PARTNERS

Other than as set out below or elsewhere in this Prospectus, there are no existing agreements or arrangements and there are no currently proposed transactions in which the Company was, or is to be, a participant, and in which any related party had or will have a direct or indirect material interest.

### 5.9.1 Compensation arrangements with Directors and executive officers

See "Section 5.5 – Key people, interests and benefits – Directors' interests and remuneration".

### 5.9.2 Indemnification arrangements with the Directors

"Section 5.5.5 – Key people, interests and benefits – Indemnification of Directors and officers".

### 5.9.3 Loans to Mike Bolsover

As part of the SHL share option plan, the Group has granted two interest free loans to Mike Bolsover in order to exercise options previously granted to acquire SHL Shares. The first loan of US\$474,888 was issued on 23 February 2013 to acquire 412,946 SHL Shares at a price of US\$1.15 per SHL Share. The second loan of US\$580,000 was issued on 27 March 2014 to acquire 290,000 at a price of US\$2.00 per SHL Share. These loans are secured by the SHL Shares in which the loans were used to purchase. The Group has agreed to waive the first loan and the second loan in full on Completion of the Offer.

### 5.9.4 Acquisition by SHL of all the shares in SHIPL not already owned by it

SHL currently owns 90% of SHIPL, with the remaining 10% owned by Rajendra Bajgain. In or around June 2014, SHL entered into a share purchase agreement under which it was to acquire from Rajendra Bajgain, and Rajendra Bajgain was to sell to SHL, all the shares in SHIPL that SHL did not already own (being 10% of SHIPL's issued share capital) on the terms of that agreement.

Completion of the transfer of the SHIPL shares from Rajendra Bajgain to SHL under the share purchase agreement is conditional on the approval of the Nepal Department of Industry ("DOI") and the Nepal Rastra Bank. The parties have procured DOI approval for the transfer but Nepal Rastra Bank approval has not yet been received as at the date of this Prospectus. Following completion of the transfer, SHL will wholly-own SHIPL, the holding company of the Group's operations in Nepal.

### 5.9.5 Minority interests in Happy World

SHIPL currently owns 99% of Happy World, with the remaining 1% owned by Rajendra Bajgain. On 15 April 2015, SHIPL entered into a share purchase agreement under which it was required to transfer 4% of its Happy World shares to Rajendra Bajgain and an additional 5% of its Happy World shares to Nabaraj Bajgain on the terms of that agreement.

Completion of the transfer of the Happy World shares from SHIPL to Rajendra Bajgain and Nabaraj Bajgain under the share purchase agreement is conditional on the approval of the DOI, which has not yet been received as at the date of this Prospectus. Following completion of the transfer, SHIPL will own 90% of the issued share capital of Happy World.

### 5.9.6 Gaming Concepts

SHL currently owns 50% of the issued share capital of Gaming Concepts, a company incorporated in Belize in March 2011. Gaming Concepts was established by SHL and two individual shareholders to supply gaming-related products and consultancy services to the casino industry in the Asia-Pacific region. Following Completion of the Offer, Gaming Concepts will be a 50% owned subsidiary of the Company.

Certain members of the Group have entered into arrangements with Gaming Concepts, as described below.

#### Shareholders' agreement

The shareholders' agreement governing Gaming Concepts contains customary provisions including pre-emptive rights on transfers, and new issues, of shares in Gaming Concepts. Additionally, SHL and the individual shareholders are required to subscribe for new Gaming Concepts shares at US\$20.00 per share to raise such amount as determined by the board of directors of Gaming Concepts in the event that Gaming Concepts determines that it has insufficient financial resources to fund its operations (including under the Provision of Financing Agreement described below) and debt financing is unable to be secured on at least standard commercial terms.

#### Provision of Financing Agreement

SHL has agreed, under a Provision of Financing Agreement dated 1 April 2011, to provide financing to Gaming Concepts of up to US\$300,000. This facility is required to be maintained until SHL is no longer a shareholder of Gaming Concepts.

## 5. KEY PEOPLE, INTERESTS AND BENEFITS

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### Management Services Agreement

The Group provides certain management services (such as maintenance of records, preparation of accounts, company secretarial services and administrative support services) to Gaming Concepts in return for a monthly fee of US\$5,000 (and all out-of-pocket expenses). The agreement continues until SHL is no longer a shareholder of Gaming Concepts.

### Share Option Agreement

Gaming Concepts has, under a Share Option Agreement dated 1 April 2011, granted SHL an option to acquire 10 shares in Gaming Concepts at the price of US\$20.00 per share, which is exercisable by SHL at any time until it is no longer a shareholder of Gaming Concepts.

### 5.9.7 Policy for approval of related party transactions

The Company's Audit & Risk Management Committee is responsible for reviewing and approving all transactions in which the Company is a participant and in which any parties related to the Company, including its executive officers, Directors, beneficial owners of more than 5% of the Company's Shares, immediate family members of the foregoing persons and any other persons whom the Board determines may be considered related parties of the Company, has or will have a direct or indirect material interest.

The Audit & Risk Management Committee or its Chair, as the case may be, will only approve those related party transactions that are determined to be in, or are not inconsistent with, the best interests of the Company and its Shareholders, after taking into account all available facts and circumstances as the Audit & Risk Management Committee or its Chair determines in good faith to be necessary. Transactions with related parties or Shareholders holding a relevant interest in at least 10% of the Company's shares may also be subject to Shareholder approval to the extent required by ASX Listing Rules.

## 5.10 CORPORATE GOVERNANCE

The Board is responsible for the overall governance of the Company. Issues of substance affecting the Company are considered by the Board, with advice from external advisers as required. Each Director must bring an independent view and judgment to the Board and must declare all actual or potential conflicts of interest. Any issue concerning a Director's ability to properly act as a director will be discussed at a Board meeting as soon as practicable, and a Director may not participate in discussions or resolutions pertaining to any matter in which the Director has a material personal interest.

### 5.10.1 Board Charter

The Board's role in risk oversight includes receiving reports from management and the Audit & Risk Management Committee on a regular basis regarding material risks faced by the Company and applicable mitigation strategies and activities. Those reports will detail the effectiveness of the risk management program and identify and address material business risks such as political disturbance, terrorism, conflict, natural disasters (such as earthquakes, floods and monsoons), technological, strategic, business, operational, financial, human resources and legal/regulatory risks. The Board and its committees consider these reports, discuss matters with management and identify and evaluate any potential strategic or operational risks including appropriate activity to address those risks.

The responsibilities of the Board are set down in the Company's Board Charter, which has been prepared having regard to ASX Corporate Governance Principles. A copy of the Company's Board Charter is available on the Company's website at [www.silverheritagegroup.com](http://www.silverheritagegroup.com). The Company will also send you a paper copy of its Board Charter, at no cost to you, should you request a copy during the Offer Period.

### 5.10.2 Board committees

As set out below, the Board has established two standing committees to facilitate and assist the Board in fulfilling its responsibilities. The Board may also establish other committees from time-to-time to assist in the discharge of its responsibilities.

Each committee has the responsibilities described in the committee charter (which has been prepared having regard to ASX Corporate Governance Principles) adopted by the Company. A copy of the charter for the committees is available on the Company's website at [www.silverheritagegroup.com](http://www.silverheritagegroup.com). The Company will also send you a free paper copy of its charter should you request a copy during the Offer Period.

| Committee                                    | Overview   | Members   |
|--|--|---|
| <b>Audit &amp; Risk Management Committee</b> | Oversees the Company's corporate accounting and financial reporting, including auditing of the Company's financial statements and the qualifications, independence, performance and terms of engagement of the Company's external auditor.   | Richard Barker (chair)<br>Michael Anderson<br>David Green |
| <b>People &amp; Culture Committee</b>        | Establishes, amends, reviews and approves the compensation and reviews equity incentive plans with respect to senior management and employees of the Company including reviewing individual elements of total compensation of the Chief Executive Officer and other members of senior management. The People & Culture Committee is also responsible for reviewing the performance of the Company's executive officers with respect to these elements of compensation. It evaluates the competencies required of prospective directors and recommends the Director nominees for each annual general meeting. | David Green (chair)<br>Michael Anderson<br>Richard Barker |

The Group also has a compliance committee which reports to the Board (for internal control reasons) and which is responsible for developing and monitoring the Group's programmes for regulatory compliance including anti-money laundering and anti-bribery and corruption procedures.

### 5.10.3 Corporate governance policies

The Company has also adopted the following policies, each of which has been prepared having regard to ASX Corporate Governance Principles and is available on the Company's website at [www.silverheritagegroup.com](http://www.silverheritagegroup.com):

- **Code of Conduct** – This policy sets out the standards of ethical behaviour that the Company expects from its Directors, officers and employees;
- **Continuous Disclosure Policy** – Once listed on ASX, the Company will need to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act to ensure the Company discloses to ASX any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares. As such, this policy sets out certain procedures and measures which are designed to ensure that the Company complies with its continuous disclosure obligations;
- **Risk Management Policy** – This policy is designed to assist the Company to identify, assess, monitor and manage risks affecting the Company's business;
- **Securities Trading Policy** – This policy is designed to maintain investor confidence in the integrity of the Company's internal controls and procedures and to provide guidance on avoiding any breach of the insider trading laws;
- **Shareholder Communications Policy** – This policy sets out practices which the Company will implement to ensure effective communication with its Shareholders; and
- **Diversity Policy** – This policy sets out the Company's objectives for achieving diversity amongst its Board, management and employees.

The Company will also send you a free paper copy of any of the above policies should you request a copy during the Offer Period.

## 5. KEY PEOPLE, INTERESTS AND BENEFITS

### 5.10.4 ASX Corporate Governance Principles

The Board has evaluated the Company's current corporate governance policies and practices in light of ASX Corporate Governance Principles. A brief summary of the approach currently adopted by the Company is set out below.

|                    |  |   |
|--------------------|--|---|
| <b>Principle 1</b> | Lay solid foundations for management and oversight | <p>The Board's responsibilities are defined in the Group's Board Charter.</p> <p>The Company has also established a clear delineation between the Chairman's responsibilities for the Company and the day-to-day management of operations conferred upon the Chief Executive Officer and certain other officers of the Company.</p> <p>The People &amp; Culture Committee evaluates the performance of senior executives.</p>   |
| <b>Principle 2</b> | Structure the Board to add value                   | <p>The majority of the Company's Board is comprised of Independent Directors and the roles of Chairman and Chief Executive Officer are exercised by two separate individuals. The Company's Chairman is also an independent director as required by Principle 2 of the ASX Corporate Governance Principles.</p> <p>As the Company is still in an early stage of development, it has not yet undertaken a formal review of the Board's performance. However, the Board Charter provides for an annual self-assessment of the Board's performance to be provided to the Group's People &amp; Culture Committee. See "Section 5.10.2 – Key people, interests and benefits – Board committees".</p>   |
| <b>Principle 3</b> | Promote ethical and responsible decision making    | <p>The Company has adopted a Code of Conduct, as well as a Securities Trading Policy, a Diversity Policy and a policy and procedure for related party transactions.</p> <p>Due to the Company's size and the locations in which it operates, it has elected not to set gender diversity objectives in its Diversity Policy at this time. The Board shall, when the Company has reached the requisite corporate and commercial maturity, amend the Company's Diversity Policy to include set gender diversity objectives against which it will assess its diversity performance annually.</p> <p>The Company acknowledges that it respects the benefits of employment diversity and will employ the best staff available irrespective of gender and in accordance with its Diversity Policy.</p> |
| <b>Principle 4</b> | Safeguard integrity in financial reporting         | <p>The Company has established an Audit &amp; Risk Management Committee which complies with ASX Corporate Governance Principles to oversee the management of financial and internal risks.</p>  |
| <b>Principle 5</b> | Make timely and balanced disclosure                | <p>The Company is committed to providing timely and balanced disclosure to the market in accordance with its Continuous Disclosure Policy.</p>  |

|                    |                                    |   |
|--------------------|------------------------------------|---|
| <b>Principle 6</b> | Respect the rights of Shareholders | <p>The Company has adopted a Shareholder Communications Policy for Shareholders wishing to communicate with the Board. The Company seeks to recognise numerous modes of communication, including electronic communication, to ensure that its communication with Shareholders is frequent, clear and accessible.</p> <p>All Shareholders are invited to attend the Company's annual general meeting, either in person or by representative. The Board regards the annual general meeting as an excellent forum in which to discuss issues relevant to the Company and accordingly encourages full participation by Shareholders. Shareholders have an opportunity to submit questions to the Board and to the Company's auditors.</p> |
| <b>Principle 7</b> | Recognise and manage risk          | <p>In conjunction with the Company's other corporate governance policies, the Company has adopted a Risk Management Policy, which is designed to assist the Company to identify, evaluate and mitigate risks affecting the Company.</p> <p>In addition, the Board has established a standing Audit &amp; Risk Management Committee to provide focused support in key areas (see "Section 5.10.2 – Key people, interests and benefits – Board committees"). Regular internal communication between the Company's management and Board supplements the Company's quality system, complaint handling processes, employee policies and standard operating procedures which are all designed to address various forms of risks.</p>        |
| <b>Principle 8</b> | Remunerate fairly and responsibly  | <p>The Company has established a People &amp; Culture Committee (See "Section 5.10.2 – Key people, interests and benefits – Board committees"). The Company will provide disclosure of its Directors' and executives' remuneration in its annual report.</p>  |



## FINANCIAL INFORMATION



Artistic rendering of Tiger Palace Resort Bhairahawa, Porte Cochere/Casino, See Section 3.4.3.

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## 6.1 INTRODUCTION

The financial information contained in this section includes the following:

### 6.1.1 Historical and Pro forma Historical Financial Information

- pro forma historical consolidated income statements for the years ended 31 December 2013 (FY2013), 31 December 2014 (FY2014) and 31 December 2015 (FY2015) together with a reconciliation to the audited historical consolidated income statements for the years ended 31 December 2013, 31 December 2014, and 31 December 2015;
- pro forma historical consolidated net cash flows for the years ended 31 December 2013, 31 December 2014 and 31 December 2015;
- audited historical consolidated balance sheet as at 31 December 2015; and
- pro forma historical consolidated balance sheet as at 31 December 2015;

together referred to as the **"Historical Financial Information"**.

### 6.1.2 Forecast Financial Information

- pro forma and statutory forecast consolidated income statements for the year ending 31 December 2016 (FY2016) (Pro forma and Statutory Forecast Income Statements); and
- pro forma and statutory forecast consolidated net cash flows for the year ending 31 December 2016 (Pro forma and Statutory Forecast Cash Flows);

together referred to as the **"Forecast Financial Information"**.

The Historical Financial Information and the Forecast Financial Information together form the **"Financial Information"**.

Also summarised in this section are:

- The basis of preparation and presentation of the Financial Information (Section 6.2);
- Segment financial and key operating metrics of the Financial Information (Section 6.5);
- Foreign exchange policy (Section 6.6);
- Management discussion and analysis of the Historical Financial Information (Section 6.10);
- The Directors' best estimate assumptions underlying the Forecast Financial Information (Section 6.11);
- Key sensitivities in respect of the Forecast Financial Information (Section 6.12);
- Description of the external financing facilities (Section 6.14); and a summary of the dividend policy (Section 6.15).

All amounts disclosed in this section are presented in US dollars and, unless otherwise noted are rounded to the nearest US\$1,000.

The Financial Information has been reviewed by the Investigating Accountant, whose Independent Limited Assurance Report is contained in Section 7. Investors should note the scope and limitations of that report. The information in this Section 6 should also be read in conjunction with the risk factors set out in Section 4 and other information contained in this prospectus.

## 6.2 BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

The Financial Information included in this section has been prepared in accordance with the recognition and measurement principles prescribed by the International Accounting Standards Board (including other authoritative pronouncements issued by the IASB).

The Group's significant accounting policies relevant to the Financial Information are noted in **Appendix 2** to this Prospectus. The Group's accounting policies have been consistently applied throughout the periods presented.

The Financial Information is presented in an abbreviated form and does not contain all of the disclosures, statements or comparative information required by Australian Accounting Standards applicable to financial reports prepared in accordance with the Corporation Act 2001.

The Financial Information has been prepared for the purpose of the Offer.

## 6. FINANCIAL INFORMATION

### 6.2.1 Preparation of the Historical Financial Information

The Pro Forma Historical Financial Information has been prepared for inclusion in this Prospectus and has been derived from the audited historical consolidated financial statements of the Group for FY2013, FY2014 and FY2015. The historical consolidated financial statements for FY2013, FY2014 and FY2015 were audited by Grant Thornton Audit Pty Ltd. Grant Thornton Audit Pty Ltd issued a qualified audit opinion in relation to FY2013 due to being appointed on 25 August 2014 which was after the financial year end. The qualification was in relation to not being able to observe the counting of physical inventories or the counting of physical cash balances at 31 December 2013. An unqualified audit opinion was issued for FY2014 and FY2015.

Section 6.9, Table 6.7 and Appendix 4 set out the pro forma adjustments made to the Audited Historical Results and a reconciliation of the Audited Historical Results to the Pro Forma Historical Results. The Historical Financial Information has been adjusted to be presented on a comparable basis to the Forecast Financial Information, and has been adjusted to include the impact of the following:

- Incremental costs of being a listed entity;
- One-off offer costs incurred in relation to the Offer;
- The sale of Silver Heritage operations in the Philippines (refer to Section 9.2);
- Eliminating certain non-operating or non-recurring items; and
- The relevant tax effect of the above adjustments.

The Management Discussion and Analysis included in Section 6.10 has been prepared based on the Pro Forma Historical Results.

Silver Heritage Limited reported the operating activities and financial results of the business until the completion of the Implementation Deed (referred to as the "**Reorganisation**") when Silver Heritage Group Limited will become the Group's ultimate parent company (Section 10.6). Following the Reorganisation, Silver Heritage Group Limited is the reporting entity. The Reorganisation has been evaluated to be outside of the criteria in AASB 3: "Business Combinations" and it has been determined that the underlying substance of the consolidated group is unchanged. The Reorganisation therefore has no impact on the book value of net assets as recorded prior to the Reorganisation. The Reorganisation will be accounted for using the predecessor carrying values of the net assets of the Group at the time of the Reorganisation. The carrying value of the net assets will continue to be recorded at their book values as per the Group aggregated financial statements and the results of Silver Heritage Limited will continue to be reported in a manner consistent with that to be recorded by the Group.

Investors should note that past results are not a guarantee of future performance.

### 6.2.2 Preparation of Forecast Financial Information

The pro forma forecast consolidated income and cash flow statements have been derived from the statutory forecast consolidated income and cash flow statements after adjusting for the pro forma adjustments to reflect the Group's operations following completion of the Offer as set out in this section.

The pro forma forecast consolidated income statement, which is set out in Section 6.4, differs from the statutory forecast consolidated income statement because the pro forma forecast consolidated income statement reflects the full year effect of the operating, debt and equity structure that will be in place upon completion of the Offer, but excludes costs directly attributable to the Offer and other non-recurring items which are not expected to occur in the future. Refer to **Section 6.9** for reconciliations between the statutory and pro forma Forecast Financial Information.

The Forecast Financial Information has been prepared by the Group based on an assessment of present economic and operating conditions and on a number of Directors' best estimate assumptions regarding future events and actions as set out in **Section 6.11**. The Directors believe the best estimate assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus. However, this information is not fact and investors are cautioned not to place undue reliance on the Forecast Financial Information.

Presentation of the Directors' best estimate assumptions is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur. Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a material positive or negative effect on the Group's actual financial performance, cash flows or financial position.

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Accordingly, neither the Group, the Directors, nor any other person can give investors any assurance that the outcomes discussed in relation to the Forecast Financial Information will arise. Investors are advised to review the Forecast Financial Information and the Directors' best estimate assumptions set out in **Section 6.11**, in conjunction with the sensitivity analysis set out in **Section 6.12** and other information set out in this Prospectus.

The Group has no intention to update or revise the Forecast Financial Information or other forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this prospectus, except where required by law.

### 6.3 EXPLANATION OF CERTAIN NON IFRS FINANCIAL MEASURES

Investors should be aware that certain financial data included in this **Section 6** is "*non IFRS financial information*" under Regulatory Guide 230: "Disclosing non IFRS financial information" published by ASIC. The Group believes that this non IFRS financial information provides useful information to users in measuring the financial performance and conditions of the Group. As non IFRS measures are not defined by recognised standard setting bodies, they do not have a prescribed meaning. Therefore, the way in which the Group calculates these measures may be different to the way other companies calculate similarly titled measures. Investors are cautioned not to place undue reliance on any non IFRS financial information and ratios.

In particular the following non IFRS financial data is included:

- Gross Gaming Revenue, or GGR, means the amount of revenue realised after payment of winnings but before payment of local gaming taxes and any revenue sharing arrangements. GGR in geographical regions other than Nepal in FY2015 and FY2016 is not earned by the Group but is a key metric used by management to measure the performance in the various segments, as it is the primary revenue driver in the various contracts;
- Average gross win per day per EGM, or GWPd per EGM, and average gross win per day per table, or GWPd per table, mean the GGR generated by the EGMs or tables under the Group's management, before the casino shares and taxes earned for each EGM or table per day as an average for the applicable year. As a result, with the exception of Nepal in FY2015 and FY2016, the GWPd per EGM or table does not reflect the Group's revenue, but rather the revenue generated by the third party Casino, on which the management, service and entertainment contracts are based. Investors should note that the average GWPd per EGM or table in Nepal in FY2015 and FY2016 will include both actual and forecast net wins and losses of a particular day within the applicable year.
- Average hold percentage means the average amount retained by the venue expressed as a percentage of the amount exchanged into chips over the applicable year.
- EBITDA which means earnings before interest, taxation depreciation and amortisation, as well as one off expenses; and
- EBIT which means earnings before interest and taxation.

## 6. FINANCIAL INFORMATION

### 6.4 PRO FORMA HISTORICAL AND FORECAST INCOME STATEMENTS AND THE STATUTORY INCOME STATEMENT

Table 6.1 below presents the pro forma historical income statements and other non IFRS financial measures for FY2013, FY2014 and FY2015, and the Pro Forma and Statutory Forecast Income Statement and other non IFRS financial measures for FY2016.

**Table 6.1: Pro forma Historical and Forecast Income Statements, and the Statutory Historical and Forecast Income Statement**

| US\$'000s   | Note     | Historical Period   |                     |                     | Forecast Period     | Forecast Period     |
|---|----------|---------------------|---------------------|---------------------|---------------------|---------------------|
|   |          | FY2013<br>Pro forma | FY2014<br>Pro forma | FY2015<br>Pro forma | FY2016<br>Pro forma | FY2016<br>Statutory |
| <b>Operating revenue</b>                                  | <b>1</b> | <b>7,459</b>        | <b>9,173</b>        | <b>16,763</b>       | <b>18,409</b>       | <b>18,409</b>       |
| Other revenue   | 2        | 571                 | 696                 | 444                 | 842                 | 842                 |
| <b>Total revenue</b>                                      | <b>3</b> | <b>8,030</b>        | <b>9,869</b>        | <b>17,207</b>       | <b>19,251</b>       | <b>19,251</b>       |
| Operating costs   | 4        | (3,770)             | (4,122)             | (10,882)            | (10,721)            | (10,721)            |
| <b>Gross profit</b>                                       | <b>5</b> | <b>4,260</b>        | <b>5,747</b>        | <b>6,325</b>        | <b>8,530</b>        | <b>8,530</b>        |
| Overheads   | 6        | (2,617)             | (3,509)             | (4,307)             | (4,620)             | (7,959)             |
| <b>EBITDA</b>   |          | <b>1,643</b>        | <b>2,238</b>        | <b>2,018</b>        | <b>3,910</b>        | <b>571</b>          |
| Depreciation  | 7        | (1,924)             | (1,994)             | (2,388)             | (2,390)             | (2,390)             |
| <b>EBIT</b>   |          | <b>(281)</b>        | <b>244</b>          | <b>(370)</b>        | <b>1,520</b>        | <b>(1,819)</b>      |
| Net interest expense                                      |          | (64)                | (393)               | (1,075)             | (2,225)             | (2,962)             |
| <b>Net (loss)/profit before tax</b>                       |          | <b>(345)</b>        | <b>(149)</b>        | <b>(1,445)</b>      | <b>(705)</b>        | <b>(4,781)</b>      |
| Income tax  | 9        | –                   | (43)                | (236)               | (543)               | (543)               |
| <b>Net (loss)/profit after tax</b>                        |          | <b>(345)</b>        | <b>(192)</b>        | <b>(1,681)</b>      | <b>(1,248)</b>      | <b>(5,324)</b>      |
| Minority interest   |          | –                   | –                   | (2)                 | (120)               | (120)               |
| <b>Net (loss)/profit after tax attributable to owners</b> |          | <b>(345)</b>        | <b>(192)</b>        | <b>(1,683)</b>      | <b>(1,368)</b>      | <b>(5,444)</b>      |

The statutory FY2016 forecast assumes the Group is a listed company from August 2016 onwards; therefore the statutory FY2016 forecast includes only 5 months of public company costs.

Refer to **Section 6.9** and **Appendix 4** for a reconciliation between the Pro forma and Statutory Net Profit/ (loss) after Tax for FY2013, FY2014, FY2015 and FY2016

Minority interest relates to the 1% interest held externally in Happy World Pvt Limited (refer to Section 3.4.1.1).

#### 6.4.1 Description of key financial terms

Set out below is a description of the key financial terms used in the presentation of the Financial Information

- Operating revenue:** includes the Group's revenue from management, entertainment and service revenues and is presented net of gaming taxes and the partner revenue share paid to the third parties that own some of the managed EGMs. The Group generates operating revenue from the following:
  - gross gaming revenue through the operation of TMC;
  - a services fee calculated as a percentage of GGR generated at The Phoenix International Club for the provision of management services at the casino;
  - a revenue sharing fee for the provision of technical support and maintenance services and EGMs to casinos and gaming clubs in Laos, Cambodia and previously in Tinian; and
  - lease payments from the leasing of EGMs at ST Vegas in Laos.
- Other revenue:** consists of non-gaming revenues, primarily gains and fees on the disposal of owned and third party equipment.
- Total revenue:** is operating revenues plus other revenue.

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4. **Operating costs:** consists of the direct costs associated with the management of the EGMs and casinos paid by the Group under management contracts and owned casinos, which also includes an allocation of directly attributable overhead.
  5. **Gross profit:** is total revenue less operating costs at the casino before corporate overhead.
  6. **Overheads:** consists of costs of the Hong Kong head office, including the executive team, audit and legal costs, and other costs not directly attributable to business units; it also includes a portion of the technical centre in the Philippines. The FY2016 Statutory Forecast overhead includes non-recurring expenditure and costs associated with the development of Tiger Palace Resort Bhairahawa, TMC and Tiger Palace Resort Jhapa which are not permitted to be capitalised under applicable accounting standards. In addition, the expense of non-recourse loans provided to management and the impairment of the debt owing from Silver Heritage Phils Inc. have been adjusted (refer Section 6.9).
  7. **Depreciation:** relates to the depreciation of Group owned equipment including EGMs, and the fit-out of owned and managed casinos (refer to the Accounting Policies in Appendix 2 of the Prospectus for the applicable depreciation rates).
  8. **Impairment:** On 25 November 2015, the Group divested the remaining investment in SHPI (refer Section 9.2). As a result, an impairment charge has been recorded in the statutory figures for fixed assets and receivable amounts held in the Philippines.
  9. **Income Tax:** has been calculated having regard to the applicable statutory Group income tax rates in the jurisdictions in which the Group operates (which range from 22% in Vietnam to 25% in Nepal). The respective tax rates have been applied to each of the historical and forecast periods.

## 6.5 SEGMENT REPORTING

A segment is a distinguishable component of the consolidated group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographic segment), which is subject to risks and rewards that are different from those of other segments.

The Group considers that geographic segments are appropriate for segment reporting purposes under AASB 8: "Operating Segments".

### 6.5.1 Segment financials

The following tables present a summary of GGR and pro forma EBITDA by geography, based on operating location. The GGR presented below is only earned by the Group in TMC, which opened in FY2015, and one of the previously owned casinos in Nepal which was closed in FY2013. The Group does not earn GGR in other geographies, however it is presented as it is a key revenue measure for management as the management, entertainment and service revenues earned by the Group are driven by GGR.

## 6. FINANCIAL INFORMATION

**Table 6.2: Pro forma gross gaming revenue and EBITDA summary by geography**

| US\$'000s  | Historical Period   |                     |                     | Forecast Period     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | FY2013<br>Pro forma | FY2014<br>Pro forma | FY2015<br>Pro forma | FY2016<br>Pro forma |
| <b>GGR of the venues reconciliation to operating revenue</b> |                     |                     |                     |                     |
| Gross gaming revenue   | 38,232              | 36,580              | 45,350              | 40,193              |
| Casino share and taxes                                       | (30,493)            | (27,038)            | (28,257)            | (21,413)            |
| Machine partner share  | (280)               | (369)               | (330)               | (371)               |
| <b>Operating revenue</b>                                     | <b>7,459</b>        | <b>9,173</b>        | <b>16,763</b>       | <b>18,409</b>       |
| <b>GGR of the venues by geography</b>                        |                     |                     |                     |                     |
| Laos   | 28,768              | 22,857              | 19,093              | 11,042              |
| Vietnam  | 3,034               | 10,671              | 18,062              | 21,030              |
| Nepal  | 1,348               | –                   | 5,281               | 6,745               |
| Cambodia   | 2,078               | 2,174               | 2,583               | 1,376               |
| Macau  | 1,079               | –                   | –                   | –                   |
| Tinian   | 1,925               | 878                 | 331                 | –                   |
| <b>Total gross gaming revenue</b>                            | <b>38,232</b>       | <b>36,580</b>       | <b>45,350</b>       | <b>40,193</b>       |
| <b>Pro forma EBITDA</b>                                      |                     |                     |                     |                     |
| Laos   | 2,963               | 1,595               | (32)                | 632                 |
| Vietnam  | 575                 | 3,907               | 5,600               | 5,742               |
| Nepal  | (373)               | –                   | 394                 | 1,805               |
| Cambodia   | 174                 | 242                 | 367                 | 247                 |
| Macau  | 88                  | –                   | –                   | –                   |
| Other  | 833                 | 3                   | (4)                 | 104                 |
| Corporate costs  | (1,617)             | (2,509)             | (3,307)             | (3,620)             |
| Public company costs   | (1,000)             | (1,000)             | (1,000)             | (1,000)             |
| <b>Total Pro forma EBITDA</b>                                | <b>1,643</b>        | <b>2,238</b>        | <b>2,018</b>        | <b>3,910</b>        |

### 6.6 FOREIGN EXCHANGE POLICY

The main foreign currencies that are used by the Group are the US Dollar, Thailand Baht, Nepalese Rupee and HK Dollar. Operating costs are paid in local currencies and management does not hedge against the movements in these currencies. The Group is therefore exposed to foreign exchange risk arising primarily with respect to the Thailand Baht and to the Nepalese Rupee.

All of the gaming in Vietnam is conducted in US Dollars as only non-Vietnamese nationals are permitted to gamble and are therefore derived in US Dollars. Cambodia and Tinian revenues are also derived in US Dollars with Laos revenues derived in Thailand Baht.

The Financial Information has been prepared using the following exchange rates.

### 6.6.1 Foreign Exchange Rates

**Table 6.3: Assumed average exchange rate in the historical and forecast periods**

| Average rate during the period |           | Historical Period |        |        | Forecast Period |
|--------------------------------|-----------|-------------------|--------|--------|-----------------|
|                                |           | FY2013            | FY2014 | FY2015 | FY2016          |
| THB – Thailand Baht            | US\$1.00: | 30.73             | 32.61  | 34.20  | 35.22           |
| NPR – Nepalese Rupee           | US\$1.00: | 94.61             | 99.10  | 104.18 | 109.89          |

### 6.6.2 Key operating metrics

The following table sets out the key operating metrics used by the Group which include non IFRS financial measures.

**Table 6.4: Key pro forma operating metrics**

| US\$'000s   | Historical Period |             |             | Forecast Period |
|---|-------------------|-------------|-------------|-----------------|
|   | FY2013            | FY2014      | FY2015      | FY2016          |
| <b>Average number of EGMs and tables</b>                        | <b>No.</b>        | <b>No.</b>  | <b>No.</b>  | <b>No.</b>      |
| <b>EGMs</b>   |                   |             |             |                 |
| Laos  | 446               | 488         | 540         | 409             |
| Vietnam   | 49                | 67          | 68          | 72              |
| Nepal   | 110               | –           | 29          | 38              |
| Cambodia  | 163               | 60          | 60          | 23              |
| Macau   | 74                | –           | –           | –               |
| Tinian  | 77                | 44          | 37          | –               |
| <b>Total</b>  | <b>919</b>        | <b>659</b>  | <b>734</b>  | <b>542</b>      |
| <b>Tables</b>   |                   |             |             |                 |
| Vietnam   | 3                 | 6           | 8           | 15              |
| Nepal   | –                 | –           | 16          | 18              |
| <b>Total</b>  | <b>3</b>          | <b>6</b>    | <b>24</b>   | <b>33</b>       |
| <b>Average gross win per day per EGM or table of the venues</b> |                   |             |             |                 |
| <b>EGMs</b>   | <b>US\$</b>       | <b>US\$</b> | <b>US\$</b> | <b>US\$</b>     |
| Laos  | 178               | 128         | 97          | 72              |
| Vietnam   | 115               | 110         | 115         | 98              |
| Nepal   | 37                | –           | 24          | 44              |
| Cambodia  | 47                | 99          | 118         | 111             |
| Macau   | 40                | –           | –           | –               |
| Tinian  | 69                | 53          | 18          | –               |
| <b>Tables</b>   |                   |             |             |                 |
| Nepal   | –                 | –           | 772         | 915             |
| Vietnam   | 845               | 3,643       | 5,332       | 3,295           |
| Nepal average hold %  | –                 | –           | 25.2%       | 20.8%           |
| Vietnam average hold %  | 18.6%             | 20.7%       | 26.7%       | 21.1%           |

## 6. FINANCIAL INFORMATION

### 6.7 STATUTORY HISTORICAL AND PRO FORMA HISTORICAL BALANCE SHEETS

The table below has been extracted from the audited statutory historical consolidated balance sheet of SHL as at 31 December 2015 and adjusted to reflect the impact of the Offer and Reorganisation as if it had taken place as at 31 December 2015. An unaudited convenience translation in Australian Dollars of the pro forma balance sheet at 31 December 2015 has also been included (the indicative foreign exchange rate applied is A\$1.00 = US\$0.75).

The post Offer pro forma historical consolidated balance sheet is provided for illustrative purposes and is not represented as being necessarily indicative of the Group's view on its future financial position.

**Table 6.5: Historical Balance Sheet as at 31 December 2015 and pro forma balance sheet at 31 December 2015**

|                                      | Note | Audited<br>historical<br>balance<br>sheet at 31<br>December<br>2015<br><br>US\$'000s | Impact of<br>the Offer<br><br>US\$'000s | Pro Forma<br>historical<br>balance<br>sheet at 31<br>December<br>2015<br><br>US\$'000s | Pro Forma<br>historical<br>balance<br>sheet at 31<br>December<br>2015<br><br>A\$'000s |
|--------------------------------------|------|--|---|--|---|
| <b>ASSETS</b>                        |      |  |   |  |   |
| <b>CURRENT ASSETS</b>                |      |  |   |  |   |
| Cash and cash equivalents            | 1, 2 | 6,034  | 28,267                                  | 34,301   | 45,735  |
| Trade and other receivables          |      | 1,599  | –                                       | 1,599  | 2,132   |
| Inventory                            |      | 2,001  | –                                       | 2,001  | 2,668   |
| Other                                |      | 1,835  | (927)                                   | 908  | 1,211   |
| <b>TOTAL CURRENT ASSETS</b>          |      | <b>11,469</b>  | <b>27,340</b>                           | <b>38,809</b>  | <b>51,746</b>   |
| <b>NON CURRENT ASSETS</b>            |      |  |   |  |   |
| Receivables                          |      | 1,785  | –                                       | 1,785  | 2,380   |
| Other financial assets               |      | 150  | –                                       | 150  | 200   |
| Plant and equipment                  |      | 16,144   | –                                       | 16,144   | 21,525  |
| Intangible assets                    |      | 11,437   | –                                       | 11,437   | 15,249  |
| Other                                |      | 1,102  | –                                       | 1,102  | 1,470   |
| <b>TOTAL NON CURRENT ASSETS</b>      |      | <b>30,618</b>  | <b>–</b>                                | <b>30,618</b>  | <b>40,824</b>   |
| <b>TOTAL ASSETS</b>                  |      | <b>42,087</b>  | <b>27,340</b>                           | <b>69,427</b>  | <b>92,570</b>   |
| <b>LIABILITIES</b>                   |      |  |   |  |   |
| <b>CURRENT LIABILITIES</b>           |      |  |   |  |   |
| Trade and other payables             |      | 4,219  | (1,732)                                 | 2,487  | 3,316   |
| Provisions                           |      | 60   | –                                       | 60   | 80  |
| <b>TOTAL CURRENT LIABILITIES</b>     |      | <b>4,279</b>   | <b>(1,732)</b>                          | <b>2,547</b>   | <b>3,396</b>  |
| <b>NON CURRENT LIABILITIES</b>       |      |  |   |  |   |
| Borrowings                           | 2    | 13,025   | 11,402                                  | 24,427   | 32,570  |
| <b>TOTAL NON CURRENT LIABILITIES</b> |      | <b>13,025</b>  | <b>11,402</b>                           | <b>24,427</b>  | <b>32,570</b>   |
| <b>TOTAL LIABILITIES</b>             |      | <b>17,304</b>  | <b>9,670</b>                            | <b>26,974</b>  | <b>35,966</b>   |
| <b>NET ASSETS</b>                    |      | <b>24,783</b>  | <b>17,670</b>                           | <b>42,453</b>  | <b>56,604</b>   |
| <b>EQUITY</b>                        |      |  |   |  |   |
| Issued capital                       | 3    | 38,893   | 17,381                                  | 56,274   | 75,032  |
| Other contributed equity             | 4    | –  | 2,652                                   | 2,652  | 3,536   |
| Reserves                             |      | 877  | –                                       | 877  | 1,169   |
| Retained losses                      | 5    | (14,987)   | (2,363)                                 | (17,350)   | (23,133)  |
| <b>TOTAL EQUITY</b>                  |      | <b>24,783</b>  | <b>17,670</b>                           | <b>42,453</b>  | <b>56,604</b>   |

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Notes to the pro forma adjustments and pro forma balance sheet at 31 December 2015:

1. *Cash and cash equivalents*: The Group intends to raise US\$18.8 million in new equity less forecast cash Offer costs outstanding at 31 December 2015 of US\$3.1 million. The Group will incur additional interest costs of US\$1.0 million on the Existing Bonds which will be redeemed following the Offer as well as shareholder redemption of US\$69,000. A further US\$20.0 million will be raised through refinancing with OCP under which OLMS and OLI will subscribe for the New Bonds (see Section 9.8.2).
2. *Borrowings*: The Existing Bonds will be redeemed immediately following the Offer amounting to US\$10.0 million (plus interest) from the proceeds of the New Bonds. The remaining syndicated debt facility in relation to Tiger Palace Resort Bhairahawa is assumed to be drawn amounting to US\$7.1 million. A further \$20.0 million will be raised through the New Bonds.
3. *Issued capital*: increases by US\$17.4 million to reflect the Offer less capitalised offer costs, offset by shareholder redemption of US\$69,000.
4. *Other contributed equity*: Options have been recognised in relation to the New Bonds.
5. *Retained losses*: adjustments to reflect the expensed costs associated with the Offer (US\$1.6 million), and interest paid in relation to the Existing Bonds.
6. The offer costs processed through the pro forma balance sheet reflect all offer costs due in FY2016. The offer costs set out in the Sources and Uses of Proceeds reflect all offer costs due at IPO date.

## 6.8 PRO FORMA HISTORICAL AND FORECAST CASH FLOWS AND THE STATUTORY CASH FLOWS

### 6.8.1 Liquidity and capital resources

The Group's principal sources of cash are from operations. The Group anticipates that the primary uses of cash will be to fund the development of Tiger Palace Resort Bhairahawa, and to provide working capital for the business.

In addition to the cash available for working capital following the Offer (US\$4.3 million) (see "Section 8.3 Purpose of the Offer"), statutory cash flows from operations less financing costs in FY2016 are forecast to amount to US\$3.6 million.

The Board believes that the Group's current cash reserves plus the net proceeds of the Offer and operating cash flows forecast to be generated in FY2016 will be sufficient to fund the Company's key objectives as set out in the Prospectus. These key objectives comprise:

- Completing the construction and full fit-out, and funding the pre-opening expenses, of Tiger Palace Resort Bhairahawa, scheduled to be operational in early 2017; and
- Payment of an additional deposit to acquire a site for Tiger Palace Resort Jhapa.

Set out in the table below is a summary of the Group's pro forma historical net cash flows for FY2013, FY2014 and FY2015 and the Pro Forma and Statutory Forecast net Cash Flows for FY2016.

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**Table 6.6: Pro forma Historical and Forecast Cash Flows**

| US\$'000s  | Historical Period   |                     |                     | Forecast Period     | Forecast Period     |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
|  | FY2013<br>Pro forma | FY2014<br>Pro forma | FY2015<br>Pro forma | FY2016<br>Pro forma | FY2016<br>Statutory |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                      |                     |                     |                     |                     |                     |
| EBITDA   | 1,643               | 2,238               | 2,018               | 3,910               | 571                 |
| Offer costs expensed (included in financing cash flows)          | –                   | –                   | –                   | –                   | 2,312               |
| Future project costs expensed (included in investing cash flows) | –                   | –                   | –                   | –                   | 1,610               |
| Change in working capital  | 1,172               | (4,832)             | 2,125               | 687                 | 687                 |
| Income taxes paid  | –                   | (43)                | (236)               | (278)               | (278)               |
| <b>Operating cash flow from operations</b>                       | <b>2,815</b>        | <b>(2,637)</b>      | <b>3,907</b>        | <b>4,319</b>        | <b>4,902</b>        |
| Capital expenditure  | (6,012)             | (9,550)             | (15,938)            | (31,364)            | (31,364)            |
| Other investments  | (409)               | 4,217               | –                   | –                   | –                   |
| Disposal of fixed assets   | –                   | –                   | –                   | –                   | –                   |
| <b>Investing cash flow</b>                                       | <b>(6,421)</b>      | <b>(5,333)</b>      | <b>(15,938)</b>     | <b>(31,364)</b>     | <b>(31,364)</b>     |
| Issue of share capital (incl. offer costs)                       | 2,698               | 21,064              | –                   | 15,605              | 15,605              |
| Shareholder redemption   | –                   | –                   | –                   | (69)                | (69)                |
| Payments to/from non-controlling interests                       | 28                  | (26)                | –                   | –                   | –                   |
| Net movement in borrowings                                       | 439                 | 6,755               | 3,553               | 13,266              | 13,266              |
| Interest paid  | (64)                | (393)               | (1,075)             | (1,333)             | (1,333)             |
| <b>Financing cash flows</b>                                      | <b>3,101</b>        | <b>27,400</b>       | <b>2,478</b>        | <b>27,469</b>       | <b>27,469</b>       |
| <b>Net cash flow</b>   | <b>(505)</b>        | <b>19,430</b>       | <b>(9,553)</b>      | <b>424</b>          | <b>1,007</b>        |

### 6.8.1.1 Operating Activities

In FY2015, pro forma cash flows provided by operating activities were US\$3.9 million. In addition to EBITDA of US\$2.0 million, changes in working capital and tax paid amounted to an increase in cash flow of US\$1.9 million. In FY2014, pro forma cash flow used in operating activities was US\$2.6 million. Whilst the Company generated US\$2.2 million in EBITDA, this was more than offset by changes in working capital of US\$4.8 million relating to outstanding amounts owed under the The Phoenix International Club ESA contracts at 31 December 2013 subsequently paid in FY2014. In FY2013, pro forma cash flows provided by operating activities were US\$2.8 million. EBITDA of US\$1.6 million plus changes in working capital of US\$1.2 million relating to the timing of payments under the Phoenix International Club ESA.

Capital expenditure in FY2016 is expected to largely relate to the continued development of Tiger Palace Resort Bhairahawa and of an additional deposit to acquire land for Tiger Palace Resort Jhapa.

### 6.8.1.2 Investing Activities

In FY2015, pro forma cash flows used in investing activities were US\$15.9 million, primarily related to the development of Tiger Palace Resort Bhairahawa and the extension of the Phoenix International Club ESA. In FY2014, pro forma cash flow used in investing activities was US\$5.3 million, and consisted mainly of costs incurred in purchasing equipment for and outfitting TMC, as well as land purchase for Tiger Palace Resort Bhairahawa. In FY2013, pro forma cash flows from investing activities were US\$6.4 million, consisting of the purchase of EGMs installed in Laos, offset in part by the disposal of assets and revenue sharing contract in the Grand Waldo (Macau).

### 6.8.1.3 Financing Activities

In FY2015, pro forma cash flows provided by financing activities were US\$2.5 million, which consisted of additional borrowings, offset in part by interest expense. In FY2014, pro forma cash flow provided by financing activities was US\$27.4 million, as the Company issued 13,133,166 shares at US\$1.50 per share to raise a total of US\$19.8 million in June 2014, and 1,500,000 shares at US\$1.50 to raise US\$2.2 million in October 2014. In addition, the Company repaid

existing loans of approximately US\$439,000, and issued convertible bonds to OCP in the amount of US\$10.0 million, and incurred interest expense of US\$393,000. In FY2013, pro forma cash flows provided by financing activities were US\$3.1 million. This consisted of issue of 827,946 shares at US\$1.17 to raise US\$0.9 million and 1,627,649 shares at US\$1.50 to raise US\$2.4 million, proceeds of shareholder loans offset by interest expense.

The offer costs reflected in the above cash flow reflect the full amount due in FY2016. The offer costs set out in the Sources and Uses of Proceeds reflect all offer costs due at IPO date.

## 6.9 PRO FORMA ADJUSTMENTS TO THE STATUTORY FORECAST INCOME STATEMENT

Set out below is a reconciliation between the statutory historical and forecast consolidated net profit after taxation ("NPAT") to pro forma historical and forecast consolidated NPAT:

**Table 6.7: Pro forma adjustments to the statutory historical and forecast consolidated income statements**

| US\$'000s  | Notes | Historical Period |                |                | Forecast Period |
|--|-------|-------------------|----------------|----------------|-----------------|
|  |       | FY2013            | FY2014         | FY2015         | FY2016          |
| <b>Statutory NPAT (before minority interest)</b> |       | <b>(661)</b>      | <b>(3,872)</b> | <b>(4,240)</b> | <b>(5,324)</b>  |
| Shareholder interest                             | 1     | 138               | –              | –              | –               |
| Offer costs expensed                             | 2     | –                 | 663            | 1,855          | 2,312           |
| Public company costs                             | 3     | (1,000)           | (1,000)        | (1,000)        | (583)           |
| Future project costs expensed                    | 4     | –                 | 854            | 388            | 1,610           |
| Share based payments                             | 5     | 769               | 1,147          | –              | 737             |
| Contribution from Philippines business divested  | 6     | 409               | 438            | 656            | –               |
| Philippines impairment                           | 6     | –                 | 1,578          | 660            | –               |
| <b>Pro forma NPAT (before minority interest)</b> |       | <b>(345)</b>      | <b>(192)</b>   | <b>(1,681)</b> | <b>(1,248)</b>  |

Notes to the pro forma adjustments:

1. *Interest*: Shareholder interest relates to interest paid to shareholders of the Group for funds provided.
2. *Offer costs*: costs of the Offer forecast to be US\$2.3 million which will be expensed in FY2016. Adjustments have been made for expenses already paid in FY2014 and FY2015.
3. *Public company costs*: deduction of annual incremental costs of US\$1.0 million which will be incurred as a consequence of being a publicly listed company (i.e. non-executive directors fees, professional fees, public relations, travel).
4. *Future project costs expensed*: add back of expenses related to future projects that are not eligible to be capitalised under applicable accounting standards. These costs are incurred in relation to the development of Tiger Palace Resort Bhairahawa and TMC.
5. *Share based payments*: add back of share based compensation provided in the form of non-recourse loans to Management. A number of these loans will be forgiven on completion of the Offer. The FY2016 amount relates to finance costs on the options issued in conjunction with the New Bond.
6. On 25 November 2015 the Group divested the remaining investment in SHPI (refer Section 9.2). As a result, an impairment charge has been recorded in the statutory figures for fixed assets and receivable amounts held in the Philippines.
7. All pro forma adjustments are incurred by SHL and therefore no further tax adjustments are required as SHL does not generate any taxable income on a stand alone entity basis.

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### 6.10 MANAGEMENT DISCUSSION AND ANALYSIS OF THE PRO FORMA HISTORICAL FINANCIAL INFORMATION

#### 6.10.1 Results of Operations

The following discussion on the historical financial performance of the Group is based on the Pro Forma Historical Results. Refer to Appendix 4 for a detailed reconciliation between the audited Statutory Historical Results and the Pro Forma Historical Results.

**Table 6.8: Pro forma Historical Income Statement: FY2014 compared with FY2013**

| US\$'000s   | Historical          |                     | %               |
|---|---------------------|---------------------|-----------------|
|   | FY2013<br>Pro forma | FY2014<br>Pro forma | change          |
| <b>Operating revenue</b>  | <b>7,459</b>        | <b>9,173</b>        | <b>23.0%</b>    |
| Other revenue   | 571                 | 696                 | 21.9%           |
| <b>Total revenue</b>  | <b>8,030</b>        | <b>9,869</b>        | <b>22.9%</b>    |
| Operating cost  | (3,770)             | (4,122)             | 9.3%            |
| <b>Gross profit</b>   | <b>4,260</b>        | <b>5,747</b>        | <b>34.9%</b>    |
| Overheads   | (2,617)             | (3,509)             | 34.1%           |
| <b>EBITDA</b>   | <b>1,643</b>        | <b>2,238</b>        | <b>36.2%</b>    |
| Depreciation  | (1,924)             | (1,994)             | 3.6%            |
| <b>EBIT</b>   | <b>(281)</b>        | <b>244</b>          | <b>186.8%</b>   |
| Net interest expense  | (64)                | (393)               | 514.1%          |
| <b>Net (loss)/profit before tax</b>                             | <b>(345)</b>        | <b>(149)</b>        | <b>56.8%</b>    |
| Income tax  | –                   | (43)                | 100.0%          |
| Net (loss)/profit after tax                                     | (345)               | (192)               | 44.3%           |
| <b>GGR of the venues reconciliation to operating revenue</b>    |                     |                     |                 |
| <b>Gross gaming revenue</b>                                     | <b>38,232</b>       | <b>36,580</b>       | <b>(4.3)%</b>   |
| Casino share and taxes  | (30,493)            | (27,038)            | (11.3)%         |
| Machine partner share   | (280)               | (369)               | 31.8%           |
| <b>Operating revenue</b>  | <b>7,459</b>        | <b>9,173</b>        | <b>23.0%</b>    |
| <b>Average number of EGMs and tables</b>                        |                     |                     |                 |
|   | <b>No.</b>          | <b>No.</b>          |                 |
| EGMs  | 919                 | 659                 |                 |
| Tables  | 3                   | 6                   |                 |
| <b>Average gross win per day per EGM or table of the venues</b> |                     |                     |                 |
| <b>EGMs</b>   | <b>US\$</b>         | <b>US\$</b>         | <b>% change</b> |
| Laos  | 178                 | 128                 | (28.1%)         |
| Vietnam   | 115                 | 110                 | (4.3%)          |
| Cambodia  | 47                  | 99                  | 110.6%          |
| Tinian  | 69                  | 53                  | (23.2%)         |
| <b>Tables</b>   |                     |                     |                 |
| <b>Vietnam</b>  | <b>845</b>          | <b>3,643</b>        | <b>331.1%</b>   |
| Vietnam average hold %  | 18.6%               | 20.7%               | 2.1%            |

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#### 6.10.1.1 Gross gaming revenue of the venues

In FY2014 compared to FY2013, GGR decreased overall as a result of:

- decrease in Laos of US\$5.9 million related to the market slowdown in ST Vegas due to lower footfall and lower gaming by customers and DNNR due to poor infrastructure and nearby construction impacting access to the facility which corresponds with the decline in the GWPD per EGM;
- the exit from the low profit EGM management contracts in Macau in June 2013 and Nepal between October and December 2013; offset by
- the growth in Vietnam of US\$7.6 million due to the management by the Group, specifically the additional US\$7.0 million contribution relating to the improving performance of the tables including the average hold percentage under the Group's management, for which the average GWPD per table increased to US\$3,643 in FY2014 from US\$845 in FY2013. The remaining US\$0.6 million increase related to EGMs installed in late FY2013. Although GGR from EGMs increased by US\$0.6 million over FY2013, average GWPD per EGM decreased over FY2013 as a result of the higher average number of EGMs installed in FY2014;

#### 6.10.1.2 Operating revenue

In FY2014 operating revenues increased by 23.0%, to US\$9.2 million, compared to US\$7.5 million in FY2013, despite the decrease in GGR, as a result of the increased performance in Vietnam following the Group taking over management of the Phoenix International Club in September 2013. As the Group receives a higher percentage of GGR under its Phoenix ESA than in the EGM management business in Laos and Cambodia, the increase in revenues from Vietnam more than offset the impact on operating revenue related to the decreases in GGR in those other jurisdictions.

#### 6.10.1.3 Other revenue

Other revenue increased slightly to US\$0.7 million in FY2014, from US\$0.6 in FY2013, which was due to a slight increase in income generated from EGM sales as a result of the one off sale of gaming machines in Myanmar.

#### 6.10.1.4 Operating cost

Operating costs in FY2014 increased by 9.3% to US\$4.1 million, compared to US\$3.8 million in FY2013. The Group experienced significantly increased costs in Vietnam and minor increases in other regions. Vietnam operating costs increased by US\$0.8 million, primarily as a result of extra labour costs incurred due to the Group taking over the management of the Phoenix International Club. However, the increases in these jurisdictions were somewhat offset by cost savings in Macau and Nepal, as the Group ceased operations in these areas in FY2013, and therefore no operating costs were incurred in these locations in FY2014.

#### 6.10.1.5 Gross profit

In FY2014, gross profit increased by 34.9% to US\$5.7 million, compared to US\$4.3 million in FY2013, principally as a result of improved performance of the Phoenix International Club in Vietnam under Group management. Specifically, the increase related to:

- an increase of US\$3.3 million in Vietnam due to the strong results experienced under the Group's management; offset by
- the decrease in Laos of US\$1.4 million relating to the market slowdown in Tanelang and Dansavanh; and
- the forgone income of US\$0.1 million from the full year impact of the exits in Macau.

#### 6.10.1.6 Overheads

Overhead expenditure increased by 34.1%, to US\$3.5 million in FY2014 from US\$2.6 million in FY2013. Labour costs increased as the Group brought on additional staff to assist with the regional management of the casinos. Legal and professional fees also contributed to the increase as a result of the renegotiating of the contract with the Shangri La in Nepal.

#### 6.10.1.7 Pro forma EBITDA

Pro forma EBITDA increased by 36.2% to US\$2.2 million in FY2014 from US\$1.6 million in FY2013, primarily as a result of the US\$3.3 million increase in the performance in Vietnam of the Phoenix International Club under a full year of Group management. This was partially offset by a decrease of US\$1.4 million in Laos due to the market slowdown and US\$0.8 million decline in other regions.

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### 6.10.1.8 Depreciation

Depreciation increased by 3.6% to US\$2.0 million in FY2014 from US\$1.9 million in FY2013, with further investment made in the group's casino management system.

### 6.10.1.9 Interest expense

The majority of the debt at 31 December 2014 related to the Existing Bonds and borrowings from shareholders respectively. The Pro Forma interest expense relates to the interest paid on the Existing Bonds.

### 6.10.1.10 Income tax expense

The Group incurred a small amount of income tax expense in FY2014 due largely to the profits made in Vietnam, Laos and Cambodia at the applicable taxation rates in each of those jurisdictions. The Group did not incur income tax expense in FY2013.

**Table 6.9: Pro forma Historical Income Statement: FY2015 compared with FY2014**

| US\$'000s  | Historical          |                     | % change        |
|--|---------------------|---------------------|-----------------|
|  | FY2014<br>Pro forma | FY2015<br>Pro forma |                 |
| <b>Operating revenue</b>                                     | <b>9,173</b>        | <b>16,763</b>       | <b>82.7%</b>    |
| Other revenue  | 696                 | 444                 | (36.2%)         |
| <b>Total revenue</b>   | <b>9,869</b>        | <b>17,207</b>       | <b>74.4%</b>    |
| Operating cost   | (4,122)             | (10,882)            | 164.0%          |
| <b>Gross profit</b>  | <b>5,747</b>        | <b>6,325</b>        | <b>10.1%</b>    |
| Overheads  | (3,509)             | (4,307)             | 22.7%           |
| <b>EBITDA</b>  | <b>2,238</b>        | <b>2,018</b>        | <b>(9.8%)</b>   |
| Depreciation   | (1,994)             | (2,388)             | 19.8%           |
| <b>EBIT</b>  | <b>244</b>          | <b>(370)</b>        | <b>(251.6%)</b> |
| Net interest expense   | (393)               | (1,075)             | 173.5%          |
| <b>Net (loss)/profit before tax</b>                          | <b>(149)</b>        | <b>(1,445)</b>      | <b>(869.8%)</b> |
| Income tax   | (43)                | (236)               | 448.8%          |
| <b>Net (loss)/profit after tax</b>                           | <b>(192)</b>        | <b>(1,681)</b>      | <b>(775.5%)</b> |
| <b>GGR of the venues reconciliation to operating revenue</b> |                     |                     |                 |
| <b>Gross gaming revenue</b>                                  | <b>36,580</b>       | <b>45,350</b>       | <b>24.0%</b>    |
| Casino share and taxes                                       | (27,038)            | (28,257)            | 4.5%            |
| Machine partner share  | (369)               | (330)               | (10.6%)         |
| <b>Operating revenue</b>                                     | <b>9,173</b>        | <b>16,763</b>       | <b>82.7%</b>    |
| <b>Average number of EGMs and tables</b>                     |                     |                     |                 |
|  | <b>No.</b>          | <b>No.</b>          |                 |
| EGMs   | 659                 | 734                 |                 |
| Tables   | 6                   | 24                  |                 |

| US\$'000s  | Historical          |                     | % change |
|--|---------------------|---------------------|----------|
|  | FY2014<br>Pro forma | FY2015<br>Pro forma |          |
| Average gross win per day per EGM or table of the venues |                     |                     |          |
| EGMs   | US\$                | US\$                | % change |
| Laos   | 128                 | 97                  | (24.2%)  |
| Vietnam  | 110                 | 115                 | 4.5%     |
| Nepal  | –                   | 24                  | 100%     |
| Cambodia   | 99                  | 118                 | 19.2%    |
| Tinian   | 53                  | 18                  | (66.0%)  |
| Tables   |                     |                     |          |
| Nepal  | –                   | 772                 | 100.0%   |
| Vietnam  | 3,643               | 5,332               | 46.4%    |
| Nepal average hold %                                     | –                   | 25.2%               | 25.2%    |
| Vietnam average hold %                                   | 20.7%               | 26.7%               | 6.0%     |

#### 6.10.1.11 Gross gaming revenue of the venues

GGR increased by 24.0%, to US\$45.4 million in FY2015 from US\$36.6 million in FY2014 as a result of:

- the contribution of TMC, which opened in February 2015 upon receiving its gaming licence, and contributed significantly to GGR in FY2015. TMC had its first full month of operations in March 2015, but was closed as a result of the earthquake in Nepal on 25 April 2015. Subsequent to the earthquake, the casino remained closed for two weeks during the period of mourning. After reopening in May, TMC generated GGR of US\$0.5 million in June 2015, and approximately US\$0.6 million on average per month between July and December 2015. TMC opened with 14 EGMs and 12 tables, which increased to 28 EGMs and 18 tables by December 2015;
- the growth in Vietnam of US\$7.4 million, due to improving performance of the tables under the Group's management, including the increased hold percentage for which the average GWPDP per table increased to US\$5,332 in FY2015 from US\$3,643 in FY2014, and GWPDP per EGM increased to US\$115 from US\$110. In March 2015 the casino moved to a new location which has proven to be more popular, with the average GGR for the nine months since relocation being US\$0.5 million more than the preceeding three month average; and
- a decrease in Laos of US\$3.8 million related to the continued market slowdown in ST Vegas and DNNR as previously discussed which corresponds with the decline in the GWPDP per EGM.

#### 6.10.1.12 Operating revenue

In FY2015, operating revenues increased by 82.7% to US\$16.8 million from US\$9.2 million in FY2014. This was due to a combination of the increase in financial performance at both TMC and the Phoenix international Club. Nepal in particular contributed to the Group's improved performance in FY2015, as Nepal has lower gaming taxes than the other jurisdictions and as such more of the GGR earned at TMC in Nepal is recognised as operating revenue. These increases were slightly offset by the continued decline in the EGM management business in Laos and Cambodia, where a higher proportion of GGR is paid out on casino and partner shares on EGMs profit than is the case under the Phoenix ESA.

#### 6.10.1.13 Other revenue

Other revenue decreased by 36.2% to US\$0.4 million in FY2015 from US\$0.7 million in FY2014, due to the income generated from the selling of gaming machines previously located in Tinian being lower than the previous year's sale in Myanmar.

#### 6.10.1.14 Operating cost

Operating costs increased by 164.0%, to US\$10.9 million in FY2015 from US\$4.1 million in FY2014. The increase in operating costs was significantly greater than the increase in operating revenues, in part because TMC incurred operating costs through FY2015, but did not generate full revenues during its initial start up by the Group, and more significantly, did not generate revenues during the period surrounding the Nepal earthquake. Increases in operating costs versus the prior period included:

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- Increased labour costs incurred due the opening of TMC, as well as additional labour costs due to the larger location and additional tables in Vietnam;
- Technical centre and regional office costs increased primarily as a result of the opening of TMC;
- Further marketing costs were incurred in relation to TMC;
- Venue rental expense increased with the new lease at the Shangri La Hotel; and
- Further expenses incurred in relation to the opening of TMC as well as relocation of Phoenix International Club in Vietnam.

### 6.10.1.15 Gross profit

In FY2015, gross profit increased by 10.1%, to US\$6.3 million, from US\$5.7 million in FY2014, primarily as a result of improved performance of the Phoenix International Club and the opening of TMC. Vietnam's contribution to gross profit rose by 43.3% to US\$5.6 million in FY2015 from US\$3.9 million in FY2014. This growth was due to the effective management of the casino, with both gross wins per day per table and EGM increasing in FY2015 when compared to FY2014. Due to the initial set up costs at TMC in Nepal, along with the earthquake impacting trading in April and May, a small profit of US\$0.4 million was realised in FY2015. The EGM segment declined in contribution to gross profit as the Group shifted its focus away from EGM management.

### 6.10.1.16 Overheads

Overhead expenditure increased by 22.7%, to US\$4.3 million in FY2015 compared to US\$3.5 million in FY2014. This increase was due to the increased staffing costs required in Nepal and Vietnam to operate the respective casino facilities.

### 6.10.1.17 Pro forma EBITDA

Pro forma EBITDA decreased by 9.8% to US\$2.0 million in FY2015 compared to US\$2.2 million in FY2014 primarily as a result of the US\$1.7 million increase in the performance in Vietnam of the Phoenix International Club as a result of the relocation being offset by a decrease of US\$1.6 million in Laos due to the market slowdown and termination fee paid in relation to Club 19. Cambodia increased by US\$0.1 million.

### 6.10.1.18 Depreciation

Depreciation increased by 19.8%, to US\$2.4 million in FY2015 from US\$2.0 million in FY2014 in connection with the investment made in Nepal and Vietnam.

### 6.10.1.19 Income tax expense

The income tax expense of US\$0.2 million in FY2015 was largely due to the profits made in Vietnam, Laos and Cambodia at the applicable taxation rates in each of those jurisdictions. Income tax expense in FY2014 was US\$43,000.

## 6.11 DIRECTORS' BEST ESTIMATE ASSUMPTIONS UNDERLYING THE FORECAST FINANCIAL INFORMATION

### 6.11.1 General assumptions

The Forecast Financial Information is based on various best estimate assumptions, of which the main general and specific assumptions are summarised below. These assumptions do not represent all factors that will affect the Group's forecast financial performance. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur. It should be read in conjunction with the basis of preparation of the Forecast Financial Information set out in section, the general and specific assumptions set out below and the risk factors set out in **Section 4**. The discussion in this section is based on the Pro Forma Forecast Results. Refer to Appendix 4 for a detailed reconciliation between the Statutory Forecast Results and the Pro Forma Forecast Results.

In preparing the Forecast Financial Information, the following general best estimate assumptions have been adopted:

- no material change in the competitive operating environment in which the Group operates;
- no significant deviation from current market expectations in the geographies in which the Group operates and the economic conditions relevant to the Group;
- no material changes in any government legislation or regulation (including tax legislation), or government policy that has a material impact on financial performance or cash flows, financial position, accounting policies, or licensing requirements of the Group;

- no material changes in key personnel and the Group maintains its ability to recruit and retain the personnel required to support future growth;
- no material changes in applicable International Accounting Standards or other mandatory professional reporting requirements which have a material effect on the Group's financial performance, financial position, accounting policies, financial reporting or disclosure during the forecast period;
- no material industry disturbances, environmental costs, contingent liabilities or legal claims will arise or be settled to the detriment of the Group;
- no material acquisitions, divestments, restructuring or investments other than as set out in, or contemplated by, this Prospectus;
- no material changes to the Group's corporate or funding structure other than as set out in, or contemplated by, this Prospectus;
- no material disruptions to the continuity of operations of the Group nor other material changes in its business activities;
- no material amendment to or termination of any material agreement, contract or arrangement other than set out in, or contemplated by, this Prospectus;
- none of the risks listed in **Section 4** eventuate, or if they do, none of them has a material adverse impact on the operations of the Group; and
- the Offer proceeds in accordance with the timetable set out on page 6 of this Prospectus.

#### 6.11.2 Specific assumptions

The table below sets out the summary pro forma consolidated income statements for FY2015 and FY2016.

**Table 6.10: Pro forma Historical and Forecast Income Statement: FY2016 compared with FY2015**

| US\$'000s  | Historical<br>Period<br>FY2015<br>Pro forma | Forecast<br>Period<br>FY2016<br>Pro forma | % change       |
|--|---|---|----------------|
| <b>Operating revenue</b>                                     | <b>16,763</b>                               | <b>18,409</b>                             | <b>9.8%</b>    |
| Other revenue  | 444   | 842                                       | 89.6%          |
| <b>Total revenue</b>   | <b>17,207</b>                               | <b>19,251</b>                             | <b>11.8%</b>   |
| Operating cost   | (10,882)                                    | (10,721)                                  | (1.5%)         |
| <b>Gross profit</b>  | <b>6,325</b>                                | <b>8,530</b>                              | <b>34.9%</b>   |
| Overheads  | (4,307)                                     | (4,620)                                   | 7.3%           |
| <b>EBITDA</b>  | <b>2,018</b>                                | <b>3,910</b>                              | <b>93.8%</b>   |
| Depreciation   | (2,388)                                     | (2,390)                                   | 0.1%           |
| <b>EBIT</b>  | <b>(370)</b>                                | <b>1,520</b>                              | <b>510.8%</b>  |
| Net interest expense   | (1,075)                                     | (2,225)                                   | 107.0%         |
| <b>Net (loss)/profit before tax</b>                          | <b>(1,445)</b>                              | <b>(705)</b>                              | <b>51.2%</b>   |
| Income tax   | (236)                                       | (543)                                     | 130.1%         |
| <b>Net (loss)/profit after tax</b>                           | <b>(1,681)</b>                              | <b>(1,248)</b>                            | <b>25.8%</b>   |
| <b>GGR of the venues reconciliation to operating revenue</b> |   |   |                |
| <b>Gross gaming revenue</b>                                  | <b>45,350</b>                               | <b>40,193</b>                             | <b>(11.4%)</b> |
| Casino share and taxes                                       | (28,257)                                    | (21,413)                                  | (24.2%)        |
| Machine partner share  | (330)                                       | (371)                                     | 12.4%          |
| <b>Operating revenue</b>                                     | <b>16,763</b>                               | <b>18,409</b>                             | <b>9.8%</b>    |

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|   | Historical<br>Period | Forecast<br>Period  |                 |
|---|----------------------|---------------------|-----------------|
| US\$'000s   | FY2015<br>Pro forma  | FY2016<br>Pro forma | % change        |
| <b>Average number of EGMs and tables</b>                        |                      |                     |                 |
|   | <b>No.</b>           | <b>No.</b>          |                 |
| EGMs  | 734                  | 542                 |                 |
| Tables  | 24                   | 33                  |                 |
| <b>Average gross win per day per EGM or table of the venues</b> |                      |                     |                 |
| <b>EGMs</b>   | <b>US\$</b>          | <b>US\$</b>         | <b>% change</b> |
| Laos  | 97                   | 72                  | (25.8%)         |
| Vietnam   | 115                  | 98                  | (14.8%)         |
| Nepal   | 24                   | 44                  | 83.3%           |
| Cambodia  | 118                  | 111                 | (5.9%)          |
| Tinian  | 18                   | –                   | (100.0%)        |
| <b>Tables</b>   |                      |                     |                 |
| Nepal   | 772                  | 915                 | 18.5%           |
| Vietnam   | 5,332                | 3,295               | (38.2%)         |
| Nepal average hold %  | 25.2%                | 20.8%               | (4.4%)          |
| Vietnam average hold %  | 26.7%                | 21.1%               | (5.6%)          |

### Comparative period performance

Included in FY2015 Financial Information are Pro Forma results based on audited figures. The FY2016 forecast financial information is based on the Directors' best estimate assumptions as noted below. The below analysis is presented in six month comparative periods for both FY2015 and FY2016. This information is intended to assist investors in assessing the reasonableness and likelihood of the forecasts for FY2016.

**Table 6.11: Pro forma Historical and Forecast Income Statement: 1H2015 and 1H2016 compared with 2H2015 and 2H2016**

| US\$'000                            | 1H2015<br>Pro forma<br>historical | 2H2015<br>Pro forma<br>historical | FY2015<br>Pro forma<br>historical | 1H2016<br>Pro forma<br>forecast | 2H2016<br>Pro forma<br>forecast | FY2016<br>Pro forma<br>forecast |
|-------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|---------------------------------|
| <b>Operating revenue</b>            | <b>7,114</b>                      | <b>9,649</b>                      | <b>16,763</b>                     | <b>7,305</b>                    | <b>11,104</b>                   | <b>18,409</b>                   |
| Other revenue                       | 405                               | 39                                | 444                               | 576                             | 266                             | 842                             |
| <b>Total revenue</b>                | <b>7,519</b>                      | <b>9,688</b>                      | <b>17,207</b>                     | <b>7,881</b>                    | <b>11,370</b>                   | <b>19,251</b>                   |
| Operating cost                      | (4,811)                           | (6,071)                           | (10,882)                          | (5,335)                         | (5,386)                         | (10,721)                        |
| <b>Gross profit</b>                 | <b>2,708</b>                      | <b>3,617</b>                      | <b>6,325</b>                      | <b>2,546</b>                    | <b>5,984</b>                    | <b>8,530</b>                    |
| Overheads                           | (1,986)                           | (2,321)                           | (4,307)                           | (1,956)                         | (2,664)                         | (4,620)                         |
| <b>EBITDA</b>                       | <b>722</b>                        | <b>1,296</b>                      | <b>2,018</b>                      | <b>590</b>                      | <b>3,320</b>                    | <b>3,910</b>                    |
| Depreciation                        | (1,205)                           | (1,183)                           | (2,388)                           | (1,211)                         | (1,179)                         | (2,390)                         |
| <b>EBIT</b>                         | <b>(483)</b>                      | <b>113</b>                        | <b>(370)</b>                      | <b>(621)</b>                    | <b>2,141</b>                    | <b>1,520</b>                    |
| Net interest expense                | (652)                             | (423)                             | (1,075)                           | (725)                           | (1,500)                         | (2,225)                         |
| <b>Net (loss)/profit before tax</b> | <b>(1,135)</b>                    | <b>(310)</b>                      | <b>(1,445)</b>                    | <b>(1,346)</b>                  | <b>641</b>                      | <b>(705)</b>                    |
| Income tax                          | (104)                             | (132)                             | (236)                             | (155)                           | (388)                           | (543)                           |
| <b>Net (loss)/profit after tax</b>  | <b>(1,239)</b>                    | <b>(442)</b>                      | <b>(1,681)</b>                    | <b>(1,501)</b>                  | <b>253</b>                      | <b>(1,248)</b>                  |

| US\$'000  | 1H2015<br>Pro forma<br>historical | 2H2015<br>Pro forma<br>historical | FY2015<br>Pro forma<br>historical | 1H2016<br>Pro forma<br>forecast | 2H2016<br>Pro forma<br>forecast | FY2016<br>Pro forma<br>forecast |
|---|-----------------------------------|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|---------------------------------|
| <b>GGR of the venues reconciliation to operating revenues</b>   |                                   |                                   |                                   |                                 |                                 |                                 |
| <b>Gross gaming revenue</b>                                     | <b>21,120</b>                     | <b>24,230</b>                     | <b>45,350</b>                     | <b>18,079</b>                   | <b>22,114</b>                   | <b>40,193</b>                   |
| Casino share and taxes  | (13,824)                          | (14,433)                          | (28,257)                          | (10,599)                        | (10,814)                        | (21,413)                        |
| Machine partner share   | (182)                             | (148)                             | (330)                             | (175)                           | (196)                           | (371)                           |
| <b>Operating revenue</b>  | <b>7,114</b>                      | <b>9,649</b>                      | <b>16,763</b>                     | <b>7,305</b>                    | <b>11,104</b>                   | <b>18,409</b>                   |
| <b>Average number of EGMs and tables</b>                        |                                   |                                   |                                   |                                 |                                 |                                 |
|   | <b>No.</b>                        | <b>No.</b>                        |                                   | <b>No.</b>                      | <b>No.</b>                      |                                 |
| EGMs  | 750                               | 717                               |                                   | 607                             | 477                             |                                 |
| Tables  | 20                                | 28                                |                                   | 28                              | 38                              |                                 |
| <b>Average gross win per day per EGM or table of the venues</b> |                                   |                                   |                                   |                                 |                                 |                                 |
| <b>EGMs</b>   | <b>US\$</b>                       | <b>US\$</b>                       |                                   | <b>US\$</b>                     | <b>US\$</b>                     |                                 |
| Laos  | 100                               | 92                                |                                   | 75                              | 70                              |                                 |
| Vietnam   | 122                               | 109                               |                                   | 94                              | 103                             |                                 |
| Nepal   | 9                                 | 40                                |                                   | 39                              | 48                              |                                 |
| Cambodia  | 112                               | 123                               |                                   | 163                             | 58                              |                                 |
| Tinian  | 31                                | 6                                 |                                   | –                               | –                               |                                 |
| <b>Tables</b>   |                                   |                                   |                                   |                                 |                                 |                                 |
| Nepal   | 575                               | 969                               |                                   | 797                             | 1,032                           |                                 |
| Vietnam   | 5,877                             | 4,788                             |                                   | 2,873                           | 3,717                           |                                 |
| Nepal average hold %  | 29.1%                             | 22.0%                             |                                   | 20.5%                           | 21.2%                           |                                 |
| Vietnam average hold %  | 27.2%                             | 26.3%                             |                                   | 20.5%                           | 21.7%                           |                                 |

### Gross gaming revenues of the venues

GGR is forecast to decrease in FY2016 due to the following forecast factors:

- TMC is forecast to contribute an additional US\$1.5 million in GGR, having opened in February 2015 upon receiving the gaming licence. March was the first full month of operations before the earthquake in Nepal on 25 April 2015. Subsequent to the earthquake the casino remained closed for two weeks during the period of mourning.  
  
In June 2015, TMC was reopened for the first full month since the earthquake and generated GGR of US\$0.5 million in that month which has increased to approximately US\$0.6 million per month on average for the period July to December 2015. GGR is forecast to average \$0.4 million for the four months ending 30 April 2016, and is forecast to grow through the remainder of FY2016 as tourism increases in Kathmandu subsequent to the earthquake. Gaming taxes in FY2016 are forecast to decrease as a percentage of GGR as the licence fee and royalty is paid for the entire Nepalese fiscal year to July each year. In FY2015 this equated to a full year charge for only five months operations whereas in FY2016 the charge will relate to a full year of operations. The average monthly GGR forecast for FY2016 amounts to approximately US\$0.6 million per month. The average GWPD per table is forecast at US\$915 compared to US\$969 achieved in the period July 2015 to December 2015. The forecast average hold percentage is based on the percentage achieved since opening in February 2015;
- New tables and EGMs are forecast for Vietnam in FY2016 contributing an additional US\$3.0 million in GGR in FY2016. In March 2015 the Phoenix International Club was moved to a new location, a few kilometres from the previous location. The new location is larger and has more capacity for the installation of up to 29 tables and 71 EGMs as permitted by the casino's license. After the strong performance in April 2015 following the opening of the new casino, GGR is forecast to return to historical levels with growth consistent with that in FY2014 and FY2015.

As a result of growing demand, the Group forecasts to add an additional table in January 2016 and four tables in July 2016 with the total number of tables by December 2016 forecast at 17, it is forecast that the average GWPD per

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table will decrease in FY2016 reflecting the larger number of tables. The forecast average hold percentage is based on the average percentage achieved in the prior 2 years;

- A further decrease of US\$8.1 million in Laos is forecast in FY2016 due to the continued market slowdown and a lower percentage share of GGR under the existing EGM management contract, as well as the termination of the revenue share agreement for ST Vegas and replacement with the lease of EGMs (see Section 3.5.1);
- No GGR is forecast for Cambodia from September 2016 onwards following expiry of the contracts (refer to Section 5.3.2).

### Operating revenues

No operating revenues are forecast for Tiger Palace Resort Bhairahawa or Tiger Palace Resort Jhapa in FY2016.

In FY2015 operating revenue trended in line with GGR, with operating revenue increasing by US\$5.3 million in Nepal (from the date of opening in February 2015), and US\$3.1 million in Vietnam, offset in part by revenue in Laos decreasing by US\$0.9 million.

In FY2016 operating revenues is forecast to increase by US\$1.5 million in Nepal, and US\$1.0 million in Vietnam, offset by decreasing revenues of US\$0.8 million in Laos and Cambodia. The growth in operating revenues reflects the growing influence of TMC, where no partner share is paid and also being a lower gaming tax jurisdiction.

### Gross profit

Gross profit has been forecast to increase by US\$2.2 million in FY2016. The forecast increase in gross profit in FY2016 is predominantly attributed to:

- an increase of US\$1.4 million in FY2016 in Nepal reflecting TMC becoming fully operational in June 2015 with FY2016 forecasting a full year contribution as described above. Operating costs are forecast to be incurred ahead of increases in GGR and operating revenue to provide for the increased capacity;
- an increase of US\$0.1 million in FY2016 in Vietnam with the addition of the new tables and EGMs in the new larger location. Operating costs have been forecast to accommodate the forecast increase in tables ahead of the forecast increase in GGR and operating revenue.

### Overheads

Overhead is forecast to increase in FY2016 due to increased staff costs at the corporate office in Hong Kong not attributable to operating divisions, but is forecast to reduce as a percentage of operating revenue demonstrating the fixed nature of these costs. Forecast overhead includes US\$1.0 million of incremental public company costs not directly attributable to operating segments consistent with the Pro forma Historical Periods.

### Pro forma EBITDA

Pro forma EBITDA is forecast to increase to US\$3.9 million in FY2016 due to the forecast assumptions previously described but principally;

- (i) additional tables being added in Vietnam but with a lower forecast average GWPD per table; and
- (ii) full year contribution and forecast growth from TMC in Nepal as previously described.

### Depreciation and amortisation

Depreciation and amortisation is forecast in line with the movement in EGMs between FY2015 and FY2016.

### Tax expense

Income tax expense reflects the tax paid on profits forecast to be generated in Vietnam and Nepal.

**Table 6.12: Pro forma Forecast Cash Flows: FY2016 compared with FY2015**

| US\$'000s                                   | Historical<br>Period<br>FY2015<br>Pro forma | Forecast<br>Period<br>FY2016<br>Pro forma |
|---|---|---|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b> |   |   |
| EBITDA                                      | 2,018                                       | 3,910                                     |
| Change in working capital                   | 2,125                                       | 687                                       |
| Income taxes paid                           | (236)                                       | (278)                                     |
| <b>Operating cash flow from operations</b>  | <b>3,907</b>                                | <b>4,319</b>                              |
| Capital expenditure                         | (15,938)                                    | (31,364)                                  |
| Other investments                           | –   | –   |
| <b>Investing cash flow</b>                  | <b>(15,938)</b>                             | <b>(31,364)</b>                           |
| Issue of share capital (incl. issue costs)  | –   | 15,605                                    |
| Shareholder redemption                      | –   | (69)                                      |
| Debt finance raised                         | 3,553                                       | 23,266                                    |
| Debt finance repaid                         | –   | (10,000)                                  |
| Interest paid                               | (1,075)                                     | (1,333)                                   |
| <b>Investing cash flows</b>                 | <b>2,478</b>                                | <b>27,469</b>                             |
| <b>Net cash flow</b>                        | <b>(9,553)</b>                              | <b>424</b>                                |

#### Capital expenditure

The majority of forecast capital expenditure relates to investment in Tiger Palace Resort Bhairahawa. In FY2015, US\$8.1 million was invested into Tiger Palace Resort Bhairahawa, with a further US\$26.6 million forecast in FY2016. US\$1.0 million was invested into Tiger Palace Resort Jhapa in FY2015, with a further US\$2.0 million forecast in FY2016 to pay an additional deposit over the land identified for the development. Apart from these, the most significant capital expenditure relates to the extension of the management contract in Vietnam of US\$4.5 million with total Vietnam capital expenditure being US\$4.8 million in FY2015.

#### Return on capital invested

Set out below is a summary of the return on capital invested for EGMs, Vietnam and TMC.

**Table 6.13: Return on capital invested**

| US\$'000s | Capital<br>invested | Gross Profit<br>contribution | Period           | Return on<br>capital<br>invested % |
|-----------|---------------------|------------------------------|------------------|------------------------------------|
| EGM       | 7,916               | 7,846                        | 3 years 6 months | 99.1%                              |
| TMC       | 3,284               | 1,059                        | 7 months         | 55.3%                              |
| Vietnam   | 10,773              | 9,822                        | 2 years 3 months | 91.2%                              |

The return on capital invested is calculated as the gross profit contribution from the date of the respective commencement of operations expressed as a percentage of the capital invested:

- EGM – capital invested relates to the capital cost of the EGMs at 31 December 2015 and the gross margin contribution for the period from the deployment of the EGMs in July 2012 up to 31 December 2015;
- TMC – capital invested relates to the capital invested from January 2015 up to 31 December 2015 and the gross profit contribution from the opening of TMC in June 2015; and

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- Vietnam – capital invested relates to the capital invested from taking over the management of the venue in October 2013 up to 31 December 2015 and the gross margin contribution for the same period.

### 6.12 SENSITIVITY ANALYSIS

The Forecast Financial Information is based on a number of estimates and assumptions as described in **Section 6.11**. These estimates and assumptions are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Group, the Directors and Management. These estimates are also based on assumptions with respect to future business decisions, which are subject to change.

Set out below is a summary of the sensitivity of the FY2016 Forecast Financial Information to changes in a number of key variables. The changes in the key variables as set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may be experienced.

Care should be taken in interpreting these sensitivities. In order to illustrate the likely impact on the Forecast Financial Information, the estimated impact of changes in each of the assumptions has been calculated in isolation from changes in other assumptions and assumes a full year impact. In practice, changes in assumptions may offset each other or be additive, and it is likely that the Group's management would respond to any changes to seek to minimise the net effect on the Group's EBITDA and cash flow.

For the purposes of the analysis below, the effect of the changes in key assumptions is based on the FY2016 pro forma EBITDA of US\$3.9 million.

1. 1% increase or 1% decrease in GGR of the venues.
2. Assumes no growth in Nepal, with Nepal's actual results for the period July to December 2015 being used as indicative of all corresponding months in FY2016.
3. Assumes no growth in Vietnam, with the actual results of Vietnam for the period July to December 2015 being used as indicative for all corresponding months in FY2016.
4. A 1% increase or 1% decrease in operating costs.
5. A 1% increase or decrease in Nepal's average hold percentage on tables.
6. A 1% increase or decrease in Vietnam's average hold percentage on tables.

**Table 6.14: Sensitivity analysis on forecast pro forma EBITDA for FY2016**

| Assumption |                                  | Change in assumption  | FY2016<br>pro forma EBITDA<br>impact (\$'000) |
|------------|----------------------------------|---|---|
| 1          | Change in GGR of the venues      | 1% increase/(1%) decrease   | 184/(184)                                     |
| 2          | No growth in Nepal               | Assume Nepal continues at average of the last 6 months to December 2015 run rate. | 39  |
| 3          | No growth in Vietnam             | Assume Vietnam continues at average last 6 months to December 2015 run rate.      | 14  |
| 4          | Change in operating costs        | 1% increase/(1%) decrease   | (107)/107                                     |
| 5          | Change in Nepal average hold %   | 1% increase/(1%) decrease   | 294/(294)                                     |
| 6          | Change in Vietnam average hold % | 1% increase/(1%) decrease   | 389/(389)                                     |

### 6.13 INDEBTEDNESS AND CAPITALISATION

Table 6.14 sets out the indebtedness and capitalisation of the Group as at 31 December 2015, before and following completion of the Offer:

**Table 6.15: Net indebtedness and equity before and after completion of the Offer**

|  | Before<br>completion<br>of the Offer | After<br>completion<br>of the Offer | After<br>completion<br>of the Offer |
|--|--------------------------------------|-------------------------------------|-------------------------------------|
|  | US\$'000s                            |                                     | A\$'000s                            |
| Cash and cash equivalents                    | 6,034                                | 34,301                              | 45,735                              |
| Borrowings                                   | (13,025)                             | (24,427)                            | (32,570)                            |
| <b>Total (indebtedness)/net cash</b>         | <b>(6,991)</b>                       | <b>9,874</b>                        | <b>13,165</b>                       |
| Issued capital                               | 38,893                               | 56,274                              | 75,032                              |
| Other contributed equity                     | –                                    | 2,652                               | 3,536                               |
| Reserves                                     | 877                                  | 877                                 | 1,169                               |
| Retained losses                              | (14,987)                             | (17,350)                            | (23,133)                            |
| <b>Total equity</b>                          | <b>24,783</b>                        | <b>42,453</b>                       | <b>56,604</b>                       |
| <b>Total capitalisation and indebtedness</b> | <b>17,792</b>                        | <b>52,327</b>                       | <b>69,769</b>                       |

### 6.14 DESCRIPTION OF FINANCING FACILITIES

Following completion of the Offer, the Group's principal sources of funds will be cash flow from operations. The Group expects that it will have sufficient cash flow from operations to meet its operational requirements and business needs during the forecast period, and that its operating cash flows will position the Group to grow its business in accordance with the Forecast Financial Information.

On 30 April 2014, the Group entered into the Credit Facility with the Nepal Investment Bank Ltd., Siddhartha Bank Ltd. and Civil Bank Ltd. The term facilities amount to NPR 750 million (US\$7.0 million) and are for the development of the Tiger Palace Resort Bhairahawa. Interest is paid quarterly commencing in July 2015 (see Section 9.8.2).

On 28 May 2015, the Group entered into the Bridge Loan with the Nepal Investment Bank Ltd. to provide a loan in the amount of NPR189 million (US\$1.8 million) to enable the Group to fulfill its capital requirements and to facilitate the drawdown of the term facilities (see Section 9.8.3). The Bridge Loan is converted into the Credit Facility automatically after 90 days from draw down.

At the date of this Prospectus, the full amount available of NPR750 million (US\$7.0 million) had been drawn under the Credit Facility and Nepal Bridge Loan (refer to Section 9.8).

At Completion of the Offer, the Existing Bonds will be redeemed in full and a new US\$20 million bond will be issued to finance working capital and construction costs (refer to Section 9.8.2).

### 6.15 DIVIDEND POLICY

The Directors have no current intention to declare and pay a dividend in the near term. While the Group continues to develop new casino resorts, it will re-invest cash flow generated internally.

The Directors can provide no guarantee as to the Group's future dividend policy, the extent of future dividends or the level of franking or imputation of such dividends, as these will depend upon the future profits of the Group, and the Group's financial and taxation position at that time.

# 7.

## INVESTIGATING ACCOUNTANT'S REPORTS



Artistic rendering of view overlooking Forest Hotel and Tiger Palace Resort Bhairahawa. See Sections 3.4.3 and 3.4.3.4.



Grant Thornton

An instinct for growth™

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W [www.grantthornton.com.au](http://www.grantthornton.com.au)

Dear Directors

## **INDEPENDENT LIMITED ASSURANCE REPORT ON THE PRO FORMA HISTORICAL FINANCIAL INFORMATION AND FINANCIAL SERVICES GUIDE**

### **Introduction**

This report has been prepared at the request of the directors (the “Directors”) of Silver Heritage Group Limited (“SHG, or the “Company”) for inclusion in the prospectus to be dated on or around 25 July 2016 (the “Prospectus”) to be issued by the Company in respect of the initial public offering of fully paid ordinary shares in the Company (the “Offer”) and listing of the Company on the Australian Securities Exchange.

Grant Thornton Corporate Finance Pty Ltd (“Grant Thornton Corporate Finance”) holds Australian Financial Services Licence Number 247140. This report is both an Independent Limited Assurance Report, the scope of which is set out below, and a Financial Services Guide, as attached at **Appendix A**.

Expressions defined in the Prospectus have the same meaning in this report, unless otherwise specified.

### **Scope**

You have requested Grant Thornton Corporate Finance to perform a limited assurance engagement in relation to the Pro Forma Historical Financial Information of the Company included in **Section 6** of the Prospectus.

The Pro forma Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

Grant Thornton Corporate Finance Pty Ltd ABN 59 003 265 987 ACN 003 265 987  
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

Holder of Australian Financial Services Licence No. 247140

‘Grant Thornton’ refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another’s acts or omissions. In the Australian context only, the use of the term ‘Grant Thornton’ may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

## 7. INVESTIGATING ACCOUNTANT'S REPORT

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Our limited assurance engagement has not been carried out in accordance with auditing or other standards and practices generally accepted in any jurisdiction outside of Australia and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

### **Pro Forma Historical Financial Information**

The pro forma historical financial information, as set out in the Prospectus comprises the:

- pro forma historical consolidated income statements for the years ended 31 December 2013 (FY2013), 31 December 2014 (FY2014) and 31 December 2015 (FY2015) together with a reconciliation to the audited historical consolidated income statements for the year ended 31 December 2013, year ended 31 December 2014 and year ended 31 December 2015;
- pro forma historical consolidated statement of cash flows for the years ended 31 December 2013, 31 December 2014 and 31 December 2015;
- audited historical consolidated balance sheet as at 31 December 2015; and
- pro forma historical consolidated balance sheet as at 31 December 2015;

(Hereafter the “Pro Forma Historical Financial Information”).

The Pro Forma Historical Financial Information has been derived from the:

- a. audited consolidated financial statements of Silver Heritage Limited (“SHL”) for FY2013, FY2014 and FY2015 (the “Statutory Historical Financial Information”); and
- b. pro forma adjustments applied to the Statutory Historical Financial Information to illustrate the effects of events and transactions related to the Offer on the Company as described in **Sections 6.7** and **6.9** of the Prospectus.

The Pro Forma Historical Financial Information has been prepared for inclusion in the Prospectus. The historical consolidated financial statements of SHL for FY2013, FY2014 and FY2015 were audited by Grant Thornton Audit Pty Ltd in accordance with Australian Auditing Standards. The audit opinion issued to the directors of SHL in respect of FY2013 was qualified due to Grant Thornton Audit Pty Ltd being appointed auditors on 25 August 2014 which was after the financial year end and accordingly were unable to observe the counting of physical inventories or the counting of physical cash balances at 31 December 2013. The audit opinions issued to the directors of SHL for FY2014 and FY2015 were unqualified.

As stated in **Section 6.2** the basis of preparation is the recognition and measurement principles contained in International Accounting Standards applied to the Pro Forma Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in **Sections 6.7** and **6.9** of the Prospectus, as if those events or transactions had occurred as at the date of the Pro Forma Historical Financial Information. Due to its nature, the Pro forma Historical Financial Information does not represent the Company's actual or prospective financial position, financial performance, or cash flows.

We have assumed, and relied on representations from certain members of management of SHL, that all material information concerning the prospects and proposed operations of SHG and SHL has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

#### **Directors' Responsibility**

The Directors are responsible for the preparation and presentation of the Pro Forma Historical Financial Information, including the selection and determination of the pro forma adjustments made to the Statutory Historical Financial Information which is included in the Pro forma Historical Financial Information.

This responsibility includes establishing and maintaining such internal controls as the Directors determine are necessary to enable the preparation of Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

#### **Our Responsibility**

Our responsibility is to express a limited assurance conclusion on the Pro forma Historical Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with Australian Standard on Assurance Engagements (ASAE) 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

Our procedures consist of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other procedures. Our procedures are substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that

we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly we will not express an audit opinion.

#### **Conclusion**

##### **Pro Forma Historical Financial Information**

Based on our procedures, which is not an audit, and noting the qualified audit opinion in FY2013, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information is not presented fairly in all material respects, on the basis

## 7. INVESTIGATING ACCOUNTANT'S REPORT

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of the pro forma adjustments described in **Sections 6.7 and 6.9** of the Prospectus and in accordance with the recognition and measurement principles contained in International Accounting Standards and the accounting policies adopted by the Company as disclosed in **Appendix 2** of the Prospectus.

### **General Advice Warning**

This report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

### **Restriction on Use**

Without modifying our conclusions, we draw attention to **Section 6.2** of the Prospectus, which describes the purpose of the Pro Forma Historical Financial Information, being for inclusion in the Prospectus. As a result, the Pro Forma Historical Financial Information may not be suitable for use for another purpose.

### **Consent**

Grant Thornton Corporate Finance has consented to the inclusion of this Independent Limited Assurance Report in the Prospectus in the form and context in which it is included.

### **Liability**

The liability of Grant Thornton Corporate Finance is limited to the inclusion of this report in the Prospectus. Grant Thornton Corporate Finance makes no representation regarding, and has no liability, for any other statements or other material in, or omissions from the Prospectus.

### **Disclosure of Interest**

Grant Thornton Corporate Finance does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. Grant Thornton Audit Pty Ltd is the auditor of SHG and SHL and from time to time Grant Thornton or related entities also provides SHG and SHL with certain other professional services for which normal professional fees are received. Grant Thornton Corporate Finance will receive a professional fee for the preparation of this Independent Limited Assurance Report.

Yours faithfully

GRANT THORNTON CORPORATE FINANCE PTY LTD

Neil Cooke  
Partner

Nicole Bradley  
Partner – Audit & Assurance



## Appendix A (Financial Services Guide)

This Financial Services Guide is dated 25 July 2016.

Level 17, 383 Kent Street  
Sydney NSW 2000

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Locked Bag Q800  
QVB Post Office  
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W [www.grantthornton.com.au](http://www.grantthornton.com.au)

### 1 About us

Grant Thornton Corporate Finance Pty Ltd (ABN 59 003 265 987, Australian Financial Services Licence no 247140) ("Grant Thornton Corporate Finance") has been engaged by Silver Heritage Group Limited ("SHG" or the "Company") to provide general financial product advice in the form of an Independent Limited Assurance Report (the "Report") in relation to the offer of shares in the Company (the "Issue"). This report is included in the Prospectus dated on or about 25 July 2016 (the "Prospectus"). You have not engaged us directly but have been provided with a copy of the report as a retail client because of your connection to the matters set out in the report.

### 2 This Financial Services Guide

This Financial Services Guide ("FSG") is designed to assist retail clients in their use of any general financial product advice contained in the report. This FSG contains information about Grant Thornton Corporate Finance generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the report, and how complaints against us will be dealt with.

### 3 Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities and superannuation products and deal in a financial product by applying for, acquiring, varying or disposing of a financial product on behalf of another person in respect of securities and superannuation products.

### 4 General financial product advice

The report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs. You should consider your own objectives, financial situation and needs when assessing the suitability of the report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

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a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

Holder of Australian Financial Services Licence No. 247140

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Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

## 7. INVESTIGATING ACCOUNTANT'S REPORT

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Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail finance product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

### **5 Fees, commissions and other benefits we may receive**

Grant Thornton Corporate Finance charges fees to produce reports, including the report. These fees are negotiated and agreed with the entity who engages Grant Thornton Corporate Finance to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this report, Grant Thornton Corporate Finance will receive from the Company a fee of \$450,000 which is based on commercial rates plus reimbursement of out-of-pocket expenses.

Partners, Directors, employees or associates of Grant Thornton Corporate Finance, and related bodies corporate, may receive dividends, salary or wages from Grant Thornton Australia Ltd. None of those persons or entities receives non-monetary benefits in respect of, or that is attributable to the provision of the services described in this FSG.

### **6 Referrals**

Grant Thornton Corporate Finance including its Partners, Directors, employees or associates and related bodies corporate, does not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licenced to provide.

### **7 Associations with issuers of financial products**

Grant Thornton Corporate Finance and its Partners, Directors, employees or associates and related bodies corporate may from time to time have associations or relationships with the issuers of financial products. For example, Grant Thornton Australia Ltd may be the auditor of, or provide financial services to the issuer of a financial product and Grant Thornton Corporate Finance may provide financial services to the issuer of a financial product in the ordinary course of its business.

In the context of the report, Grant Thornton Corporate Finance considers that there are no such associations or relationships which influence in any way the services described in this FSG.

### **8 Complaints**

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Ombudsman Service (membership no. 11800). All complaints must be in writing and addressed to the National Head of Corporate Finance at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint.

If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service who can be contacted at:

GPO Box 3  
Melbourne, VIC 3001  
Telephone: 1800 367 287

Grant Thornton Corporate Finance is only responsible for the report and FSG. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

#### **9 Compensation arrangements**

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

#### **10 Contact Details**

Grant Thornton Corporate Finance can be contacted by sending a letter to the following address:

National Head of Corporate Finance  
Grant Thornton Corporate Finance Pty Ltd  
Level 17, 383 Kent Street  
Sydney, NSW, 2000

# 7. INVESTIGATING ACCOUNTANT'S REPORT



**Grant Thornton**

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Board of Directors  
Silver Heritage Group Limited  
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HONG KONG  
25 July 2016

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Dear Directors,

## **INDEPENDENT LIMITED ASSURANCE REPORT ON THE FORECAST FINANCIAL INFORMATION AND FINANCIAL SERVICES GUIDE**

### **Introduction**

This report has been prepared at the request of the directors (the “Directors”) of Silver Heritage Group Limited (“SHG, or the “Company”) for inclusion in the prospectus to be dated on or around 25 July 2016 (the “Prospectus”) to be issued by the Company in respect of the initial public offering of fully paid ordinary shares in the Company (the “Offer”) and listing of the Company on the Australian Securities Exchange.

Grant Thornton Corporate Finance Pty Ltd (“Grant Thornton Corporate Finance”) holds Australian Financial Services Licence Number 247140. This report is both an Independent Limited Assurance Report, the scope of which is set out below, and a Financial Services Guide, as attached at **Appendix A**.

Expressions defined in the Prospectus have the same meaning in this report, unless otherwise specified.

### **Scope**

You have requested Grant Thornton Corporate Finance to perform a limited assurance engagement in relation to the Forecast Financial Information of the Company included in **Section 6** of the Prospectus.

The Forecast Financial Information of SHG is presented in **Section 6** in the Prospectus in and abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001 (Cth).

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Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

Our limited assurance engagement has not been carried out in accordance with auditing or other standards and practices generally accepted in any jurisdiction outside of Australia and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

**Forecast Financial Information, Directors' Best Estimate Assumptions and Directors' Working Capital Statement**

The forecast financial information, as set out in the Prospectus comprises the:

- pro forma and statutory forecast consolidated income statements for the year ending 31 December 2016 (FY2016) (Pro forma and Statutory Forecast Income Statements);
- pro forma and statutory forecast consolidated cash flow statements for FY2016 (Pro forma and Statutory Forecast Cash Flows); and

(Hereafter the "Forecast Financial Information").

- Directors working capital statement in **Section 8.3** of the Prospectus which is made on the basis of the Forecast Financial Information

(Hereafter the "Directors' Working Capital Statement").

The Directors' best estimate assumptions underlying the Forecast Financial Information are described in **Section 6.11** of the Prospectus. The stated basis of preparation used in the preparation of the Forecast Financial Information is the recognition and measurement principles contained in International Accounting Standards and the Company's adopted accounting policies (included in **Appendix 2** to the Prospectus).

The Forecast Financial Information has been prepared by management and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance of SHG for FY2016. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material.

The Directors' best estimate assumptions on which the Forecast Financial Information is based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the assumptions on which the Forecast Financial Information is based, however such evidence is generally future orientated and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the Directors' best estimate assumptions.

## 7. INVESTIGATING ACCOUNTANT'S REPORT

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We do not express any opinion on the achievability of the results. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties relating to an investment in the Company, which are detailed in the Prospectus, and the inherent uncertainty relating to the prospective financial information. Accordingly prospective investors should have regard to the investment risks and sensitivities set out in **Section 4** and **Section 6** of the Prospectus respectively. The sensitivity analysis set out in **Section 6.12** of the Prospectus demonstrates the impacts on the Forecast Financial Information of changes in key assumptions. The Forecast Financial Information is therefore only indicative of the financial performance which may be achievable. We express no opinion as to whether the Forecast Financial Information will be achieved.

We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

### **Directors' Responsibility**

The Directors are responsible for the preparation and presentation of the Forecast Financial Information, including the best estimate assumptions underlying the Forecast Financial Information and the sensitivity of the Forecast Financial Information to changes in key assumptions. The Directors are also responsible for the Directors' Working Capital Statement in **Section 8.3** of the Prospectus.

These responsibilities include establishing and maintaining such internal controls as the Directors determine are necessary to enable the preparation of Forecast Financial Information that is free from material misstatement, whether due to fraud or error.

### **Our Responsibility**

Our responsibility is to express a limited assurance conclusion on the Forecast Financial Information and the Directors' Working Capital Statement based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with Australian Standard on Assurance Engagements (ASAE) 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

Our procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other procedures. Our procedures are substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly we will not express an audit opinion.

Specifically our engagement in relation to the Director's Working Capital Statement involved the following:

- An assessment of the reasonableness of the Director's best estimate assumptions in relation to the contractual arrangements entered into for the Tiger Palace Resort Bhairahawa and the Tiger Palace Resort Jhapa;
- A comparison of the Use of Proceeds (set out in **Section 8.3** of the Prospectus) to those contractual arrangements; and
- An assessment of the adequacy of the company's working capital in the context of the Director's Working Capital Statement and the Forecast Financial Information.

### Conclusions

#### Forecast Financial Information

Based on our procedures, which is not an audit, nothing has come to our attention that causes us to believe that:

- i. the Directors' best estimate assumptions used in the preparation of the Forecast Financial Information do not provide reasonable grounds for the Forecast Financial Information;
- ii. in all material respects, the Forecast Financial Information:
  - a. is not prepared on the basis of the Directors' best estimate assumptions as described in **Section 6.11** of the Prospectus;
  - b. is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in International Accounting Standards and the accounting policies adopted and used by the Company as disclosed in **Appendix 2** of the Prospectus; and
- iii. the Forecast Financial Information itself is unreasonable.

#### Directors' Working Capital Statement

Based on our procedures, which is not an audit nothing has come to our attention that causes us to believe that:

- the Directors' Working Capital Statement has not been made by the Directors with due care;
- the Directors' best estimate assumptions in relation to the contractual arrangements entered into for the Tiger Palace Resort Bhairahawa and the Tiger Palace Resort Jhapa used in the preparation of the Directors' Working Capital Statement do not provide reasonable grounds for the Directors' Working Capital Statement;
- the Forecast Financial Information on which the Directors' Working Capital Statement is based does not provide reasonable grounds for the Directors' Working Capital Statement; and
- the Directors' Working Capital Statement itself is unreasonable.

## 7. INVESTIGATING ACCOUNTANT'S REPORT

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### **General Advice Warning**

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### **Restriction on Use**

Without modifying our conclusions, we draw attention to **Section 6.2** of the Prospectus, which describes the purpose of the Forecast Financial Information, being for inclusion in the Prospectus. As a result, the Forecast Financial Information may not be suitable for use for another purpose.

### **Consent**

Grant Thornton Corporate Finance has consented to the inclusion of this Independent Limited Assurance Report in the Prospectus in the form and context in which it is included.

### **Liability**

The liability of Grant Thornton Corporate Finance is limited to the inclusion of this report in the Prospectus. Grant Thornton Corporate Finance makes no representation regarding, and has no liability, for any other statements or other material in, or omissions from the Prospectus.

### **Disclosure of Interest**

Grant Thornton Corporate Finance does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. Grant Thornton Audit Pty Ltd is the auditor of SHG and SHL and from time to time Grant Thornton or related entities also provides SHG and SHL with certain other professional services for which normal professional fees are received. Grant Thornton Corporate Finance will receive a professional fee for the preparation of this Independent Limited Assurance Report.

Yours faithfully  
GRANT THORNTON CORPORATE FINANCE PTY LTD

Neil Cooke  
Partner

Nicole Bradley  
Partner – Audit & Assurance



## Appendix A (Financial Services Guide)

This Financial Services Guide is dated 25 July 2016.

Level 17, 383 Kent Street  
Sydney NSW 2000

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### 1 About us

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### 2 This Financial Services Guide

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### 3 Financial services we are licensed to provide

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### 4 General financial product advice

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# 7. INVESTIGATING ACCOUNTANT'S REPORT

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## **5 Fees, commissions and other benefits we may receive**

Grant Thornton Corporate Finance charges fees to produce reports, including the report. These fees are negotiated and agreed with the entity who engages Grant Thornton Corporate Finance to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this report, Grant Thornton Corporate Finance will receive from the Company a fee of \$300,000 which is based on commercial rates plus reimbursement of out-of-pocket expenses.

Partners, Directors, employees or associates of Grant Thornton Corporate Finance, and related bodies corporate, may receive dividends, salary or wages from Grant Thornton Australia Ltd. None of those persons or entities receives non-monetary benefits in respect of, or that is attributable to the provision of the services described in this FSG.

## **6 Referrals**

Grant Thornton Corporate Finance including its Partners, Directors, employees or associates and related bodies corporate, does not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licenced to provide.

## **7 Associations with issuers of financial products**

Grant Thornton Corporate Finance and its Partners, Directors, employees or associates and related bodies corporate may from time to time have associations or relationships with the issuers of financial products. For example, Grant Thornton Australia Ltd may be the auditor of, or provide financial services to the issuer of a financial product and Grant Thornton Corporate Finance may provide financial services to the issuer of a financial product in the ordinary course of its business.

In the context of the report, Grant Thornton Corporate Finance considers that there are no such associations or relationships which influence in any way the services described in this FSG.

## **8 Complaints**

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Ombudsman Service (membership no. 11800). All complaints must be in writing and addressed to the National Head of Corporate Finance at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint.

If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service who can be contacted at:

GPO Box 3  
Melbourne, VIC 3001  
Telephone: 1800 367 287

Grant Thornton Corporate Finance is only responsible for the report and FSG. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

#### **9 Compensation arrangements**

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

#### **10 Contact Details**

Grant Thornton Corporate Finance can be contacted by sending a letter to the following address:

National Head of Corporate Finance  
Grant Thornton Corporate Finance Pty Ltd  
Level 17, 383 Kent Street  
Sydney, NSW, 2000

# 8.

## DETAILS OF THE OFFER



Artistic rendering of Forest Hotel, courtyard. See Section 3.4.3.4.

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## 8.1 THE OFFER

The Company (ACN 604 188 445) is a company incorporated in Victoria, Australia and is offering for subscription 62,500,000 Shares under the Offer to raise in aggregate a total of up to A\$25.0 million (approximately US\$18.75 million). The Shares are being offered at an Offer Price of A\$0.40 per Share.

On Completion, the Company will be the holding company of SHL and 127,785,152 Shares will be held by the SHL Shareholders, all of which will be subject to escrow arrangements. See "Section 10.8 – Additional Information – Escrow arrangements". The total number of Shares on issue at Completion of the Offer will be 190,285,153. All Shares will rank equally with each other.

The Company is also issuing 29,904,306 Options under this Prospectus in conjunction with the purchase of the New Bonds. See Section 10.7 for further details of the terms of the Options.

The Offer is made on the terms and subject to the conditions set out in this Prospectus.

## 8.2 STRUCTURE OF THE OFFER

The Offer comprises:

- The Retail Offer, consisting of the General Offer, which is open to Retail investors resident in Australia, the Broker Firm Offer, which is open to Retail Investors in Australia and New Zealand who have received a firm allocation from their Broker and the Chairman's List Offer, which is open to selected Silver Heritage employees and other persons who have received a Chairman's List Invitation; and
- The Institutional Offer, which is open to Institutional Investors in Australia, and a number of other eligible jurisdictions.

See "Section 8.5 – Details of the Offer – Terms and conditions of the Offer".

The allocation of Shares between the Broker Firm Offer, the Chairman's List Offer, the Institutional Offer and the General Offer will be determined by the Lead Manager in consultation with the Company.

The Offer has been fully underwritten by CLSA. See "Section 9.1 – Material Contracts – Underwriting Agreement" for a summary of the Underwriting Agreement, including the events which would entitle the Underwriter to terminate the Underwriting Agreement.

The Company also reserves the right to close the Offer early, to accept late Applications or extend the Offer without notifying any recipient of this Prospectus or any Applicant.

## 8.3 PURPOSE OF THE OFFER

The purposes of the Offer are to:

- provide a liquid market for Shares and an opportunity for others to invest in the Company;
- raise capital primarily to fund the completion of the Group's first casino resort and pay an additional deposit for the acquisition of the land for its second planned casino resort, both of which will be on the India-Nepal border;
- provide the Company with the benefits of the increased profile that arises from being a listed public company; and
- provide the Company with access to the capital markets to improve capital management flexibility.

The Company expects to receive A\$25.0 million (approximately US\$18.75 million) of gross proceeds from the Offer (assuming an exchange rate of A\$1:US\$0.75).

This table represents Silver Heritage's current intentions based upon its plans and the present business conditions in each of its markets. The amounts and timing of the actual expenditures and investments may vary significantly and will depend on numerous factors including any changes from the expected business environment.

## 8. DETAILS OF THE OFFER

| \$'000s                              | A\$           | US\$          |   | A\$           | US\$          | % of total    |
|--------------------------------------|---------------|---------------|---|---------------|---------------|---------------|
| Sources                              |               |               | Uses  |               |               |               |
|                                      |               |               | Repayment of Existing Bonds                       | 14,060        | 10,545        | 24.6%         |
| Offer                                | 25,000        | 18,750        | Debt issue costs                                  | 333           | 250           | 0.6%          |
| Additional debt from OCP             | 26,667        | 20,000        | Offer costs                                       | 2,975         | 2,231         | 5.2%          |
| Estimated cash balance at Completion | 5,333         | 4,000         | Tiger Palace Resort Bhairahawa (construction)     | 29,776        | 22,332        | 52.2%         |
|                                      |               |               | Tiger Palace Resort Jhapa (Additional deposit)    | 2,667         | 2,000         | 4.7%          |
|                                      |               |               | Estimated SHL Shareholder redemption <sup>1</sup> | 92            | 69            | 0.2%          |
|                                      |               |               | Capital expenditure (Vietnam and TMC)             | 1,320         | 990           | 2.3%          |
|                                      |               |               | <b>Sub total</b>                                  | <b>51,223</b> | <b>38,417</b> | <b>89.8%</b>  |
|                                      |               |               | Working capital                                   | 5,777         | 4,333         | 10.2%         |
| <b>Total</b>                         | <b>57,000</b> | <b>42,750</b> |   | <b>57,000</b> | <b>42,750</b> | <b>100.0%</b> |

<sup>1</sup> Anticipated cost of buying back SHL Shares held by SHL Shareholders who elected not to exchange their SHL Shares for Shares in the Company. See "Section 10.6 – Additional Information – Implementation Deed and Repurchase of SHL Shares".

In addition to the cash available for working capital noted above (US\$4.3 million), statutory cash flows from operations less financing costs in FY2016 are forecast to amount to US\$3.6 million (See "Section 6.8 – Financial Information – Pro forma historical and forecast cash flows and the statutory cash flows").

The Board believes that the Group's current cash reserves plus the net proceeds of the Offer, the New Bonds and operating cash flows forecast to be generated in FY2016 will be sufficient to fund the Company's key objectives as set out in the Prospectus. These key objectives comprise:

- completing the construction and full fit-out, and funding the pre-opening expenses, of Tiger Palace Resort Bhairahawa, scheduled to be operational in early 2017; and
- payment of an additional deposit for a site with road side access for Tiger Palace Resort Jhapa.

### 8.4 SHAREHOLDERS

The Company is currently a wholly-owned subsidiary of SHL, which owns the Silver Heritage businesses. On Completion of the Offer (and any necessary compulsory redemption of SHL Shares), the Company will acquire all the SHL Shares from the SHL Shareholders in exchange for Shares in the Company in accordance with the terms of the Implementation Deed. See "Section 10.6 – Additional information – Implementation Deed and Repurchase of SHL Shares".

The ownership structure of the Company immediately prior to, and on Completion of, the Offer is set out below:

|  | Ownership immediately prior to Completion <sup>1</sup> |               | Ownership following Completion |               | Fully diluted Shares           |               |
|--|--|---------------|--------------------------------|---------------|--------------------------------|---------------|
|  | Shares   | %             | Shares <sup>2</sup>            | %             | Shares <sup>2</sup>            | %             |
| UBS Nominees Pty Ltd                       | 12,267,184   | 9.6%          | 12,267,184                     | 6.4%          | 12,267,184                     | 5.6%          |
| GZ Fund LLC                                | 9,387,292  | 7.4%          | 9,387,292                      | 4.9%          | 9,387,292                      | 4.3%          |
| Champ Star Ltd                             | 7,660,000  | 6.0%          | 7,660,000                      | 4.0%          | 7,660,000                      | 3.5%          |
| OCP parties <sup>3</sup>                   | 6,000,000  | 4.7%          | 6,000,000                      | 3.2%          | 35,904,306                     | 16.3%         |
| Directors and Management <sup>4</sup>      | 13,238,144   | 10.3%         | 13,238,144                     | 7.0%          | 13,238,144                     | 6.0%          |
| Other Silver Heritage Limited Shareholders | 79,232,532   | 62.0%         | 79,232,532                     | 41.6%         | 79,232,532                     | 35.9%         |
| New Shareholders pursuant to the Offer     | –  | 0.0%          | 62,500,000                     | 32.9%         | 62,500,000                     | 28.4%         |
| <b>Total</b>                               | <b>127,785,153<sup>5</sup></b>                         | <b>100.0%</b> | <b>190,285,153</b>             | <b>100.0%</b> | <b>220,189,459<sup>5</sup></b> | <b>100.0%</b> |

Notes:

- 1 Number of Shares in the Company which will be exchanged for such Shareholders' SHL Shares under the Implementation Deed (see Section 10.6).
- 2 Excludes any Shares which SHL Shareholders may acquire under the Offer which will not be subject to any escrow arrangement.
- 3 The registered holder of the Shares is OCP. OLMS and OLII will be the holders of 29,904,306 Options described at Section 10.7. OCP, OLMS and OLII are each part of the OCP Asia group and are associates.
- 4 Excludes Shares in which Hugh Holmes has an interest via Champ Star Limited.
- 5 Includes the existing subscriber share

The Board does not expect any Shareholder to hold a controlling interest in the Company on Completion.

Information on the number of Shares to be held on Completion of the Offer that will be the subject of escrow arrangements and details of those escrow arrangements are set out in "Section 10.8 – Additional Information – Escrow arrangements".

## 8.5 TERMS AND CONDITIONS OF THE OFFER

| Topic  | Summary   |
|--|---|
| <b>What is the type of security being offered?</b>                                 | Shares (being fully paid ordinary shares in the Company).   |
| <b>What are the rights and liabilities attached to the security being offered?</b> | A description of the Shares, including the rights and liabilities attaching to them, is set out in "Section 8.9 – Details of the Offer – Rights attaching to the Shares".                       |
| <b>What is the consideration payable for each security?</b>                        | The Offer Price of A\$0.40 per Share.   |
| <b>What is the Offer Period?</b>   | The key dates, including details of the Offer Period, are set out on page 6. No Shares will be issued on the basis of this Prospectus later than the expiry date, which will be 25 August 2017. |

## 8. DETAILS OF THE OFFER

| Topic  | Summary   |
|--|---|
| <b>Who can apply for Shares under the General Offer?</b>     | <p>The General Offer is open only to Australian resident investors.</p> <p>Applications for Shares under the General Offer may only be made through OnMarket, which you can access via <a href="http://www.onmarketbookbuilds.com">www.onmarketbookbuilds.com</a> or via the OnMarket App (download in the App Store or Google play) by filling in your details in the Investment profile section, and completing and submitting the electronic application form available there.</p> <p>If you have a broker and would like the Shares to be allocated to your broking account, please provide your Holder Identification Number (HIN) and make sure the details are the same as they appear on your CHESS statement. If you do not have a broker, you can bid into the General Offer via OnMarket and you will be issued with an Shareholder Reference Number (SRN).</p> <p>Prior to applying for the Shares, you will be asked to agree the Terms of the Offer which will confirm that you have read the Prospectus.</p> <p>Go to the 'Offers' panel on the OnMarket website or app, select 'Bid' and agree to the Terms of the Offer. Enter the value of Shares that you wish to apply for. You will then be required to confirm your bid. You may then pay for the Shares via BPay or Payment Express. Once your payment is cleared, the application is complete.</p>                                  |
| <b>Who can apply for Shares under the Broker Firm Offer?</b> | <p>The Broker Firm Offer is open only to Australian and New Zealand resident investors who are not Institutional Investors and who have received an invitation from their Broker to participate. If you have received an invitation from your Broker, you will be treated as an Applicant under the Broker Firm Offer in respect of that allocation. You should contact your Broker to determine whether they may allocate Shares to you under the Broker Firm Offer.</p> <p>Applications for Shares under the Broker Firm Offer may only be made on an Application Form included in, or accompanying, this Prospectus. If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Application Form with the Broker from whom you received your invitation to participate. Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the Application Form.</p> <p>By making an Application, you declare that you were given access to this Prospectus (or any supplementary or replacement prospectus), together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is included in, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.</p> |
| <b>How to Pay</b>  | <p>Applicants under the Broker Firm Offer must pay their Application Monies in accordance with the instructions received from their Broker.</p>   |

| Topic   | Summary   |
|---|---|
| <b>Application Monies</b>                                       | <p>Applicants under the General Offer must pay their Application Monies by BPay or Payment Express in accordance with instructions on the OnMarket website or app.</p> <p>The Company reserves the right to decline any Application in whole or in part, without giving any reason. Applicants under the Broker Firm Offer or General Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded.</p> <p>Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies provided by the Offer Price. Where the Offer Price does not divide evenly into the Application Monies, the number of Shares to be allocated will be determined by the Applicant's Broker or by the Company in the case of the General Offer.</p> <p>Cheque(s) or bank draft(s) drawn to pay Application Monies under the Broker Firm Offer must be in Australian dollars and drawn on an Australian branch of an Australian bank, must be crossed 'Not Negotiable' and must be made payable in accordance with the directions of the Broker from whom the Applicant received their firm allocation of Shares.</p> <p>Applicants should ensure that sufficient funds are held in the relevant account(s) to cover the amount of the cheque(s) or bank draft(s). If the amount of your cheque(s) or bank draft(s) for Application Monies (or the amount for which those cheque(s) or bank draft(s) clear in time for allocation) is less than the amount specified on your Application Form, you may be taken to have applied for such lower Australian dollar amount of Shares as for which your cleared Application Monies will pay (and to have specified that amount on your Application Form) or your Application may be rejected.</p> <p>If you are applying under the General Offer, it is your responsibility to ensure that your BPay or Payment Express payment is received by OnMarket by no later than 5.00pm on 18 August 2016. You should be aware that your financial institution may impose earlier cut-off times with regard to electronic payment and you should therefore take this into consideration, when making payment.</p> |
| <b>Acceptance of Applications</b>                               | <p>An Application in, the Chairman's List Offer, the Broker Firm Offer and the General Offer is an offer by an Applicant to the Company to apply for Shares in the amount specified on the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Application Form (including the conditions regarding quotation on ASX and the acknowledgements). To the extent permitted by law, an Application by an Applicant under the Institutional Offer, Broker Firm Offer or Chairman's List Offer is irrevocable.</p> <p>An Application may be accepted by the Company and the Underwriter in respect of the full number of Shares specified in the Application Form or any of them, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract.</p>  |
| <b>Who can apply for Shares under the Institutional Offer?</b>  | The Institutional Offer is only open to Institutional Investors in Australia and a number of other eligible jurisdictions.  |
| <b>What are the cash proceeds to be raised under the Offer?</b> | A\$25.0 million (approximately US\$18.75 million) will be raised from investors under the Offer based on the Offer Price.   |

## 8. DETAILS OF THE OFFER

| Topic   | Summary  |
|---|--|
| <b>What is the minimum and maximum Application size under the Broker Firm Offer, the General Offer and Chairman's List Offer?</b> | <p>The minimum Application under the Broker Firm Offer, the General Offer and the Chairman's List Offer is A\$2,000 worth of Shares.</p> <p>The Company and the Lead Manager reserves the right to reject any Application or to allocate a lesser number of Shares than that applied for. In addition, the Company and the Lead Manager reserves the right to aggregate any Applications which they believe may be multiple Applications from the same person or reject or scale back any Applications (or aggregate of Applications) in the Retail Offer which are for more than A\$100,000 worth of Shares.</p> <p>There is no maximum value of Shares that may be applied for under the Retail Offer, but the Company and the Lead Manager reserves the right to treat any Applications (or aggregate of Applications) in the Retail Offer which are for more than A\$100,000 worth of Shares as part of the Institutional Offer.</p> |
| <b>Will oversubscriptions be accepted?</b>  | The Board will not accept any oversubscriptions.   |
| <b>What is the allocation policy?</b>   | <p>The allocation of Shares between the Institutional Offer, Broker Firm Offer, the General Offer and the Chairman's List Offer will be determined by the Lead Manager in consultation with the Company.</p> <p>With respect to the Broker Firm Offer, it is a matter for the Brokers how they allocate Shares among eligible retail clients.</p> <p>The allocation of Shares among Participants in the Broker Firm Offer and Applicants in the Chairman's List Offer and the Institutional Offer will be determined by the Lead Manager in consultation with the Company. The allocation of Shares under the General Offer shall be determined by the Company. For further information on the Chairman's List Offer and the Institutional Offer, see "Section 8.5 – Details of the Offer – Terms and conditions of the Offer".</p>  |
| <b>Will the securities be listed?</b>   | The Company will apply to ASX within seven days of the date of this Prospectus for admission to the official list of, and quotation of its Shares by, ASX under the code 'SVH'. Completion of the Offer is conditional on ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.   |
| <b>When are the securities expected to commence trading?</b>  | <p>It is expected that trading of the Shares on ASX (on a normal settlement basis) will commence on or about 29 August 2016.</p> <p><b>It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial statement of holding do so at their own risk.</b></p> <p>The Company and the Lead Manager disclaims all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided by any of them, by the Silver Heritage Offer Information Line, by a Broker or otherwise.</p>   |
| <b>When will I receive confirmation of whether my Application has been successful?</b>  | <p>It is expected that initial holding statements will be mailed to successful Applicants by standard post on or about 25 August 2016.</p> <p>Refunds (without interest) to Applicants who make an Application and receive an allocation of Shares, the value of which is smaller than the amount of the Application Monies, will be made as soon as practicable after Completion of the Offer.</p>  |
| <b>Is the Offer underwritten?</b>   | Yes. The Underwriter has fully underwritten the Offer. See "Section 8.2 – Details of the Offer – Structure of the Offer".  |

| Topic  | Summary   |
|--|---|
| <b>Are there any escrow arrangements?</b>                                | Yes. See "Section 10.8 – Additional Information – Escrow arrangements".   |
| <b>Are there any tax considerations?</b>                                 | <p>Yes. The tax consequences of any investment in the Shares will depend upon an investor's particular circumstances.</p> <p><b>Applicants should obtain their own tax advice prior to deciding whether to invest.</b></p> <p>See "Section 10.10 – Additional information – Australian taxation implications of investing under the Offer".</p>   |
| <b>Are there any brokerage, commission or stamp duty considerations?</b> | No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer. See "Section 10.10.4 – Stamp duty" and "Section 10.12 – Offer expenses".  |
| <b>Is DvP settlement available?</b>                                      | DvP settlement is available for Applicants under both the Institutional and Broker Firm Offers. Please contact your Broker or the Lead Manager for further details.   |
| <b>What should I do with any enquiries?</b>                              | <p>All enquiries in relation to this Prospectus should be directed to the Silver Heritage Offer Information Line on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia) from 8:30 am to 5:30 pm (AEST), Monday to Friday (excluding public holidays).</p> <p>If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for you, you should consult with your stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.</p> |

## 8.6 DISCRETION REGARDING THE OFFER

The Company may withdraw the Offer at any time before the issue of Shares to Successful Applicants or bidders Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

The Company and the Lead Manager also reserves the right, subject to the Corporations Act, to extend the Offer or any part of it, to accept late Applications or bids either generally or in particular cases to reject any Application or bid, or to allocate to any Applicant or bidder fewer Shares than the amount applied or bid for.

## 8.7 ASX LISTING, REGISTERS AND HOLDING STATEMENTS

### 8.7.1 Application to ASX for listing of the Company and quotation of Shares

No later than seven days after the date of this Prospectus, the Company will apply to ASX for admission to the official list of ASX and for its Shares to be granted official quotation by ASX. The Company is not currently seeking a listing of its Shares on any stock exchange other than ASX.

The fact that ASX may admit the Company to the official list of ASX and grant official quotation of the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares offered for subscription under the Offer. ASX takes no responsibility for the contents of this Prospectus. Normal settlement trading in the Shares, if quotation is granted, will commence as soon as practicable after the issue of holding statements to Successful Applicants.

It is the responsibility of Applicants to determine their allocation prior to trading in the Shares. Applicants who sell Shares before they receive confirmation of their allotment will do so at their own risk.

If permission for quotation of the Shares is not granted within three months after the date of this Prospectus, all Application Monies received by the Company will be refunded without interest as soon as practicable.

The Company will be required to comply with ASX Listing Rules, subject to any waivers obtained by the Company from time to time.

## 8. DETAILS OF THE OFFER

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### 8.7.2 CHESS and issuer sponsored holdings

The Company will apply to participate in ASX's Clearing House Electronic Sub-register System ("CHESS") and will comply with ASX Listing Rules and ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, being an electronic CHESS sub-register or an issuer sponsored sub-register.

For all Successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS sub-register. All other Shares will be registered on the issuer sponsored sub-register.

Following Completion, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (HIN) for CHESS holders or, where applicable, the Securityholder Reference Number (SRN) for issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their shareholding in the Company. Certificates will not be issued. Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring Broker in the case of a holding on the CHESS sub-register or through the Share Registry in the case of a holding on the issuer sponsored sub-register. The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

### 8.7.3 Trading and selling Shares on market

It is expected that trading of the Shares on ASX (on a normal settlement basis) will commence on or about 29 August 2016.

It is the responsibility of each person who trades in Shares to confirm their own holding before trading in Shares. If you sell Shares before receiving a holding statement, you do so at your own risk. The Company, the Share Registry and the Lead Manager disclaims all liability, whether in negligence or otherwise, if you sell Shares before receiving your holding statement, even if you obtained details of your holding statement from the Silver Heritage Offer Information Line or confirmed your allocation through a Broker.

## 8.8 OVERSEAS DISTRIBUTION

No action has been taken to register or qualify the offer of Shares under this Prospectus, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia and New Zealand.

### 8.8.1 Offer only made where lawful to do so

The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law. This Prospectus does not constitute an offer in any place in which, or to whom, it would not be lawful to make such an offer. Persons into whose possession this document comes should inform themselves about and observe any restrictions on the acquisition or distribution of the Prospectus. Any failure to comply with these restrictions may constitute a violation of securities laws.

### 8.8.2 United States residents

The Shares being offered pursuant to this Prospectus have not been registered under the US Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from registration under the US Securities Act and applicable state securities laws. This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of the Shares in any state or other jurisdiction in which such offer, solicitation or sale would be unlawful. In addition, any hedging transactions involving the Shares may not be conducted unless in compliance with the US Securities Act.

### 8.8.3 Overseas ownership and resale representation

It is your responsibility to ensure compliance with all laws of any country relevant to your Application. The return of a duly completed Application Form will be taken by the Company to constitute a representation and warranty made by you to the Company that there has been no breach of such laws and that all necessary consents and approvals have been obtained.

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#### 8.8.4 Selling restrictions

This document does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. In particular, this Prospectus may not be distributed to any person, and the Shares may not be offered or sold in any country outside Australia and New Zealand except to the extent permitted below.

##### 8.8.4.1 British Virgin Islands

This Offer shall not constitute an offer, invitation or solicitation to any member of the public in the British Virgin Islands for the purposes of the Securities and Investment Business Act, 2010, of the British Virgin Islands.

##### 8.8.4.2 Cayman Islands

This Offer shall not constitute an offer, invitation or solicitation to any member of the public in the Cayman Islands to subscribe for any of the Shares. However, Cayman Islands Exempted and Ordinary Non-Resident companies, Cayman Islands Exempted trusts and certain other legal entities formed under the laws of but not resident in the Cayman Islands and engaged in business outside of the Cayman Islands may be permitted to acquire the Shares.

##### 8.8.4.3 European Economic Area

In relation to each member state of the European Economic Area (each, a **"Relevant Member State"**), no offer of the Shares may be made to the public in that Relevant Member State other than to any legal entity which is a qualified investor as defined in the Prospectus Directive.

Each person in a Relevant Member State who initially acquires any Share or to whom any offer is made will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive. Any financial intermediary will be deemed to have represented, acknowledged and agreed that the Shares acquired by it in the Offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the applicants has been obtained to each such proposed offer or resale.

The Company, applicants and their affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements.

This Prospectus has been prepared on the basis that any offer of Shares in any Relevant Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Shares. Accordingly, any person making or intending to make an offer in that Relevant Member State of Shares which are the subject of the offering contemplated in this Prospectus may only do so in circumstances in which no obligation arises for the Company or the Underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither the Company nor the applicants has authorised, nor do they authorise, the making of any offer of Shares in circumstances in which an obligation arises for the Company or the applicants to publish a prospectus for such offer.

For the purpose of the above provisions, the expression "an offer to the public" in relation to any Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offer and the Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Shares, as the same may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member States) and includes any relevant implementing measure in the Relevant Member State.

##### 8.8.4.4 Hong Kong

This Prospectus has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorized by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the **"SFO"**). No action has been taken in Hong Kong to authorize or register this Prospectus or to permit the distribution of this Prospectus or any documents issued in connection with it. The Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under the SFO) or in other circumstances which do not result in this document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) or which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) or the Companies Ordinance (Cap. 622) of Hong Kong.

## 8. DETAILS OF THE OFFER

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No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" (as defined in the SFO and any rules made under the SFO). No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

### 8.8.4.5 New Zealand

This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

The Offer and the contents of this Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and the regulations made under that Act set out how the Offer must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime. The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to the Offer. If you need to make a complaint about the Offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products in NZ\$ terms will go up or down according to changes in the exchange rate between Australian and New Zealand dollars. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

### 8.8.4.6 Singapore

This Prospectus or any other offering material relating to the Shares has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Shares may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than to an institutional investor, as defined in section 4(A)(1) of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), in accordance with and pursuant to section 274 of the SFA.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. Investors should note there are certain on-sale restrictions (set out in, among others, sections 257 and 276 of the SFA) applicable to all investors who acquire the Shares pursuant to the exemptions in section 274 of the SFA. As such, investors are advised to acquaint themselves with the SFA provisions relating to on-sale restrictions in Singapore or to consult their own professional advisers as to such on-sale restrictions, and to comply accordingly.

The contents of this Prospectus have not been reviewed by any regulatory authority in Singapore. In the event of any doubt about any of the contents of this Prospectus or as to your legal rights and obligations in connection with the Offer, please obtain appropriate professional advice.

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#### 8.8.4.7 United Kingdom

This Prospectus does not constitute a prospectus for the purpose of the prospectus rules issued by the "Financial Conduct Authority" ("**FCA**") pursuant to section 84 of the Financial Services and Markets Act 2000 (as amended) the "**FSMA**" and has not been approved by or filed with the FCA. The information contained in this Prospectus is only being made, supplied or directed at persons in the United Kingdom who are qualified investors within the meaning of section 86(7) of the FSMA and the Shares are not otherwise being offered or sold and will not otherwise be offered or sold to the public in the United Kingdom (within the meaning of section 102B of the FSMA), save in circumstances where it is lawful to do so without an approved prospectus (within the meaning of section 85 of FSMA) being made available to the public before the offer is made.

In addition, in the United Kingdom no person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Shares except in circumstances in which section 21(1) of the FSMA does not apply to the Company and this document is made, supplied or directed at qualified investors in the United Kingdom who are: (a) persons having professional experience in matters relating to investments who fall within the definition of investment professionals in article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (as amended) ("**FPO**"); or (b) high net worth bodies corporate, unincorporated associations and partnerships and trustees of high value trusts as described in article 49 of the FPO (all such persons being Relevant Persons). Any investment or investment activity to which this Prospectus relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. Each United Kingdom recipient is deemed to confirm, represent and warrant to the Company that it is a Relevant Person.

#### 8.8.4.8 Malta

This document has not been filed with or approved by any regulatory authority in Malta. Therefore the Shares may not be offered or sold to the public in Malta.

### 8.9 RIGHTS ATTACHING TO THE SHARES

Immediately after issue and allotment, the Shares will be fully paid Shares and the Shares will rank pari passu with the Share currently on issue and with the Shares which will be issued to SHL Shareholders under the Reorganisation.

Detailed provisions relating to the rights attaching to the Shares are set out in the Company's Constitution and the Corporations Act. A copy of the Company's Constitution can be inspected during office hours at the registered office of the Company and Shareholders have the right to obtain a copy of the Company's Constitution, free of charge.

The detailed provisions relating to the rights attaching to Shares under the Constitution and the Corporations Act are summarised below.

Each Share will confer on its holder:

- the right to receive notice of and to attend general meetings of the Company and to receive all financial statements, notices and documents required to be sent to them under the Company's Constitution and the Corporations Act;
- the right to vote at a general meeting of Shareholders (whether present in person or by any representative, proxy or attorney) on a show of hands (one vote per Shareholder) and on a poll (one vote per Share on which there is no money due and payable) subject to the rights and restrictions on voting which may attach to or be imposed on Shares (at present there are none);
- the right to receive dividends, according to the amount paid up on the Share;
- the right to receive, in kind, the whole or any part of the Company's property on a winding up, subject to the rights of a liquidator to distribute surplus assets of the Company with the consent of members by special resolution; and
- subject to the Corporations Act and ASX Listing Rules, Shares are fully transferable.

The rights attaching to Shares may be varied with the approval of Shareholders in general meeting by special resolution.

# 9.

## MATERIAL CONTRACTS



Artistic rendering of Tiger Palace Resort Bhairahawa, Northern Aspect. See Section 3.4.3.

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The Board considers that the material contracts described below are those which an investor would reasonably regard as material and which investors and their professional advisers would reasonably expect to find described in this Prospectus for the purpose of making an informed assessment of an investment in the Company under the Offer.

This Section 9 contains a summary of the material contracts and their substantive terms which are not otherwise disclosed elsewhere in this Prospectus.

## 9.1 UNDERWRITING AGREEMENT

The Offer is fully underwritten by the Underwriter pursuant to an underwriting agreement dated on or around the date of this Prospectus between the Underwriter and the Company (**Underwriting Agreement**). Under the Underwriting Agreement, the Underwriter has agreed to arrange, manage and underwrite the Offer.

For the purpose of this Section 9.1, offer documents means the following documents issued or published by, or on behalf of, the Company and with its prior approval, in respect of the Offer and in a form approved by the Underwriter:

- the pathfinder prospectus (**Pathfinder**) for the Offer and any document which supplements or replaces the Pathfinder (including any addendum to the Pathfinder);
- this Prospectus (including any supplementary prospectus) and any Application Form;
- any cover email including an appropriate cautionary legend sent to eligible Institutional Investors in connection with the Institutional Offer and the bookbuild process with a link to or attaching the Pathfinder; and
- any investor presentation or marketing presentation and/or ASX announcement used in connection with the Institutional Offer or the Broker Firm Offer (including any addendum to those presentations and any draft of such documents used for roadshow purposes prior to the date of this Prospectus).

(collectively, the **Offer Documents**).

### Fees and expenses

Subject to the Underwriter satisfying its underwriting obligations under the Underwriting Agreement, the Company has agreed to pay the Underwriter an underwriting fee equal to 1.0% of the Offer Proceeds and a management and selling fee equal to 2.45% of the Offer Proceeds, which will be increased to 2.95% in circumstances where the Company receives subscription proceeds for Valid Applications in excess of \$10 million from investors introduced by the Underwriter, excluding any subscription proceeds received by the Company in relation to Valid Applications from existing shareholders of the Company. The underwriting fee and management and selling fee will be paid to the Underwriter on the date of settlement of the Offer (for the purpose of this clause 9.1, this is referred to as the Settlement Date).

In addition to the fees described above, the Company has agreed to pay or reimburse the Underwriter for the reasonable costs incurred by it in relation to the Offer.

### Termination Events

If any of the following events occur, the Underwriter may, at any time until on or before 5:00pm on the Settlement Date, terminate the Underwriting Agreement, without cost or liability, by notice to the Company:

- a statement in the Offer Documents is or becomes misleading or deceptive or likely to mislead or deceive, or a matter required to be included is omitted from an Offer Document;
- in relation to the sub-underwriting agreement between the Co-Lead Manager and the Underwriter dated on or around the date of this Prospectus (**Sub-Underwriting Agreement**):
  - the termination of the Sub-Underwriting Agreement in accordance with its terms; or
  - failure by the Co-Lead Manager to pay for, or procure the payment of, the Offer Price for the Sub-underwritten Securities (as defined in the Sub-Underwriting Agreement) by 2:00pm on the Settlement Date to the Underwriter;
- there occurs a new circumstance that arises after the Prospectus is lodged with ASIC that would have been required to be included in the Prospectus if it had arisen before lodgement except a circumstance which would not have a material adverse effect;
- an Investor as agreed between the Company and the Underwriter wholly or partially withdraws their application or commitment for Shares under the Offer after the Company issues a supplementary Prospectus;
- the Company issues or, in the reasonable opinion of the Underwriter, is required and fails to issue, a supplementary Prospectus in each case to comply with section 719 of the Corporations Act;

## 9. MATERIAL CONTRACTS

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- the S&P/ASX 200 or 300 indices are, either for at least 2 consecutive business days before, or on the business day immediately prior to, the Settlement Date, at a level that is 90% or less than the level at the close of the last trading day before the date of the Underwriting Agreement;
- any Escrow Deed is withdrawn, varied, terminated, rescinded, altered or amended, breached or failed to be complied with;
- there are not, or there cease to be, reasonable grounds in the reasonable opinion of the Underwriter for any statement or estimate in the Offer Documents which relate to a future matter or any forecast that appears in the Offer Documents is unlikely to be met in the projected time (including in each case financial forecasts);
- the Company or any of its respective directors or officers engage, or have engaged in any fraudulent conduct or activity whether or not in connection with the Offer;
- approval is refused or not granted in relation to the Company's admission to the official list of ASX on or before the listing approval date, or the quotation of the Company's shares on the ASX or for the shares to be traded through CHESS, or such approval is granted subject to conditions other than customary conditions or if granted is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- ASIC issues an order (including an interim order) under section 739 of the Corporations Act (unless such order is not made public and is withdrawn within 2 business days of issue or commencement, or if made within 2 business days of the Settlement Date is not withdrawn by the day before the Settlement Date);
- ASIC holds a hearing under section 739(2) of the Corporations Act;
- an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer or an Offer Document or ASIC commences any investigation or hearing under Part 3 of the ASIC Act in relation to the Offer or an Offer Document (unless any such application or investigation is not made public and is withdrawn within 2 business days of being made or commenced, or if made within 2 business days of the Settlement Date is withdrawn by the day before the Settlement Date);
- any person (other than the Underwriter) who has previously consented to the inclusion of its name in any Offer Document withdraws that consent;
- any person (other than the Underwriter) gives a notice under section 730 of the Corporations Act in relation to an Offer Document;
- the Company does not provide the Underwriters with a closing certificate as and when required by the Underwriting Agreement;
- the Company withdraws the Prospectus or the Offer or indicates that it does not intend to proceed with the Offer or any part of it;
- a Group member becomes insolvent, or there is an act or omission which is likely to result in a Group member becoming insolvent;
- an event specified in the Offer timetable up to and including the Settlement Date is delayed by more than 2 business days (other than any delay agreed between the Company and the Underwriter or a delay resulting from of an extension of the exposure period by ASIC);
- the Company is prevented from allotting and issuing the Shares under the Offer within the time required by this Prospectus, the ASX Listing Rules, applicable laws, an order of a court of competent jurisdiction, or a governmental authority;
- the Company other than under the Offer or as permitted under the Underwriting Agreement, alters the issued capital of the Company or disposes or attempts to dispose of a substantial part (directly or indirectly) of the business or property of the Company, without the prior written consent of the Underwriter;
- if a regulatory body withdraws, revokes or amends any regulatory approvals required for the Company to perform its obligations under the Underwriting Agreement or to carry out the transactions contemplated by the Offer Documents;
- a change in the board of directors of the Company occurs, or any of Mike Bolsover (CEO), Hugh Holmes (Executive Director – Special Projects), Tim Shepherd (President, Business Development and Marketing) and Martin Wright (Chief Financial Officer) cease to be employed by the Group;
- any director or proposed director of the Company named in the Pathfinder or Prospectus is charged with an indictable offence;

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- any governmental agency charges or commences any court proceedings or public action against the Company or any of its respective directors in their capacity as a director of the Company, or announces that it intends to take action;
  - any director or any proposed director of the Company named in the Pathfinder or Prospectus is disqualified from managing a corporation under Part 2D.6 of the Corporations Act; and
  - the Company varies any material term of its constitution without the prior written consent of the Underwriter (such consent not to be unreasonably withheld or delayed).

In addition, if one of the following events occurs and the Underwriter has reasonable grounds to believe that the event (a) has or is likely to have a materially adverse effect on the success, settlement or marketing of the Offer or on the ability of the Underwriter to market or promote or settle the Offer or on the likely price at which the Shares will trade on ASX, or (b) has or would be likely to have a material adverse effect on the willingness of investors to acquire Shares under the Offer, or (c) will, or is likely to, give rise to a liability of the Underwriter under, or give rise to, or result in, a contravention by the Underwriter or its affiliates of, any applicable law, then the Underwriter may, at any time until on or before 5:00pm on the Settlement Date, terminate the Underwriting Agreement, without cost or liability, by notice to the Company:

- a statement in any Public Information is or becomes misleading or deceptive or is likely to mislead or deceive, or a matter required to be included is omitted from such any Public Information;
- any act of god, war, revolution, industrial dispute, any unlawful act against public order or authority including acts of terrorism, fires, floods, earthquakes, natural disasters, outbreaks of disease or an event or occurrence, including any statute, order, rule, regulation, directive or request (including one compliance with which is in accordance with the general practice of persons to whom the directive or request is addressed) of any governmental agency, which makes it illegal or which prevents or delays the Underwriter from satisfying an obligation under this document, or to market, promote or settle the Offer;
- the due diligence report issued by the Due Diligence Committee established in connection with the Offer, is or becomes misleading or deceptive, including by way of omission;
- any adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the Group, including any adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Group from those respectively disclosed in any Offer Document or the Public Information;
- there is introduced, or there is a public announcement of a proposal to introduce, into the Lao People's Democratic Republic, the Socialist Republic of Vietnam, India, the Constituent Assembly of Nepal, the Parliament of Cambodia, or Australia or any State or Territory of Australia a new law, or any Commonwealth or State authority, including ASIC, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Underwriting Agreement);
- there is a contravention by the Company of the Corporations Act, the Competition and Consumer Act 2010 (Cth), ASIC Act (any regulations under those acts), or any of the ASX Listing Rules;
- any of the Offer Documents or any aspect of the Offer does not comply with the Corporations Act (and all regulations under that Act), its constitution, the ASX Listing Rules or any other applicable law or regulation;
- any licence, permit, authorisation or consent held by a Group member that is necessary to conduct its business is revoked, withdrawn, rescinded, breached, terminated, altered or amended (other than with the consent of the Underwriter);
- a representation, warranty or undertaking or obligation contained in the Underwriting Agreement on the part of the Company is breached, becomes not true or correct or is not performed except in relation to Offer Documents and Public Information, where the Offer Document or Public Information contains a statement that is not true or correct and this is rectified, with the prior written consent of the Underwriter, in the form of a supplementary Offer Document or Public Information;
- the Company defaults on any of its obligations under the Underwriting Agreement;
- legal proceedings against a Group member or against any director of a Group member in that capacity is commenced or any regulatory body commences any enquiry or public action against a Group member;
- any information supplied (including any information supplied prior to the date of the Underwriting Agreement) by or on behalf of the Company to the Underwriter in respect of the Offer is, or is found to be, misleading or deceptive, or likely to mislead or deceive (including, by omission);
- hostilities not presently existing commence (whether war has been declared or not) or an escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, Lao People's Democratic Republic, Socialist Republic of Vietnam, Nepal, Cambodia, India, China, Hong Kong, New Zealand, Singapore, the United Kingdom, any member state of the European Union or the United States or any other jurisdiction

## 9. MATERIAL CONTRACTS

relevant to any Group Member, or a major terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries;

- a statement in any closing certificate is false, misleading, inaccurate or untrue or incorrect;
- a general moratorium on commercial banking activities in Lao People's Democratic Republic, Socialist Republic of Vietnam, Nepal, Cambodia, India, Australia, the United Kingdom or the United States is declared by the relevant central banking authority in those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries;
- any adverse effect on the financial markets in Lao People's Democratic Republic, Socialist Republic of Vietnam, Nepal, Cambodia, India, Australia, the United Kingdom or the United States, or in foreign exchange rates or any development involving a prospective change in local, national, regional or international, political, military, industrial, fiscal, regulatory, credit, market, financial or economic conditions in any of those countries;
- trading in all securities quoted or listed on ASX, New York Stock Exchange or the London Stock Exchange is suspended or limited in a material respect for 1 day (or a substantial part of 1 day) on which that exchange is open for trading; and
- Lao People's Democratic Republic, the Socialist Republic of Vietnam, Nepal or Cambodia become the subject of any sanctions.

In the event the Underwriter terminates its obligations under the Underwriting Agreement, the Underwriter will be immediately relieved of its obligations under the Underwriting Agreement.

### Conditions, warranties, undertakings and other terms

The Underwriting Agreement contains certain standard representations, warranties and undertakings by the Company to the Underwriter as well as common conditions precedent, including the receipt by the Underwriters of the final, signed due diligence report and ASX indicating that it will grant permission for quotation of the Shares on the ASX.

The representations and warranties given by the Company relate to matters such as conduct of the Company, power and authorisations, information provided by the Company, information in this Prospectus and compliance with laws and the ASX Listing Rules. The Company also provides additional representations and warranties in connection with the business and affairs of the Company including in relation to licences, taxation and eligibility for listing.

The Company's undertakings include that it will not, until 180 days after the Allotment Date, issue (or agree to issue) or indicate in any way that it may or will issue any shares or agree to issue, units or other securities that are convertible into equity, of any Group member, without the prior written consent of the Underwriters. This undertaking is subject to certain exceptions, including any issue made pursuant to an employee incentive plan, a bonus share plan or any proposed transaction which has been fully and fairly disclosed in this Prospectus.

### Indemnity

Subject to certain exclusions relating to, among other things, fraud, wilful misconduct, recklessness or gross negligence of any indemnified party, the Company agrees to keep the Underwriter and its representatives indemnified from losses suffered by them in connection with the Offer or the appointment and role of the Underwriter pursuant to the Underwriting Agreement.

## 9.2 SALE OF SILVER HERITAGE'S OPERATIONS IN THE PHILIPPINES

On 25 November 2015, SHL entered into a deed of absolute sale under which it sold its entire interest in SHPI, which was previously Silver Heritage's Filipino holding company for its Filipino gaming operations (including SHAGI its subsidiary), to Bromhead Holdings, Inc. ("**Bromhead**") for the amount of P1,250,000.

As part of the sale, Bromhead agreed to guarantee the outstanding loan between SHL and SHPI, and the outstanding loan between SHL and SHAGI, which together amount to US\$3.6 million owed to SHL. Interest is payable on the loans at the rate of 8.05% per annum and the loan principal and accrued interest must be repaid by 25 November 2016. In addition to customary default provisions such as Bromhead's insolvency, in the event that Bromhead disposes of SHPI or SHAGI without SHL's prior written consent, the loan amount becomes immediately due and payable and SHL is entitled to enforce all its rights to recover the loan amount.

## 9.3 ARRANGEMENTS IN RELATION TO THE PHOENIX INTERNATIONAL CLUB

### 9.3.1 Entertainment Services Agreement

Phoenix International Travel and Ridgeway International Limited ("**RIL**") are party to the ESA, pursuant to which RIL has the exclusive right to manage and operate the gaming business owned by Phoenix International Travel at the

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Phoenix International Club and to carry out all related business activities including services for food and beverage until 31 March 2025.

In consideration for the provision of the management services, RIL is entitled to a percentage of the Gross Gaming Revenue generated from the operation of the gaming business conducted at the Phoenix International Club. During the term of the ESA, if the gaming business is run at a loss, such loss is also shared on the same basis as GGR is shared. If at the end of the term of the ESA, the business operation of the gaming business at the Phoenix International Club is determined by a qualified auditor as having incurred a loss, then RIL is responsible to pay for such losses.

Either party may terminate the ESA for the other party's material breach if that breach is not remedied within 28 business days after having been notified of the breach and as a result, the defaulting party may be liable to pay to the non-defaulting party an amount prescribed under the ESA, which varies depending on the circumstances of the breach.

If RIL fails to comply with applicable casino laws or regulations and this directly results in the closure of the casino at the Phoenix Club International for more than six months and up to one year, RIL will be responsible for the penalty charged by the authorities and will have to pay Phoenix International Travel an amount of US\$500,000. If such non-compliance directly results in Phoenix International Travel's casino licence being withdrawn, RIL will have to pay Phoenix International Travel an amount of US\$2,000,000.

### 9.3.2 Services Agreement

On 1 January 2015, Phoenix International Travel and Silver Heritage Vietnam Company Limited ("**SHLV**") entered into a services agreement under which Phoenix International Travel engaged SHLV to provide certain business management consultancy services ("**Services Agreement**") until the parties agree that such services are no longer required. These services include financial management consulting services (except business tax), marketing management consulting services, production management consulting services and public relations services.

In return for SHLV's provision of these services, Phoenix International Travel has agreed to pay SHLV a monthly service fee, which is subject to review by the parties on a monthly basis.

The Services Agreement may be terminated by either party where the other party commits a material breach of its obligations under the Services Agreement and fails to remedy such breach within 15 days of being notified of such breach. Further, the Services Agreement may be terminated at the request of either party upon occurrence of a force majeure event, which prevents, restricts or interferes with the performance of the Services Agreement, and such force majeure event continues for a period of sixty business days.

### 9.4 LEASE OF TMC

Happy World has entered into a lease arrangement with Hotel Shangri-La Pvt Ltd ("**Lessor**") in relation to premises within the Shangri-La, which Happy World uses to operate TMC. The initial term of the lease is for ten years to 31 July 2024 and the lease provides for a further ten year term on expiry of the initial term by mutual agreement of the parties. Happy World pays the Lessor a fixed monthly rental to use the premises, as well as all associated operating costs.

The agreement will terminate if Happy World is unable to procure its casino licence, or if government policy is changed to prohibit the operation of casinos in Nepal. Further, Happy World may elect to terminate the agreement by giving 180 days' notice. Happy World may also elect to terminate the agreement by giving 15 days' notice in the event that the licence is cancelled or suspended by the government. If due to a force majeure event, Happy World is unable to operate and manage a casino for more than 6 months either party has the right to terminate the agreement by giving 15 days' written notice. If Happy World is unable to operate its business due to any court order affecting its business, then Happy World is relieved from paying the rent to the Lessor during such period not exceeding six months. If such period exceeds six months, either party has the right to terminate the agreement by giving 30 days' written notice.

### 9.5 ARRANGEMENTS IN RELATION TO TIGER PALACE RESORT BHAIRAHAWA

#### 9.5.1 Overview

Tiger One has entered into the following on-going construction agreements for the construction of the key buildings and infrastructure to complete Tiger Palace Resort Bhairahawa:

- Construction contract dated April 2015 between Tiger One and Lama Construction Company (PVT) Ltd ("**Lama Construction**"), under which Lama Construction is to construct the Tiger Palace Resort Bhairahawa casino block (the "**Casino Block Construction Contract**"); and
- MEP works construction contract dated 15 June 2015 with Airtech Industries (PVT) Ltd ("**Airtech**") under which Airtech is to carry out the MEP works necessary for Tiger Palace Resort Bhairahawa (the "**MEP Construction Contract**").

## 9. MATERIAL CONTRACTS

### 9.5.2 Construction costs and timing

Both the Casino Block Construction Contract and MEP Construction Contract are fixed-price contracts, as summarised below. Each contractor has agreed to complete its construction of the relevant Tiger Palace Resort Bhairahawa component by the dates set out in the table below.

| Contract                           | Contract Price <sup>1,2</sup>  | Completion Date  |
|------------------------------------|--------------------------------|------------------|
| Casino Block Construction Contract | NPR 630,002,697 (A\$7,812,033) | 31 October 2016  |
| MEP Construction Contract          | NPR 339,454,900 (A\$4,209,241) | 30 November 2016 |

Note:

1 Exclusive of VAT

2 The contract price payable is adjustable in certain circumstances, including where the contract is frustrated by a force majeure event

### 9.5.3 Termination rights

Under the Casino Block Construction Contract and the MEP Construction Contract, Tiger One will be entitled to terminate the contract for Lama Construction's / Airtech's (as applicable) fundamental breach, which includes circumstances where Lama Construction / Airtech (as applicable) stops work for 30 days where such stoppage is unauthorised, fails to correct certain defects within a reasonable time, or has engaged in corrupt or fraudulent practices in competing for or in executing the contract. Further, Tiger One may terminate the contract for convenience after providing 10 days' notice to the contractor.

Lama Construction / Airtech (as applicable) is similarly entitled to terminate for Tiger One's fundamental breach, which includes on-going failure to pay. Either party may terminate for the other party's insolvency. In the event of a force majeure event which continues for more than 15 days, the Casino Block Construction Contract is deemed to be terminated.

## 9.6 JOINT VENTURES IN RELATION TO THE FOREST HOTEL AND VILLAGE HOTEL

### 9.6.1 Share Subscription and Joint Venture Agreements in relation to the Forest Hotel and the Village Hotel

Silver Heritage has agreed to form two joint ventures with entities controlled by Nabaraj Bajgain for the construction, development and operation of two hotels, being the Village Hotel and the Forest Hotel, to service visitors to the Tiger Palace Resort Bhairahawa. The obligations under each of the joint venture agreements are subject to obtaining funding, including debt financing under reasonable terms and conditions as determined by SHIPL in its sole judgement and discretion as being sufficient and appropriate to fully fund the construction of the hotels.

The joint venture in relation to the Forest Hotel is to be established under a share subscription and joint venture agreement dated 17 September 2015 between SHIPL, Tiger Forest Hotel Private Limited and Pipal Investment Private Limited, which is controlled by Nabaraj Bajgain. The joint venture in relation to the Village Hotel is to be established under a separate share subscription and joint venture agreement dated 17 September 2015 between SHIPL, Tiger Village Hotel Private Limited and Nabaraj Bajgain. Both of these agreements are in the same form.

As at the date of this Prospectus, Nabaraj Bajgain holds all the shares in the Tiger Forest Hotel Private Limited and Tiger Village Hotel Private Limited ("**Tiger Hotel JVs**"). However, following receipt of DOI approval permitting SHIPL to subscribe for shares and satisfaction of the funding and debt financing condition described above, SHIPL will subscribe for 50% of the shares in the Tiger Hotel JVs, with the remaining 50% owned by Nabaraj Bajgain.

Each of SHIPL and Nabaraj have a first right to purchase the other party's Tiger Hotel JV shares in the event that party wishes to sell. If this right is not exercised, the party wishing to divest its Tiger Hotel JV shares (the "selling party") is free to sell to a third party. However, in these circumstances, the selling party has the right to compel the other party (the "non-selling party") to sell its shares to the third party, and the non-selling party has the right to require the selling party to cause the third party to acquire the non-selling party's shares as part of the sale.

### 9.6.2 Shareholders' Agreements in relation to the Forest Hotel and the Village Hotel

In addition to these rights, upon subscription for its shares in the Tiger Hotel JVs, each of SHIPL, Nabaraj Bajgain and the Tiger Hotel JVs will enter into separate shareholders' agreements, which will contain customary provisions including certain matters which are reserved to the board of the Tiger Hotel JVs (which will include a representative of SHIPL).

## 9.7 ACQUISITION OF LAND FOR TIGER PALACE RESORT JHAPA

Under an Agreement For the Sale and Purchase of Land dated 17 September 2015 between Tiger Two Private Limited ("**Tiger Two**") and Nabaraj Bajgain (the "**Land Acquisition Agreement**"), Nabaraj has agreed to arrange for the purchase of identified plots of land totalling approximately 17 bighas of land (approximately 115,134m<sup>2</sup>) for and on behalf of Tiger Two earmarked for Tiger Palace Resort Jhapa. Nabaraj has further arranged for Tiger Two to acquire an additional 5 bighas of land (approximately 33,863m<sup>2</sup>) on its behalf. Under the Land Acquisition Agreement, Tiger Two may notify Nabaraj in writing any time before 31 March 2018 whether it wishes to acquire 17 bighas (approximately 115,134m<sup>2</sup>) or 22 bighas (approximately 148,998m<sup>2</sup>) of land and Nabaraj must transfer to Tiger Two the relevant land within 45 days of being notified.

Under the Land Acquisition Agreement, Nabaraj is authorised to purchase 17 bighas of land up to an amount of NPR 445,923,200 (A\$5,529,448) and to purchase 22 bighas of land up to an amount of NPR 843,123,200 (A\$10,454,728) (in the event Tiger Two elects to do so). Tiger Two has advanced to Nabaraj an initial deposit of NPR 105,920,000 (A\$1,313,408) and a further deposit of US\$2 million (A\$2,666,667) is payable by 15 August 2016 to secure the land, which Nabaraj Bajgain now owns or controls. In the event that the land is not duly transferred in accordance with the Land Acquisition Agreement (including as a result of Nabaraj's default), the deposits are returned to Tiger Two. However, if Tiger Two does not elect to acquire the land, or otherwise refuses to purchase the land, this amount is forfeited.

## 9.8 DEBT FACILITIES

### 9.8.1 Overview

At Completion, the Group will have the following debt facilities:

|                              | Facility Limit                | Indebtedness as at date of Prospectus |
|------------------------------|-------------------------------|---------------------------------------|
| <b>New Bonds</b>             | US\$20 million                | Nil                                   |
| <b>Nepal Credit Facility</b> | NPR750 million (A\$9,300,000) | NPR750 million (A\$9,300,000)         |
| <b>Nepal Bridge Loan</b>     | NPR189 million (A\$2,343,600) | Nil                                   |

As at the date of this Prospectus, the Nepal Bridge Loan has been fully drawn down and such amount forms part of, rather than an amount in addition to, the amount available under the Nepal Credit Facility as described in "Section 9.8.4 Nepal Bridge Loan".

### 9.8.2 New Bonds

SHL has agreed to issue US\$20,000,000 (A\$26,667,000) in aggregate of senior secured bonds ("**New Bonds**") to OL Master (Singapore Fund I) Pte. Limited ("**OLMS**") and Orchard Landmark II (Singapore Fund I) Pte. Limited ("**OLII**") on the Allotment Date. The New Bonds will be freely transferrable to third parties (subject to certain limitations on transfer to competitors of the Group). The New Bonds will not be listed on any listing authority, stock exchange or other market.

#### Use of proceeds of New Bonds

SHL will be permitted to use the proceeds of the New Bonds to pay the expenses and transaction costs relating to the issue of the New Bonds, redeem the Existing Bonds and pay the accrued and unpaid principal and interest owing under the Existing Bonds, fund the capital expenditure for Tiger Palace Resort Bhairahawa, prefund the first 12 months' interest payments on the New Bonds, and fund any other projects of the Group as may be agreed between SHL and the majority of the holders of the New Bonds ("**Bondholders**") from time to time.

#### Interest rate

The New Bonds will carry a fixed interest rate of 8% p.a. with interest payable semi-annually in arrears.

#### Security for the New Bonds

Security will be granted in favour of Madison Pacific Trust Limited, the security trustee ("**Security Trustee**") to hold on trust for the Bondholders. The security will secure the obligations and debts of SHL and each of the members of the Group which are party to the documents associated with the New Bonds (except for the Options described at Section 10.7). The security to be granted includes a debenture over certain of SHL's assets including any real estate, shares, key contracts, intellectual property, plant and machinery, bank accounts and contracts of insurance held by SHL. The Company will

## 9. MATERIAL CONTRACTS

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also grant a first ranking security over the shares it holds in SHL, and RIL will grant security over its interest in the ESA. Certain shares in Nepali companies or other companies acquired by Group members following the issue of the New Bonds must also be pledged or charged as security in favour of the Security Trustee.

Key members of the Group and the Company will also be required to guarantee the obligations and debts of SHL and each other under the documents associated with the New Bonds (except for the Options described at Section 10.7).

### Redemption of New Bonds

The New Bonds, irrespective of when they are redeemed, will be redeemable by SHL at a price that will entitle the Bondholders to an internal rate of return of equal to 15% p.a on the original principal amount of the New Bonds (calculated on a semi-annual basis) for the period from and including the date of their issue to the latter to occur of the date following 12 months after their issue and the date of their redemption ("**Redemption Price**").

Unless previously redeemed, purchased or cancelled, the New Bonds will be redeemable at the Redemption Price (together with accrued interest) at maturity, being the date three years after the New Bonds are issued to OLMS and OLII. SHL will be also be able to redeem the New Bonds early and in minimum increments of US\$5 million or in their entirety at any time before maturity at the Redemption Price (together with accrued interest) upon notice to the Bondholders. The Bondholders will also be able to require the New Bonds to be redeemed early at the Redemption Price if there is a change of control of SHL or any member of the Group which is a party to the guarantee (described above). A change of control will be defined to include (among other things) a change of more than 20% (or more than 30% in the case of the Company only) in the beneficial holding of the issued share capital of a Group member, and additionally in the case of the Company only, a take-over offer for the Company becoming unconditional in respect of more than 30% of the Company's issued share capital.

### Representations, warranties, undertakings and defaults

The instrument setting out the terms of the New Bonds ("**New Bond Instrument**") will contain representations, warranties and undertakings (including financial covenants and reporting obligations) given by SHL in favour of the Bondholders and the Security Trustee which are customary for a bond of the New Bonds' nature. The undertakings of SHL under the New Bond Instrument will also be required to be undertaken by the Company as if they were its own undertakings or otherwise the Company undertakes that it will ensure SHL will perform its undertakings. These representations, warranties and undertakings will include the following financial covenants: ensuring SHL maintains (i) a consolidated net debt to tangible net worth ratio below agreed levels, (ii) a consolidated net debt to consolidated earnings before interest, tax, deductions and amortisation ratio below agreed levels (iii) an interest coverage ratio above agreed levels, and (iv) a minimum aggregate cash balance above an agreed level.

The transaction documents associated with the New Bonds will include events of default customary for a bond of the New Bonds' nature. These will include failure to pay interest and other amounts in accordance with the New Bond Instrument, failure to observe any provision of the transaction documents for the New Bonds, failure of the Company to maintain its listing on the ASX, insolvency of SHL, the Company and specified members of the Group and any other event which has a material adverse effect on the operations of the Group or the ability of members of the Group to fulfil their obligations under the documents associated with the New Bonds. In a number of instances, the events of default will be subject to materiality thresholds and/or cure periods.

If an event of default occurs, the majority of the Bondholders or the Security Trustee will be able to declare all outstanding New Bonds together with all outstanding amounts (including accrued interest) under the New Bond Instrument immediately due and payable and will be able to exercise such other rights permitted under the security documents (described above) or any other transaction document associated with the New Bonds.

### Appointment of Director

The Board will be required to provide all reasonable assistance to the Bondholders to appoint a suitably qualified individual nominated by the Bondholders to become a director of the Company for such time as any indebtedness or liability associated with the New Bonds is outstanding. The nominee will be initially appointed to fill a casual vacancy on the Board and such appointment will be subject to approval of the Shareholders at the next annual general meeting of the Company following the nominee's appointment. Unless otherwise requested by the Company, the nominee will be required to retire following redemption of the New Bonds.

### Grant of Options

In connection with the New Bonds, the Company will grant options to acquire Shares ("**Options**") to OLMS and OLII (together the "**Initial Option Holders**") on the key terms and conditions set out in Section 10.7. In connection with the issue of the New Bonds, the Company will grant 29,904,306 Options to OLMS and OLII on the Allotment Date.

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### 9.8.3 Nepal Credit Facility

#### Description

Tiger One has entered into the Syndicated Credit Facilities Agreement with a group of lenders led by Nepal Investment Bank Ltd dated 4 April 2014, under which the lenders have loaned Tiger One the amount of NPR 750 million. The term of the Nepal Credit Facility is for a maximum term of 12 years and is repayable in 38 quarterly instalments, after the construction period of two years and a six month grace period.

#### Purpose

The Nepal Credit Facility is to be used for the following purposes:

- To construct and operate the Tiger Palace Resort Bhairahawa;
- To import electrical equipment, escalators, lifts, air conditions, safety alarms, close circuit cameras (among other things) for the Tiger Palace Resort Bhairahawa; and
- To fulfil working capital requirements.

#### Security

The lenders have taken security over all assets that Tiger One presently owns, or will own in the future, as well as its receivables. In addition, both Tiger One and SHL have provided a corporate guarantee in favour of the lenders for repayment of the Nepal Credit Facility.

#### Interest

The rate of interest payable by Tiger One on the Nepal Credit Facility is reviewed periodically and is currently set at the rate of 9.50% per annum payable on quarterly basis. Further, interest will accrue on any principal and interest that becomes due and payable, but unpaid, at the rate of an additional 2% per annum on the normal interest rate.

#### Events of default

The Nepal Credit Facility contains typical events of default, including where Tiger One ceases to carry on the business or makes significant change in the business without the prior consent of the lenders.

#### Consequences of default

On the occurrence of an event of default, the lenders may (among other things) seek to recover all outstanding loans together with interest immediately.

### 9.8.4 Nepal Bridge Loan

Tiger One has entered into an agreement with the Nepal Investment Bank Ltd dated 28 May 2015 to provide a bridge loan in the amount of NPR 181,900,000 (A\$2.3 million) to enable Tiger One to fulfil its capital requirements. The term of the Nepal Bridge Loan is three months from the date of draw down with interest payable at the rate of 9.50% per annum. The loan automatically converts to a loan under the Nepal Credit Facility 90 days after drawdown (and forms part of, rather than an amount in addition to, the amount available under the Nepal Credit Facility).

The loan is secured by the land owned by Tiger One, which forms the Tiger Palace Resort Bhairahawa site, as well as its receivables. The repayment of the loan is also guaranteed by Tiger One and SHL.

# 10.

## ADDITIONAL INFORMATION



Artistic rendering of Tiger Palace Resort Bhairanawa, Eastern Aspect. See Section 3.4.3.

## 10.1 INCORPORATION

The Company was incorporated on 12 February 2015 as a private company limited by shares and was converted to a public company limited by shares on 4 September 2015. At the date of this Prospectus, the Company had not traded and had one Share on issue held by SHL.

## 10.2 BALANCE SHEET DATE

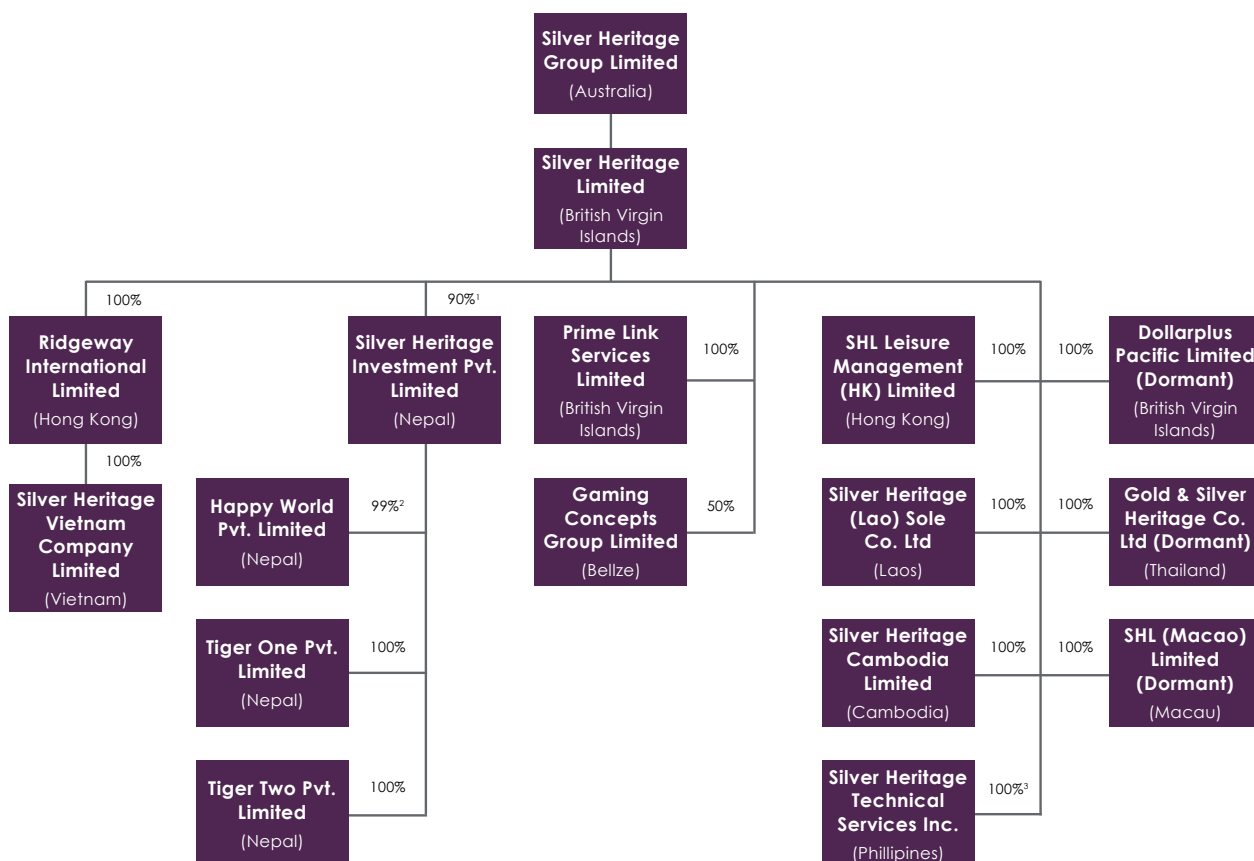
The accounts for the Company will be made up to 31 December annually.

## 10.3 COMPANY TAX STATUS

The Company will be taxed as an Australian tax resident public company in Australia for the purposes of Australian income tax law.

## 10.4 GROUP STRUCTURE

Figure 12: Simplified Group structure at listing (see Appendix 3 for further details of subsidiaries)



- 1 SHL has entered into an agreement to acquire the remaining 10% of the issued share capital of Silver Heritage Investment Pvt Limited not already owned by it as described in "Section 5.9.4 Acquisition by SHL of all the shares in SHIPL not already owned by it".
- 2 SHIPL has entered into an agreement to transfer 9% of its interest in Happy World Pvt. Limited as described in "Section 5.9.5 Minority interests in Happy World".
- 3 0.02% of Silver Heritage Technical Services Inc. is legally owned by eight of the Group's employees and held on trust for, and for the benefit of, SHL.

Source: Silver Heritage

# 10. ADDITIONAL INFORMATION

## 10.5 CAPITAL STRUCTURE

The capital structure of the Company at the date of this Prospectus and following Completion is set out below.

| Security       | Date of Prospectus <sup>1</sup> | Immediately prior to Completion <sup>2</sup> | Immediately following Completion | Immediately following Completion (fully diluted) |
|----------------|---------------------------------|--|----------------------------------|--|
| <b>Shares</b>  | 1                               | 127,785,153                                  | 190,285,153                      | 220,189,459                                      |
| <b>Options</b> | –                               | –  | 29,904,306                       | –  |

Notes:

- 1 Prior to implementation of the Reorganisation
- 2 Number of Shares in the Company to be issued to existing SHL Shareholders under the Reorganisation (in addition to the existing subscriber share)

## 10.6 IMPLEMENTATION DEED AND REPURCHASE OF SHL SHARES

Under the Implementation Deed, as at the date of this Prospectus, all but one of the SHL Shareholders have agreed to sell all of its SHL Shares to the Company, free from encumbrances, in exchange for Shares in the Company.

The issue of the Shares and completion of the sale and purchase of the SHL Shares under the Implementation Deed is conditional on settlement of the Offer, following which, the Company will wholly-own SHL (subject to any compulsory redemption described below), and the SHL Shareholders who have signed the Implementation Deed will become shareholders of the Company.

If the remaining SHL Shareholder has not signed the Implementation Deed, on the basis the Company holds 90% of the votes of the outstanding SHL Shares entitled to vote, the Company intends to give written instructions to SHL to redeem the SHL Shares held by that SHL Shareholder in accordance with section 176 of the BVI Business Companies Act, 2004 (as amended) immediately after Completion.

## 10.7 OPTIONS

Each Option will entitle the holder to subscribe for one Share at the exercise price set out below (subject to the cash settlement mechanics described below).

|             | Number of Options            | Exercise price | Class of Options  | Date of grant                   | Exercise period  |
|-------------|------------------------------|----------------|-------------------|---------------------------------|--|
| <b>OLMS</b> | 5,980,861                    | A\$0.44        | Tranche A Options | Allotment Date                  | Six months after the Allotment Date – third anniversary of the Allotment Date                                    |
|             | 8,971,292                    | A\$0.44        | Tranche B Options | Allotment Date                  | First anniversary of the Allotment Date – third anniversary of the Allotment Date                                |
|             | Up to 8,971,292 <sup>1</sup> | A\$0.44        | Tranche C Options | FATA Approval Date <sup>2</sup> | Later of (a) date of grant and (b) six months after the Allotment Date – third anniversary of the Allotment Date |

- 1 The number of Tranche C Options to be granted will be equal to the number of Tranche B Options then held by the Initial Option Holder, or any person to who the Initial Option Holder has transferred Tranche B Options.
- 2 The Tranche B Options will be cancelled on grant of Tranche C Options.

|      | Number of Options            | Exercise price | Class of Options  | Date of grant                   | Exercise period  |
|------|------------------------------|----------------|-------------------|---------------------------------|--|
| OLII | 5,980,861                    | A\$0.44        | Tranche A Options | Allotment Date                  | Six months after the Allotment Date – third anniversary of the Allotment Date                                    |
|      | 8,971,292                    | A\$0.44        | Tranche B Options | Allotment Date                  | First anniversary of the Allotment Date – third anniversary of the Allotment Date                                |
|      | Up to 8,971,292 <sup>1</sup> | A\$0.44        | Tranche C Options | FATA Approval Date <sup>2</sup> | Later of (a) date of grant and (b) six months after the Allotment Date – third anniversary of the Allotment Date |

The Options will not be listed on the ASX or any other listing authority, stock exchange or other market.

#### General terms

The following terms apply to each of the Tranche A Options, Tranche B Options and Tranche C Options (together the “Options”):

- **Adjustment to exercise price** – the exercise price of an Option will be adjusted in the following circumstances:
  - **pro rata issue** – if the Company makes a pro rata issue of Shares, to existing Shareholders (except a bonus issue), and the subscription price of a Share under the pro rata issue is less than 92.5% of the average of the Volume Weighted Average Price per Share for each of the 5 trading days ending on the day before the announcement of the pro rata issue, the exercise price of an Option will be reduced proportionally (in accordance with the ASX Listing Rules); or
  - **bonus issue** – if the Company makes a bonus issue of Shares or equity securities (other than an issue in lieu of, or in satisfaction of, dividends or by way of dividend reinvestment), the number of Shares which must be issued on exercise of an Option will be increased proportionally and no change will be made to the exercise price.
- **Restrictions on issues of Shares and other securities** – until such time as all of the Options have been exercised or otherwise expired, the Company must not do the following without the prior consent of a person or persons holding or representing 75% or more of the aggregate number of Options for the time being outstanding:
  - issue new Shares (other than under a pro rata issue or a bonus issue as defined in the ASX Listing Rules) at a price which is discounted by more than 10% of the Volume Weighted Average Price per Share for the 5 trading days ending on the day before announcement of the issuance; or
  - grant or issue any option, warrant, security, right or other instrument convertible into or exchangeable for more than 10% of the fully diluted capital of the Company in any 12 month period;
- **Transfer** – the Options may only be transferred to a sophisticated or professional investor under the Corporations Act. The Options may not be transferred to a competitor, being any person whose principal business is the operation or management of Casinos in Asia. However, if a member of the Group is in breach of an obligation in relation to the New Bond Instrument, an Initial Option Holder may transfer an Option to a “competitor”; and
- **Expiry date** – the Options will expire on the third anniversary of the Allotment Date. Unexercised Options will automatically lapse on the third anniversary of the Allotment Date.

#### Tranche A Options

The following terms and conditions apply to Tranche A Options only.

- 1 The number of Tranche C Options to be granted will be equal to the number of Tranche B Options then held by the Initial Option Holder, or any person to who the Initial Option Holder has transferred Tranche B Options.
- 2 The Tranche B Options will be cancelled on grant of Tranche C Options.

## 10. ADDITIONAL INFORMATION

The rights of a Tranche A Option holder to be issued shares or exercise of a Tranche A Option shall be limited at all times to such number of Shares, as when taken together with any other Shares held by any Tranche A Option holder do not exceed 9.9% of the Shares on issue.

### Tranche B Options

The following terms and conditions apply to Tranche B Options only.

Tranche B Options may not be exercised into Shares and may only be cash settled.

Cash settlement will be completed by the Company paying to the Tranche B Option holder an amount equal to the difference between the Volume Weighted Average Price of a Share for the 10 trading days immediately before the day of exercise, and the exercise price of the Tranche B Option.

Unexercised Tranche B Options will automatically lapse when an equivalent number of Tranche C Options have been granted to the Tranche B Option holder.

### Tranche C Options

The following terms and conditions apply to Tranche C Options only.

Tranche C Options will be granted three business days after a Tranche B Option holder either:

- confirms to the Company that the acquisition of the Tranche C Options will not contravene FATA; or
- receives approval under FATA to acquire the Tranche C Options or confirms that the acquisition cannot be prohibited under FATA, (the "FATA Approval Date").

One Tranche C Option will be granted for each Tranche B Option held. When the Tranche C Options are granted the Tranche B Options will automatically lapse.

### Complete Option terms

The terms of the Tranche A Options, Tranche B Options and Tranche C Options are set out in full in Appendix 5 to this Prospectus.

## 10.8 ESCROW ARRANGEMENTS

Shares held by SHL Shareholders at Completion, other than any Shares acquired under the Offer, will be subject to escrow arrangements in the period immediately following Completion, as summarised below.

| Shareholders                  | No. of Shares          | Percentage | Escrow period | Mandatory/<br>Voluntary |
|-------------------------------|------------------------|------------|---------------|-------------------------|
| <b>Board</b>                  | 1,378,816              | 0.7%       | 24 months     | Mandatory               |
|                               | 10,982,888             | 5.8%       | 24 months     | Voluntary               |
| <b>Management</b>             | 4,880,350 <sup>1</sup> | 2.6%       | 24 months     | Mandatory               |
|                               | 3,656,090              | 1.9%       | 24 months     | Voluntary               |
| <b>SHL directors</b>          | 3,493,592 <sup>2</sup> | 1.8%       | 24 months     | Mandatory               |
|                               | 18,633,212             | 9.8%       | 12 months     | Voluntary               |
| <b>Other SHL Shareholders</b> | 694,304                | 0.4%       | 24 months     | Mandatory               |
|                               | 84,065,900             | 44.2%      | 6 months      | Voluntary               |

Notes:

- <sup>1</sup> Includes Shares held by those persons identified in Section 5.2 but excludes Shares held by Mike Bolsover and Hugh Holmes (via Champ Star)
- <sup>2</sup> Excludes Shares held by Mike Bolsover, Hugh Holmes (via Champ Star), Timothy Shepherd and Martin Wright (via Verilink Investments Limited) but includes Shares held by Phil Groves (via DAC China SOS (Barbados) SRL and GZ Fund LLC), Hamilton Tang (via SMC SHL Ltd) and Phillip Tose (via Hemphill Holdings Limited)

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Each SHL Shareholder has agreed to enter into an escrow deed in respect of their shareholding on Completion, other than Shares acquired under the Offer, which prevents them from disposing of their respective Escrowed Shares for the applicable escrow period as described above.

The restriction on 'disposing' is broadly defined and includes, among other things, selling, assigning, transferring or otherwise disposing of any legal, beneficial or economic interest in the Escrowed Shares, encumbering or granting a security interest over the Escrowed Shares (except to the extent permitted by the escrow deed), doing, or omitting to do, any act if the act or omission would have the effect of transferring effective ownership or control of any of the Escrowed Shares or agreeing to do any those things.

#### Release from escrow

All of the SHL Shareholders may be released early from these escrow obligations to enable in summary:

- the SHL Shareholder to accept an offer under a takeover bid in relation to its Escrowed Shares if holders of at least half of the Shares the subject of the bid that are not held by the SHL Shareholders have accepted the takeover bid; or
- the Escrowed Shares to be transferred or cancelled as part of a merger by scheme of arrangement under Part 5.1 of the Corporations Act.

#### Restrictions on transfers

During the Escrow Period, the SHL Shareholders whose Shares remain subject to escrow may dispose of any of their Escrowed Shares to the extent the disposal is required by applicable law (including an order of a court of competent jurisdiction) or to the extent the disposal is to an affiliate or affiliated fund entity or to a trust or entity which the SHL Shareholder controls where the transferee also enters into an escrow arrangement with the Company on substantially the same terms.

## 10.9 OWNERSHIP RESTRICTIONS

The sale and purchase of Shares in the Company is regulated by Australian laws that restrict the level of ownership or control by any one person (either alone or in combination with others). Details of the key relevant laws include the following:

### 10.9.1 Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies, and unlisted companies with more than 50 members, if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply.

The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in the Company.

### 10.9.2 Foreign Acquisitions and Takeovers Act 1975

Generally, the Foreign Acquisitions and Takeovers Act 1975 ("**FATA**") applies to acquisitions of shares and voting power in a company of 20% or more by a single foreign person and its associates, or 40% or more by two or more unassociated foreign persons and their associates, where the acquisition meets a threshold value (which varies by investor type and industry). In addition, FATA applies to acquisition of a direct interest in an Australian company by foreign governments and their related entities irrespective of the acquisition value. A 'direct interest' is an interest of 10% in the entity but may also include an interest of less than 10% where the investor has entered into business arrangements with the entity or the investor in a position to influence or participate in the management and control or policy of the entity. There are exemptions which can apply to certain acquisitions. Where FATA applies to the acquisition, the acquisition may not occur unless notice of it has been given to the Federal Treasurer and the Federal Treasurer has either notified that there is no objection to the proposed acquisition (with or without conditions) or a statutory period has expired without the Federal Treasurer objecting. An acquisition to which the FATA applies may be the subject of a divestment order by the Federal Treasurer unless the process of notification, and either a non-objection notification or expiry of a statutory period without objection, has occurred. Criminal offences and civil penalties can apply to failing to give notification of certain acquisitions, undertaking certain acquisitions without a no objection notification or contravening a condition in a no objection notification.

## 10. ADDITIONAL INFORMATION

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### 10.10 AUSTRALIAN TAXATION IMPLICATIONS OF INVESTING UNDER THE OFFER

#### 10.10.1 Introduction

The tax implications provided below only relate to Shareholders who hold their Shares on capital account. Different tax implications apply to Shareholders whose Shares are held on revenue account.

The comments in this Section 10.10 are general in nature on the basis that the tax implications for each Shareholder may vary depending on their particular circumstances. Accordingly, it is recommended that each Shareholder seek their own professional advice regarding the taxation implications associated with the Offer to ensure their specific tax circumstances are appropriately considered and applied.

#### 10.10.2 Dividends

Dividends paid by the Company will generally be capable of being franked to the extent that the Company has paid sufficient Australian tax to attach franking credits to the dividends.

##### 10.10.2.1 Shareholders who are Australian residents

Broadly, for Shareholders who are Australian tax residents any dividend amount received, together with any attached franking credit, should be included as assessable income in the income year the dividend is paid. Shareholders are generally entitled to offset the franking credit attached to the dividend received, against the tax payable on their taxable income. Where the tax offset exceeds the resident Shareholder's income tax liability, individual and complying superannuation fund Shareholders should generally be entitled to a refund of the excess franking credit. For corporate resident Shareholders, excess franking credits cannot generate a tax refund but may be able to be converted into carry-forward income tax losses.

Resident corporate Shareholders are also generally entitled to credit their franking account to the extent of the franking credit on the dividend received.

##### 10.10.2.2 Holding period rule

To qualify for franking benefits, such as the franking credits, the resident Shareholder must broadly have held the Shares "at risk" for more than 45 days, referred to as the 'holding period rule'. This rule is subject to certain exceptions depending on the Shareholder's entity type.

##### 10.10.2.3 Shareholders who are not Australian residents

Unfranked dividends paid to non-resident Shareholders will generally be subject to dividend withholding tax at the rate of 30%. The rate of withholding tax may be reduced where a taxpayer is a resident of a country which has a double taxation agreement with Australia.

Dividend withholding tax will not apply where the dividend is either fully franked or paid as conduit foreign income. Conduit foreign income will generally be available to the Company where it receives non-assessable dividends from its underlying foreign subsidiaries.

#### 10.10.3 Capital Gains Tax ("CGT") on disposal of Shares

##### 10.10.3.1 Shareholders who are Australian residents

For Australian tax resident Shareholders, the disposal of Shares in the Company will be a CGT event. A Shareholder will make a capital gain where the proceeds it receives upon the sale of the Shares is greater than the cost base of the Shares, or a capital loss where the capital proceeds are less than the cost base of the Shares. The capital proceeds received on sale of the Shares should broadly be equal to the money received in respect of the disposal. Each Share's cost base is generally the amount paid to acquire the Share plus any transaction/incidental costs. The net capital gain is included in the assessable income of the Shareholder.

Where the Shareholder is an individual, trust or complying superannuation fund, a CGT discount may be available to reduce the assessable capital gain arising on disposal of Shares. This discount is only available if the Shares are owned by the Shareholder for at least 12 months prior to disposal. The CGT discount applicable for individuals and trusts is 50% and 33 1/3% for complying superannuation funds. Any current year or carry-forward capital losses should offset the capital gain first, before the CGT discount can be applied. The CGT discount is not available to Shareholders that are companies.

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#### 10.10.3.2 Shareholders who are not Australian residents

As the Company does not have significant interests in real property non-resident Shareholders may be exempt from CGT on the disposal of the Shares.

#### 10.10.4 Stamp duty

No stamp duty should be payable by a Shareholder as a consequence of acquiring any Shares pursuant to the Offer.

### 10.11 INTERESTS OF EXPERTS AND ADVISERS

Other than as set out below, no person named in this Prospectus as providing professional or advisory services in connection with the preparation of this Prospectus or any firm in which any such person is a partner:

- has or had at any time during the two years preceding the date of the Prospectus, any interest in the formation or promotion of the Company, or in any property acquired or proposed to be acquired by the Company or the Offer; or
- has been paid or agreed to be paid any amount or given or agreed to be given any other benefit for services rendered by them in connection with the formation or promotion of the Company or the Offer.

CLSA has acted as Lead Manager to the Offer. The Company has paid or agreed to pay the Lead Manager the amounts set out in the Underwriting Agreement summarised in Section 9.1.

Baillieu has acted as Co-Lead Manager to the Offer. The Company has paid or agreed to pay the Co-Lead Manager a fee of up to 2.05% of the gross proceeds of the Offer for its services.

Clasen+Co. Limited has acted as financial adviser to the Company in connection with the Offer. The Company has paid or agreed to pay an amount of approximately A\$268,000 (plus disbursements) in respect of these services.

Grant Thornton Corporate Finance Pty Ltd has acted as the Investigating Accountant and provided the Investigating Accountant's Reports in Section 7. The Company has paid or agreed to pay an amount of approximately A\$750,000 (plus disbursements) in respect of these services. Further amounts may be paid to Grant Thornton Corporate Finance Pty Ltd in accordance with time-based charges.

Grant Thornton Australia Limited has acted as tax adviser to the Company and provided the tax summary in Section 10.10. The Company has paid or agreed to pay an amount of approximately A\$290,000 (plus disbursements) in respect of these services. Further amounts may be paid to Grant Thornton Australia Limited in accordance with time-based charges.

DLA Piper Australia has acted as the Australian legal adviser to the Company and performed work in relation to due diligence enquiries on Australian legal matters. The Company has paid or agreed to pay an amount of approximately A\$1.38 million (plus disbursements and GST) up to the date of this Prospectus in respect of these services. Further amounts may be paid to DLA Piper Australia in accordance with time-based charges.

Frost & Sullivan (Australia) Pty Limited has prepared an Independent Market Report for inclusion in the Prospectus. The Company has paid or agreed to pay an amount of approximately A\$133,000 to Frost & Sullivan (Australia) Pty Limited for the provision of this report.

### 10.12 OFFER EXPENSES

The Company has paid, or will pay, all of the costs associated with the Offer. If the Offer proceeds, the total estimated cash expenses in connection with the Offer (including advisory, legal, accounting, tax, listing and administrative fees as well as printing, advertising and other expenses) are estimated to be approximately US\$6.1 million (A\$8.1 million) of which approximately US\$3.9 million has been paid at the date of the Prospectus.

### 10.13 DESCRIPTION OF THE SYNDICATE

The Lead Manager to the Offer is CLSA. The Co-Lead Manager to the Offer is Baillieu.

## 10. ADDITIONAL INFORMATION

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### 10.14 CONSENTS

Each of the following parties has given and has not, before the issue of this Prospectus, withdrawn its written consent to being named in the Prospectus and to the inclusion, in the form and context in which it is included, of any information described below as being included with its consent.

- CLSA has consented to being named as Lead Manager to the Offer, but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by CLSA;
- Baillieu has consented to being named as Co-Lead Manager to the Offer, but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by Baillieu;
- Grant Thornton Corporate Finance Pty Ltd has consented to being named in the Corporate Directory of this Prospectus as the Company's Investigating Accountant and to the inclusion of its Investigating Accountant's Reports in Section 7 in the form and context in which it appears;
- Grant Thornton Australia Limited has consented to being named in this Prospectus as the tax adviser to the Company and to the inclusion of the tax summary in Section 10.10 in the form and context in which it appears;
- DLA Piper Australia has consented to being named in the Corporate Directory of this Prospectus as the Australian legal adviser to the Company (other than in relation to taxation and stamp duty), but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by DLA Piper Australia;
- Frost & Sullivan (Australia) Pty Limited has consented to being named in this Prospectus and to the inclusion of its Independent Market Report in the form and context in which it is named and to the inclusion in this Prospectus of statements by, or statements said in this Prospectus to be based on a statement by, it; and
- Boardroom Pty Limited has consented to being named in the Corporate Directory and elsewhere in this Prospectus as the Share Registry for the Company. Boardroom Pty Limited has had no involvement in the preparation of any part of the Prospectus other than being named as Share Registry to the Company. Boardroom Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Shares), the Directors of the Company, persons named in the Prospectus with their consent as proposed Directors of the Company, any underwriters, persons named in the Prospectus with their consent as having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading or deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

In light of the above, each of the parties referred to above, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than the reference to its name and any statement or report included in this Prospectus with the consent of that party as described above.

### 10.15 ASX AND ASIC WAIVERS, MODIFICATIONS AND CONFIRMATIONS

The Company has applied for certain relief from, and modifications to, the following provisions of the Corporations Act:

- relief from section 606 of the Corporations Act so that the takeovers provisions of the Corporations Act will not apply to certain relevant interests that the Company would otherwise acquire in those Shares held by Escrowed Shareholders by reason of the escrow arrangements in relation to those Shares. See "Section 10.8 – Additional Information – Escrow arrangements"; and
- modification of section 708A of the Corporations Act to the extent necessary to permit the Shares to be issued to SHL Shareholders under the Implementation Deed, to be able to be sold on ASX within 12 months of their issue without the requirement for a future disclosure document being prepared in connection with that sale.

The Company has also applied to ASX for:

- in principle approval to waive ASX Listing Rules 6.23.2 and 7.1 to the extent necessary to permit the Company to grant the Tranche C Options in the manner described in Section 10.7; and
- other customary confirmations.

### 10.16 LEGAL PROCEEDINGS

So far as the Board is aware, as at the Prospectus Date, there are no legal proceedings to which any member of the Group is a party that it believes are likely to have a material adverse impact on the future financial results of the Company and the Board is not aware of any such legal proceedings that are pending or threatened.

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### **10.17 INVESTOR CONSIDERATIONS**

Before deciding to participate in this Offer, you should consider whether the Shares to be issued are a suitable investment for you. There are general risks associated with any investment in the stock market. The value of Shares listed on ASX may rise or fall depending on a range of factors beyond the control of the Company.

If you are in doubt as to the course you should follow, you should seek advice on the matters contained in this Prospectus from a stockbroker, solicitor, accountant or other professional adviser.

The potential tax effects relating to the Offer will vary between investors. Investors are urged to consider the possible tax consequences of participating in the Offer by consulting a professional tax adviser.

### **10.18 GOVERNING LAW**

This Prospectus and the contracts that arise from the acceptance of Applications are governed by the law applicable in New South Wales, Australia and each Applicant submits to the exclusive jurisdiction of the courts of New South Wales, Australia.

### **10.19 STATEMENT OF DIRECTORS**

Other than as set out in this Prospectus, the Directors report that after due enquiries by them there have not been any circumstances that have arisen or that have materially affected or will materially affect the assets and liabilities, financial position, profits or losses or prospects of the Company.

Each Director has authorised the issue of this Prospectus and has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

# 11.

## DEFINED TERMS



Artistic rendering of Tiger Palace Resort Bhairahawa, Northern Aspect. See Section 3.4.3.

In this Prospectus:

|  |  |
|--|--|
| <b>A\$</b>                                 | Australian Dollar  |
| <b>AASB</b>                                | Australian Accounting Standards Board  |
| <b>AEST</b>                                | Australian Eastern Standard Time   |
| <b>AFSL</b>                                | Australian Financial Services Licence  |
| <b>AIFRS</b>                               | Australian International Financial Reporting Standards   |
| <b>Airtech</b>                             | Airtech Industries (PVT) Ltd   |
| <b>Allotment Date</b>                      | The date on which the Shares are allotted under the Offer  |
| <b>AML</b>                                 | Anti-money laundering  |
| <b>Applicant</b>                           | A person who submits a valid Application Form and required Application Monies pursuant to this Prospectus  |
| <b>Application</b>                         | An application for Shares under this Prospectus  |
| <b>Application Form</b>                    | The application form attached to or accompanying this Prospectus, or the electronic application form which can be accessed via <a href="http://www.onmarketbookbuilds.com">www.onmarketbookbuilds.com</a> or via the OnMarket app, for investors to apply for Shares under the Offer |
| <b>Application Monies</b>                  | The amount accompanying an Application Form submitted by an Applicant  |
| <b>ASIC</b>                                | The Australian Securities and Investments Commission   |
| <b>Associate</b>                           | Has the meaning ascribed to that term in the Corporations Act  |
| <b>ASX</b>                                 | ASX Limited ABN 98 008 624 691 or the market it operates, as the context requires  |
| <b>ASX Corporate Governance Principles</b> | The corporate governance principles and recommendations of ASX Corporate Governance Council as at the date of this Prospectus  |
| <b>ASX Listing Rules</b>                   | The official Listing Rules of ASX as amended or waived from time to time   |
| <b>ASX Settlement Operating Rules</b>      | The operating rules of ASX Settlement Pty Limited ACN 008 504 532  |
| <b>Baillieu</b>                            | Baillieu Holst Ltd ACN 006 519 393   |
| <b>Board</b>                               | The board of Directors   |
| <b>Board Charter</b>                       | See "Section 5.10 – Key persons, interests and benefits – related party agreements"  |
| <b>Bondholders</b>                         | The holders of the New Bonds from time to time   |
| <b>Broker</b>                              | Any ASX participating organisation selected by the Lead Manager in consultation with the Company to act as a broker to the Offer   |

# 11. DEFINED TERMS

|   |   |
|---|---|
| <b>Broker Firm Offer</b>                  | The offer of Shares under this Prospectus to Retail Investors who have received a firm allocation from their Broker   |
| <b>Bromhead</b>                           | Bromhead Holdings, Inc  |
| <b>Business Day</b>                       | Has the meaning given in the ASX Listing Rules  |
| <b>Casino Block Construction Contract</b> | The construction contract between Tiger One and Lama Construction as described in Section 9.5.1   |
| <b>CEO</b>                                | Chief Executive Officer   |
| <b>CGT</b>                                | Capital Gains Tax   |
| <b>Chairman's List Invitation</b>         | The invitation under this Prospectus to selected investors nominated by the Chairman of the Company to participate in the Chairman's List Offer on a firm basis up to the allocation of Shares nominated by the Chairman of the Company |
| <b>Chairman's List Offer</b>              | The component of the Retail Offer under which investors who have received a Chairman's List Invitation are invited to apply for Shares  |
| <b>CHESS</b>                              | ASX's Clearing House Electronic Sub-register System   |
| <b>Closing Date</b>                       | The date on which the Offer is expected to close, being 18 August 2016 in respect of the Broker Firm Offer and the Chairman's List Offer, unless varied   |
| <b>CLSA</b>                               | CLSA Australia Pty Ltd ACN 139 992 331  |
| <b>Co-Lead Manager</b>                    | Baillieu  |
| <b>Company</b>                            | Silver Heritage Group Limited ACN 604 188 445   |
| <b>Completion</b>                         | Completion in respect of the issue of Shares under the Offer  |
| <b>Constitution</b>                       | The constitution of the Company   |
| <b>Consultancy Agreement</b>              | The consultancy agreement between Happy World and Rajendra Bajgain as described in Section 5.7  |
| <b>Corporations Act</b>                   | <i>Corporations Act 2001</i> (Cth)  |
| <b>CRN</b>                                | Customer Reference Number   |
| <b>Directors</b>                          | Each of the directors (including any alternate directors) of the Company as at the date of this Prospectus  |
| <b>DNNR</b>                               | Dansavanh Nam Ngum Resort   |
| <b>DOI</b>                                | Nepal Department of Industry  |
| <b>DPI</b>                                | Department of Planning and Investment of Bac Ninh Province, Vietnam   |
| <b>DVP</b>                                | Delivery versus payment settlement procedure  |

|  |  |
|--|--|
| <b>EBITDA</b>                                  | Earnings before interest, taxation depreciation and amortisation, as well as one off expenses  |
| <b>EBIT</b>                                    | Earnings before interest and taxation  |
| <b>EGM</b>                                     | Electronic gaming machine seats  |
| <b>Entertainment Services Agreement or ESA</b> | The entertainment services agreement between Silver Heritage and Phoenix International Travel dated 25 February 2014   |
| <b>Escrow Period</b>                           | The period during which Escrowed Shareholders will be restricted from transferring Shares under the voluntary or mandatory escrow arrangements summarised in Section 10.8  |
| <b>Escrowed Share</b>                          | Shares held by Escrowed Shareholders which are subject to the escrow restrictions summarised in Section 10.8   |
| <b>Escrowed Shareholders</b>                   | The holders of Escrowed Shares, as described in Section 10.8   |
| <b>Existing Bonds</b>                          | US\$10,000,000 senior secured convertible bonds issued by SHL to OCP under the Existing Bond Instrument  |
| <b>Existing Bond Instrument</b>                | The bond instrument dated 8 October 2014 between SHL and OCP relating to the issue of the Existing Bonds   |
| <b>Exposure Period</b>                         | The seven day period after the date of lodgement of the Prospectus with ASIC (as extended by ASIC (if applicable))   |
| <b>FATA</b>                                    | Foreign Acquisition and Takeover Act 1975 (Cth)  |
| <b>FATA Approval Date</b>                      | Three business days after a Tranche B Option holder either receives approval under FATA to acquire the Tranche C Options or confirms that the acquisition will not contravene FATA   |
| <b>FCA</b>                                     | Financial Conduct Authority  |
| <b>Financial Action Task Force</b>             | Financial Action Task Force, an inter-government body established in 1989 by the Ministers of its Member jurisdictions. The objectives of the Financial Action Task Force are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system. The Financial Action Task Force is therefore a "policy-making body" which works to generate the necessary political will to bring about national legislative and regulatory reforms in these areas |
| <b>Forecast Financial Information</b>          | Statutory Forecast Financial Information and Pro Forma Forecast Financial Information  |
| <b>Forest Hotel</b>                            | 200 room four-star hotel, planned to be constructed to the southwest of the main casino building of Tiger Palace Resort Bhairahawa   |
| <b>Frost &amp; Sullivan</b>                    | Frost & Sullivan Australia Pty Limited ACN 096 869 108   |
| <b>FPO</b>                                     | Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (as amended)   |
| <b>FSMA</b>                                    | Financial Services and Markets Act 2000 (as amended)   |
| <b>FY2016</b>                                  | Financial year ending 31 December 2016   |

# 11. DEFINED TERMS

|                                  |   |
|----------------------------------|---|
| <b>Gaming Concepts</b>           | Gaming Concepts Group Limited, a company incorporated in Belize, which is 50% owned by the Group  |
| <b>General Offer</b>             | The offer of Shares under this Prospectus to Australian resident investors to apply via the OnMarket website or the OnMarket app  |
| <b>GGR</b>                       | Gross Gaming Revenue being the total of all sums, whether collected or not, that is received from the conduct of gaming, less the total of all sums paid out as winnings in respect of gaming   |
| <b>Grant Thornton</b>            | Grant Thornton Corporate Finance Pty Limited ACN 003 265 987  |
| <b>Group or Silver Heritage</b>  | Prior to the Allotment Date, SHL and its subsidiaries; and after the Allotment Date, the Company and its subsidiaries   |
| <b>GWPD</b>                      | GGR generated by the EGMs or tables under the Group's management, before the casino shares and taxes earned for each EGM or table   |
| <b>Happy World</b>               | Happy World Pvt Limited   |
| <b>HK\$</b>                      | Hong Kong Dollar  |
| <b>IC</b>                        | Investment certificate (Vietnam)  |
| <b>IFRS</b>                      | International Financial Reporting Standards   |
| <b>Implementation Deed</b>       | The implementation deed dated 21 July 2016 (as amended) executed by the Company, SHL and SHL Shareholders   |
| <b>Independent Market Report</b> | The independent market report prepared by Frost & Sullivan set out in Appendix 1 to this Prospectus   |
| <b>Initial Option Holders</b>    | OLMS and OLII   |
| <b>Investigating Accountant</b>  | Grant Thornton Corporate Finance Pty Ltd ACN 003 265 987  |
| <b>Institutional Investor</b>    | An investor who is: <ul style="list-style-type: none"> <li>• A person in Australia who is a sophisticated investor or professional investor under sections 708(8) and 708(11) of the Corporations Act; or</li> <li>• An institutional investor in certain other jurisdictions, as agreed between the Company and the Lead Manager, to whom offers of Shares may lawfully be made without the need for a lodged or registered prospectus or other form of disclosure document or filing, registration or qualification with, or approval by, any governmental agency (except one which the Company is willing, in its absolute discretion, to comply)</li> </ul> |
| <b>Institutional Offer</b>       | An Offer under this Prospectus to Institutional Investors in Australia and a number of other eligible jurisdictions to acquire Shares as described in Section 8   |
| <b>IPG</b>                       | IPG International Pty Limited   |
| <b>IPO</b>                       | Initial Public Offering   |
| <b>Lama Construction</b>         | Lama Construction Company (PVT) Ltd   |

|                                   |  |
|-----------------------------------|--|
| <b>Land Acquisition Agreement</b> | The Agreement for the Sale and Purchase of Land between Tiger Two and Nabaraj Bajgain, as described in Section 9.7   |
| <b>Laos Gaming Regulations</b>    | Regulations of the Ministry of Information and Culture Regarding the Management, Inspection, and Approval of Any Kind of Playing Games in the Lao PDR No 664/MoIC of 16 September 2003 |
| <b>Lead Manager</b>               | CLSA   |
| <b>Lessor</b>                     | Hotel Shangri-La Pvt Ltd   |
| <b>LTI Plan</b>                   | Has the meaning given to that term in Section 5.8.2  |
| <b>Management</b>                 | The senior management of the Group, including Mike Bolsover, Hugh Holmes, Martin Wright and Tim Shepherd   |
| <b>MEP</b>                        | Mechanical, electrical and plumbing  |
| <b>MEP Construction Contract</b>  | The MEP works construction contract between Tiger One and Airtech, as described in Section 9.5.1   |
| <b>MPFS</b>                       | Mandatory Provident Fund Scheme  |
| <b>NagaWorld</b>                  | NagaWorld casino   |
| <b>Nepal Bridge Loan</b>          | The Bridge Loan Agreement between Tiger One and the Nepal Investment Bank Ltd as described in Section 9.8.4  |
| <b>Nepal Casino Rules</b>         | <i>Regulation 2070 (2013) (Nepal)</i>  |
| <b>Nepal Credit Facility</b>      | The Syndicated Credit Facilities Agreement between Tiger One and a group of lenders as described in Section 9.8.3  |
| <b>Nepal Ministry of Tourism</b>  | The Nepal Ministry of Culture, Tourism and Civil Aviation  |
| <b>Nepal Rastra Bank</b>          | The Nepal Rastra Bank, the central bank of Nepal   |
| <b>New Bonds</b>                  | US\$20 million of senior secured bonds issued by SHL to OLMS and OLII as described in Section 9.8.2  |
| <b>New Bond Instrument</b>        | The bond instrument to be entered into between the Company, OLMS, OCP and the Security Trustee pursuant to which SHL has agreed to create the New Bonds                                |
| <b>NPAT</b>                       | Net profit after taxation  |
| <b>OCP</b>                        | OL Master Limited  |
| <b>Offer</b>                      | The offer of Shares to raise up to A\$25.0 million (approximately US\$18.75 million)   |
| <b>Offer Period</b>               | The period during which investors may subscribe for Shares under the Offer   |
| <b>Offer Price</b>                | The amount payable by Applicants to the Company for the issue of Shares under the Offer being A\$0.40 per Share  |

# 11. DEFINED TERMS

|   |   |
|---|---|
| <b>OLII</b>                                     | Orchard Landmark II (Singapore Fund I) Pte. Limited   |
| <b>OLMS</b>                                     | OL Master (Singapore Fund I) Pte. Limited   |
| <b>Options</b>                                  | The options (being the Tranche A Options, Tranche B Options and Tranche C Options) to subscribe for Shares to be issued in conjunction with the New Bonds, on the terms set in section 10.7 |
| <b>Phoenix International Club</b>               | The casino in Vietnam owned by Phoenix International Travel and managed by Silver Heritage Limited known as the Phoenix International Club  |
| <b>Phoenix International Travel</b>             | Phoenix International Travel Development Co., Ltd   |
| <b>Pro Forma Forecast Cash Flows</b>            | Pro forma forecast consolidated cash flow statements for FY2016   |
| <b>Pro Forma Forecast Financial Information</b> | Pro Forma Forecast Results and Pro Forma Forecast Cash Flows  |
| <b>Pro Forma Forecast Results</b>               | Pro forma forecast consolidated income statements for FY2016  |
| <b>Prospectus</b>                               | This Prospectus, dated 25 July 2016, for the issue of Shares to raise up to A\$25.0 million (approximately US\$18.75 million) (including the electronic form of this Prospectus)            |
| <b>Redemption Price</b>                         | The redemption price of the New Bonds, as described in Section 9.8.2  |
| <b>Regulation S</b>                             | Regulation S promulgated under the US Securities Act  |
| <b>Relevant Member State</b>                    | Each member state of the European Economic Area   |
| <b>Retail Investor</b>                          | An investor who is not an Institutional Investor  |
| <b>Reorganisation</b>                           | The acquisition of SHL by the Company and issue of Shares to SHL Shareholders pursuant to the Implementation Deed and any necessary redemption of SHL Shares                                |
| <b>Retail Offer</b>                             | The Broker Firm Offer and the Chairman's List Offer   |
| <b>RIL</b>                                      | Ridgeway International Limited  |
| <b>Security Trustee</b>                         | Madison Pacific Trust Limited   |
| <b>Services Agreement</b>                       | The services agreement between Phoenix International Travel and SHLV as described in Section 9.3.2  |
| <b>SEZ</b>                                      | Special Economic Zone   |
| <b>SFA</b>                                      | The Securities and Futures Act, Chapter 289 of Singapore  |
| <b>SFO</b>                                      | The Securities and Futures Ordinance (Cap. 571) of the laws of Hong Kong  |

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| <b>Shangri-La</b>                                      | Shangri-La Hotel & Resort in Kathmandu, an independent hotel established in 1979 not affiliated with the Shangri-La Hotels & Resorts group |
| <b>Share</b>   | A fully paid ordinary share in the capital of the Company  |
| <b>Shareholder</b>                                     | A registered holder of a Share   |
| <b>Share Registry</b>                                  | Boardroom Pty Limited ACN 003 209 836  |
| <b>SHFL</b>  | Shuffle Master Asia Limited  |
| <b>SHL</b>   | Silver Heritage Limited  |
| <b>SHL Amusement &amp; Gaming, Inc. or SHAGI</b>       | SHL Amusement & Gaming, Inc.   |
| <b>SHL Share</b>                                       | A fully paid ordinary share in the capital of SHL  |
| <b>SHL Shareholder</b>                                 | A registered holder of SHL Shares as at the date of this Prospectus  |
| <b>Silver Heritage or Group</b>                        | Prior to the Allotment Date, SHL and its subsidiaries; and after the Allotment Date, the Company and its subsidiaries                      |
| <b>Silver Heritage Investment Pvt Limited or SHIPL</b> | Silver Heritage Investment Pvt Limited   |
| <b>Silver Heritage Offer Information Line</b>          | 1300 737 760 (toll free within Australia) or +61 2 9290 9600 (outside Australia) between 8:30 am to 5:30 pm AEST, Business Days only       |
| <b>Silver Heritage Phils Inc or SHPI</b>               | Silver Heritage Phils Inc.   |
| <b>Silver Heritage Vietnam Company Limited or SHLV</b> | Silver Heritage Vietnam Company Limited  |
| <b>STI Plan</b>  | Has the meaning given to that term in Section 5.6.1  |
| <b>Statutory Forecast Cash Flows</b>                   | Statutory forecast consolidated cash flow statements for FY2016  |
| <b>Statutory Forecast Financial Information</b>        | Statutory Forecast Results and Statutory Forecast Cash Flows   |
| <b>Statutory Forecast Results</b>                      | Statutory forecast consolidated income statements for FY2016   |
| <b>ST Vegas</b>  | St Vegas Slot Club, Tanelang, Laos   |
| <b>Successful Applicant</b>                            | An Applicant or Institutional Investor who is issued Shares under the Offer  |

# 11. DEFINED TERMS

|                                       |  |
|---------------------------------------|--|
| <b>Synen-Lao</b>                      | Synen-Lao Resort Development Limited   |
| <b>Tiger Hotels</b>                   | The Forest Hotel and the Village Hotel   |
| <b>Tiger Hotel JVs</b>                | Tiger Forest Hotel Private Limited and Tiger Village Hotel Private Limited   |
| <b>Tiger One</b>                      | Tiger One Private Limited  |
| <b>Tiger Palace Resorts</b>           | <ul style="list-style-type: none"> <li>• Tiger Palace Resort Bhairahawa</li> <li>• Tiger Palace Resort Jhapa</li> </ul>  |
| <b>Tiger Palace Resort Bhairahawa</b> | First Tiger Palace Resort currently being built at Bhairahawa, Nepal   |
| <b>Tiger Palace Resort Jhapa</b>      | Second Tiger Palace Resort proposed to be built along the India-Nepal border in the East of Nepal  |
| <b>Tiger Two</b>                      | Tiger Two Private Limited  |
| <b>Tinian</b>                         | An island that forms part of the Commonwealth of the Northern Mariana Islands, part of federal USA   |
| <b>TMC</b>                            | The Millionaire's Club & Casino at Kathmandu, Nepal  |
| <b>Underwriter</b>                    | CLSA   |
| <b>Underwriting Agreement</b>         | The underwriting agreement between the Company and the Underwriter dated 25 July 2016 as described in Section 9.1  |
| <b>UNESCO</b>                         | United Nations Educational, Scientific and Cultural Organization   |
| <b>US Person</b>                      | Has the meaning given in Rule 902(k) of Regulation S   |
| <b>US Securities Act</b>              | United States Securities Act of 1933, as amended   |
| <b>US\$</b>                           | United States Dollar   |
| <b>Village Hotel</b>                  | 100 room four-star hotel, proposed to be constructed to the northeast of the main casino building of Tiger Palace Resort Bhairahawa  |
| <b>Volume Weighted Average Price</b>  | Means in respect of a Share, the volume-weighted average price of such Share on the ASX market and the Chi-X market excluding block trades, large portfolio trades, permitted trades during the pre-trading hours period, permitted trades during the post-trading hours period, out of hours trades and exchange traded option exercises. |
| <b>World Heritage Site</b>            | A site listed on UNESCO's World Heritage List as at the date of this Prospectus  |

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# APPENDIX 1: INDEPENDENT MARKET REPORT ON THE GAMING MARKET IN ASIA BY FROST & SULLIVAN

FROST & SULLIVAN

"We Accelerate Growth"

The Directors  
Silver Heritage Ltd  
L6, 23 Luard Road  
Hong Kong

Frost & Sullivan (Australia) Pty. Ltd.  
Suite 1, Level 9, 189 Kent Street  
Sydney, NSW 2000  
Tel: 02 8247 8900 Fax: 02 9252 8066  
[www.frost.com](http://www.frost.com)

April 14, 2016

Dear Directors,

## Independent Market Report on the Gaming Market in Asia

### Introduction

Silver Heritage is a gaming operator and management company with operations in various countries in Asia. The company has current and proposed business operations in four countries ("host markets") – Vietnam (casino operations); Nepal (casino operations); and Lao PDR ("Laos") and Cambodia (provision of electronic gaming machines to casinos under a revenue share agreement). The main target markets for these operations are customers in a foreign country who visit the host market to undertake gaming, as well as foreign expatriates living in the host country. A summary of Silver Heritage's main current and proposed operations and their main target markets is given below (see Table 1).

**Table 1: Silver Heritage Operations**

| Host Market           | Main Target Market(s)  | Comments   |
|-----------------------|--|--|
| <b>Vietnam</b>        | Chinese, Vietnamese second passport holders, resident expatriates and other visitors | Silver Heritage operates one of seven licensed casinos in Vietnam  |
| <b>Nepal</b>          | Indians  | Silver Heritage operates one casino, and proposes to operate additional casinos close to the Indian border |
| <b>Laos, Cambodia</b> | Resident expatriates, Thais and other visitors                                       | Silver Heritage provides electronic gaming machines under a revenue share agreement                        |

Source: Silver Heritage

Frost & Sullivan understands that Silver Heritage is planning to raise funds via an Initial Public Offering (IPO) on the Australian Securities Exchange (ASX), and Silver Heritage has commissioned an Independent Market Report (IMR) on the gaming market in Asia from Frost & Sullivan for inclusion in the prospectus relating to the IPO.

Auckland   Bangalore   Bangkok   Beijing   Bogota   Buenos Aires   Cape Town   Chennai   Delhi   Dubai  
Frankfurt   Kolkata   Kuala Lumpur   London   Manhattan   Melbourne   Mexico City   Mumbai   New York   Oxford  
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## About Frost & Sullivan

Frost & Sullivan is an independent market research and consulting firm operating in over 40 countries globally. Founded in New York in 1961, Frost & Sullivan now employs over 1,500 staff. We have undertaken a number of market studies in the entertainment sector on behalf of market participants and financial institutions, as well as producing a number of multi-client reports on the entertainment industry.

In undertaking this assessment, Frost & Sullivan has relied on information derived from reputable publicly available sources and industry publications. The research was undertaken in the months of July 2015 to April 2016. All effort has been made by Frost & Sullivan to ensure that information in this report is accurate and appropriate at the time of writing. Conclusions, and assumptions attached to those conclusions, are based on Frost & Sullivan's investigations and analyses of the facts as they are known as at April 2016 and Frost & Sullivan is of the opinion that the conclusions and underlying assumptions are reasonable.

Unless otherwise mentioned, all references to \$ in this report are to US dollars. The following exchange rates have been used in this report when converting from other currencies (see Table 2).

**Table 2: Exchange Rates**

|          | Australia | China | India | Macau | Malaysia | Philippines | Singapore | South Korea | Thailand |
|----------|-----------|-------|-------|-------|----------|-------------|-----------|-------------|----------|
| Currency | A\$       | RMB   | INR   | MOP   | RM       | PHP         | S\$       | KRW         | THB      |
| \$1 =    | 1.32      | 6.47  | 66.1  | 7.99  | 3.92     | 46.2        | 1.36      | 1155        | 35.3     |

Source: Yahoo! Finance, accessed April 5th, 2016

## Key Findings of the Report

Over recent years, Asia has emerged as the world's largest gaming market, with gaming revenue as defined in this report increasing at a CAGR of 13.2% over the period 2008 to 2015 to reach \$43.9 billion in 2015.<sup>1</sup> This rapid growth is the result of a number of factors including;

- Rapidly growing per capita incomes in most emerging economies in Asia, which have created a significant increase in middle-class populations with sufficient income to spend on recreational activities such as gaming. As incomes increase, the proportion of expenditure devoted to recreational activities also increases, both as a proportion of total expenditure and in absolute terms. As gaming is a key recreational activity for many Asians, this has stimulated significant growth in the gaming customer base;
- Many governments in Asia have liberalised gaming regulations over years, which has led to increasing supply of gaming facilities. This has been notable in jurisdictions such as Macau and Singapore, and has led to a significant increase in gaming supply in Asia over recent years. However, many countries in Asia still have significant potential for rapid growth in gaming revenues. For example, revenue in legal casino

<sup>1</sup> Source: Frost & Sullivan estimates based on industry sources

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- operations in India is currently only about \$100 million annually, however the Indian gaming market is estimated to have a potential of up to \$4 billion annually, if sufficient facilities were available<sup>2</sup>;
- Despite recent liberalisations, access to gaming facilities remains restricted in many countries, and this has led to the rapid growth in gaming tourism, whereby nationals from one country visit another for the primary or secondary purpose of gaming. Jurisdictions such as Macau and Singapore, which have liberalised gaming activities in recent years, have seen a concurrent increase in inbound tourism. Over recent years, tourism within the Asia region has grown significantly, and this has also created a rapidly increasing pool of patrons for gaming facilities. In many countries, a number of gaming facilities have opened primarily to serve non-nationals of the host country; and
  - Silver Heritage is likely to benefit from these trends, with large and growing markets for its facilities. For example, in Nepal, Silver Heritage's proposed facilities close to the Indian border will be accessible to an estimated resident middle and upper-class population in Northern India of 35 million by 2020 that lives within a one-day drive (of at least one of the facilities), and that has a household income of \$4,000 per year or more (defined as middle or upper-class).<sup>3</sup>

In addition to these overall trends, there are also factors that are specific to each market in which Silver Heritage operates that are stimulating demand in that market, and which are described later in this report.

In 2015, gaming revenues in Asia dropped significantly. However, this was due to a 34% decline in gaming revenues in Macau, the largest gaming market in Asia.<sup>4</sup> The reduction in gaming revenues in Macau is primarily a result of the ongoing anti-corruption drive in China, which has deterred patronage of casinos in Macau, specifically in the Very Important Person (**VIP**) segment. However, if Macau is excluded, gaming revenues in Asia continued to grow in 2015, with a 1% increase over 2014. Excluding Macau, Asian gaming revenue is estimated at \$15.03 billion for 2015.<sup>5</sup>

The combination of both country-specific and overall market drivers in Asia is likely to continue to stimulate continued rapid growth in the gaming industry in Asia. Over the period from 2015 to 2018, gaming industry revenue (excluding Macau) is forecast to increase at a CAGR of 5.6% to reach \$17.7 billion in 2018.<sup>6</sup> This assumes that there is no additional significant liberalisation of gaming regulations in Asian countries (such as that which may happen in Japan and South Korea over this time period). Additional liberalisation would be likely to act as a further stimulus to the gaming industry in Asia.

Frost & Sullivan anticipates that the most rapid growth will occur in emerging gaming markets, such as Nepal, Cambodia, Vietnam and Laos, driven by more supportive government policies, additional casinos becoming operational and significant growth in gaming demand from neighbouring countries where gaming is restricted, as well as from rapid increases in the domestic middle-classes. Over recent years, gaming revenue in these markets

<sup>2</sup> Source: Union Gaming Analytics, India Gaming Market Study, November 2015

<sup>3</sup> Sources: Global Market Advisors, Gaming Market Assessment, Tiger Palace Resort, June 2015 and Tiger II Gaming Market Assessment, November 2015

<sup>4</sup> Source: DICJ Macau statistics, accessed April 2016

<sup>5</sup> Source: Frost & Sullivan estimates based on industry sources

<sup>6</sup> Source: Frost & Sullivan forecasts

has grown strongly. For example, from 2008 to 2015 Frost & Sullivan estimates that gaming revenue in Cambodia increased at a CAGR of 13.2%, and a CAGR of 9.9% in Vietnam.<sup>7</sup>

Frost & Sullivan anticipates that gaming industry revenue in these emerging markets will reach \$7.5 billion in 2018, a CAGR of 8% from 2015 to 2018.<sup>8</sup> With its focus on emerging gaming markets in Asia, Silver Heritage is therefore likely to benefit from the significant growth in the gaming market in these countries.

## Gaming Market Overview

### Gaming Definition

Gaming is one of two main forms of gambling, and involves making a wager on the outcome of a game of chance such as roulette or card games, or on an electronic gaming machine (**EGM**)<sup>9</sup>, generally hosted in a casino<sup>10</sup> or retail gaming outlet. Unlike sports or event betting, where an element of skill may be involved on the part of the gambler, gaming involves wagering on a game of pure chance.

As defined in this report, the *gaming industry* comprises the operation of casinos and electronic gaming machines in officially licensed premises. Other games of chance, such as lotteries, and gaming undertaken in non-licensed premises, are excluded from the scope. Online gaming is also excluded.

Casino customers are typically divided into two groups: the VIP segment and the mass market. VIP customers typically game in private facilities and receive benefits from the casino operator (such as free travel and accommodation). In some cases, third-parties (known as VIP promoters or in cases *junkets*<sup>11</sup>) act as middle-men between the casino operator and the VIP client. In some markets, such as Macau, the VIP segment dominates industry revenues. However, Frost & Sullivan understands that Silver Heritage's gaming operations are largely reliant on the mass-market segment.

The gaming industry derives revenue in the form of the difference between the total amount wagered minus funds ("winnings") returned to the gamer, i.e. the gaming providers' total take after payment of winnings, but before payment of taxes or operating costs. This is sometimes known as gross gaming revenue (**GGR**).

<sup>7</sup> Source: Frost & Sullivan estimates based on industry sources

<sup>8</sup> Source: Frost & Sullivan forecasts

<sup>9</sup> An electronic gaming machine (**EGM**) is an interactive game operated by computer circuitry whereby a player purchases the right to play by inserting cash, or a paper ticket or plastic card with a barcode, into a designated slot on the machine. The machine is then activated by means of a lever or button or touchscreen display. EGMs are also colloquially known as poker machines ("pokies"), fruit machines, slot machines or one-arm bandits.

<sup>10</sup> A casino is a public building used for gambling, specifically games of chance. In most countries, operation of casinos is regulated. Regulation can range from outright bans on casino operations to restrictions on the individuals who may enter a casino (e.g. restrictions on domestic passport holders).

<sup>11</sup> A junket is an arrangement whereby a person or a group of persons is introduced to a casino operator by a junket promoter who receives a commission or other payment from the casino operator.

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## Evolution of Gaming in Asia

Over recent years, Asia has significantly increased its share of global gaming industry revenue, and has now overtaken the United States as the largest global gaming market. In 2014, gaming revenue at commercial casinos in the USA was \$37.9 billion,<sup>12</sup> with gaming revenue in Asia in 2014 estimated by Frost & Sullivan at \$58.8 billion. Over recent years gaming revenue in Asia has increased at a CAGR of around 13%, compared to less than 2% in the USA.<sup>13</sup>

In most countries in Asia, the operation of gaming outlets has long been regulated or prohibited by governments on social and religious grounds. Legal gaming operations have been restricted to a relatively small number of countries in Asia, and even where gaming outlets have been licensed, access has often been restricted to foreign nationals. Many of the most populous countries in Asia (including China, India, Indonesia, Japan and South Korea) significantly restrict gaming operations, either entirely or by restricting access by local nationals. However, over recent years, policy in many countries has moved towards a more favourable approach to gaming, with countries such as Singapore now allowing casino operations, and others such as Japan starting a legislative process that may allow them to operate. A summary of the current status of the gaming industry in major countries in Asia is given below:

**Table 3: Status of Gaming by Country, 2016**

| Country            | Number of Licensed Casinos | Comments   |
|--------------------|----------------------------|--|
| <b>Cambodia</b>    | ~70                        | Gaming is restricted to foreign nationals. Most casinos are located close to the Thai and Vietnamese borders. Special border crossings are established allowing Thais and Vietnamese to enter the country to gamble without immigration procedures |
| <b>China</b>       | 0                          | Operation of casinos is illegal in China (except in Macau SAR)   |
| <b>India</b>       | 13                         | Nine land-based and four floating casinos operating. Operation of casinos is limited to the states of Goa and Sikkim, and the Union territory of Daman & Diu, where an additional casino is awaiting licensing                                     |
| <b>Indonesia</b>   | 0                          | Operation of casinos is illegal in Indonesia   |
| <b>Japan</b>       | 0                          | Operation of casinos is illegal in Japan. A casino legislation bill was submitted to Parliament in April 2015. Although the governing LDP party favours casino legalisation, passage of the bill is likely to be a slow process <sup>14</sup>      |
| <b>Laos</b>        | 3                          | Casino entry restricted to foreign nationals. Casinos are allowed in special economic zones ( <b>SEZs</b> ). A number of unlicensed casinos are also believed to operate   |
| <b>Macau SAR</b>   | 36                         | Macau SAR is the only region of China where casino operations are legal  |
| <b>Malaysia</b>    | 1                          | Casino operations are restricted to one casino in the Genting Highlands. Restrictions on Malays entering the casino  |
| <b>Nepal</b>       | 4                          | Gaming is restricted to foreign nationals  |
| <b>Philippines</b> | ~20                        | Thirteen casinos are operated by State-controlled PAGCOR. A number of gaming rooms in hotels are also functioning. Also over 300 e-games outlets and several hundred e-bingo outlets are currently operating                                       |

<sup>12</sup> Source: UNLV Center for Gaming Research, United States Commercial Casino Revenues, 2005-2014. Gaming revenues exclude Native American casinos

<sup>13</sup> Sources: Ibid, and Frost & Sullivan estimates

<sup>14</sup> Source: <http://www.ggrasia.com/popular-support-for-gaming-still-weak-in-japan-law-expert/>

| Country     | Number of Licensed Casinos | Comments   |
|-------------|----------------------------|--|
| Singapore   | 2                          | Two integrated resorts were opened in 2010. Local residents are allowed to enter on payment of entry fee   |
| South Korea | 17                         | Gaming is restricted to foreign nationals except for Kangwon Land Casino. In January 2015, the Government announced plans to license two further casinos <sup>15</sup> |
| Sri Lanka   | 5                          | Five casinos operating in Colombo  |
| Thailand    | 0                          | Operation of casinos is illegal in Thailand  |
| Vietnam     | 7                          | Casino entry restricted to foreign nationals   |

Sources: World Casino Directory, accessed April 2016; DICJ Macau statistics, accessed April 2016; Frost & Sullivan estimates

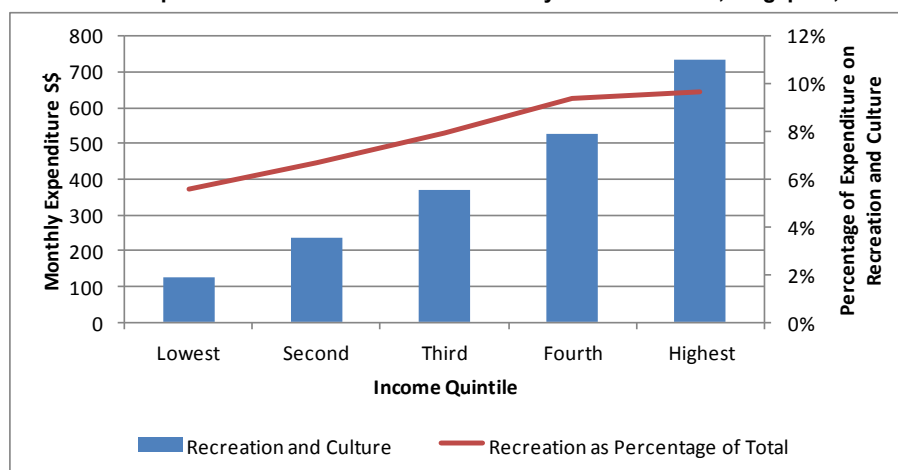
## Market Drivers for Gaming

Frost & Sullivan considers that there are a number of factors that will stimulate growth in the overall Asian gaming market, as well as factors that are specific to each of the markets in which Silver Heritage is operating. These factors are described in more detail below.

### Growth in the Asian Middle-Class

Growth in household wealth stimulates expenditure on recreational activities such as gaming, both in absolute terms and as a percentage of household income. This is indicated by data from household expenditure surveys, such as that undertaken in Singapore in 2012-13, which indicates that average monthly expenditure on recreation and culture was 5.6% of total household expenditure for the lowest income quintile, compared to 9.7% for the highest. In absolute terms, the highest income quintile spends approximately six times more on recreation and culture than the lowest income quintile (see Figure 1). As household incomes in a country increase, expenditure on recreational activities will therefore also increase.

Figure 1: Household Expenditure on Recreation and Culture by Income Quintile, Singapore, 2012-13



Source: Department of Statistics, Singapore, Report on the Household Expenditure Survey 2012/13

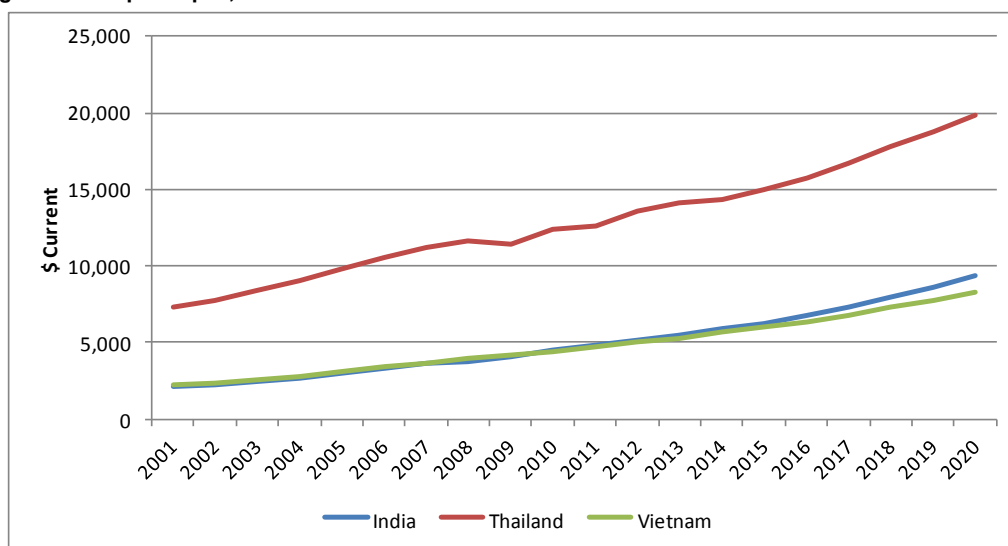
<sup>15</sup> Source: <http://www.ggrasia.com/s-korea-to-issue-two-more-casino-licences-govt/>

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Over recent years, average incomes in Asia have risen well ahead of those in more developed countries. In the main target markets that are the focus of Silver Heritage's operations (India, Thailand, Vietnam), over the period 2001 to 2020, GDP per capita is anticipated to increase at an average CAGR of 8.7% in current dollars (see Figure 2). This compares to a CAGR of 3.2% for major advanced economies.<sup>16</sup>

**Figure 2: GDP per Capita, 2001 to 2020**

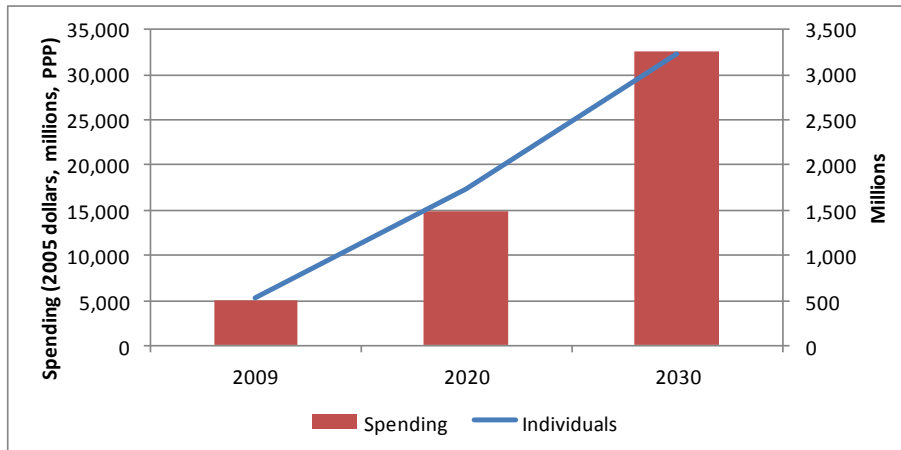


Source: International Monetary Fund, World Economic Outlook Database, October 2015

Rising income levels in Asia are likely to stimulate increased expenditure on recreational activities, including gaming. The Asia Pacific middle-class is forecast to increase to 1.74 billion individuals by 2020, and 3.23 billion by 2030, at which point Asia Pacific will account for 66% of the global middle-class (up from 23% in 2009). The Asia Pacific middle class will account for 59% of global middle-class spending by 2030 (see Figure 3).<sup>17</sup>

<sup>16</sup> Source: IMF, World Economic Database, October 2015

<sup>17</sup> Source: OECD Development Centre, the Emerging Middle Class in Developing Countries, 2010. Middle class individuals are defined as those in households with daily per capita consumption of \$10 to \$100 in purchasing power parity (PPP) terms

**Figure 3: Asia Pacific Middle-Class and Middle-Class Expenditure, 2009 to 2030**

Source: OECD Development Centre, *the Emerging Middle Class in Developing Countries*, 2010

### Government Support for the Gaming Industry

Over recent years, government attitudes to gaming in several Asian countries have moved to be more pro-gaming, as the gaming industry is seen as a potentially significant contributor to inbound tourism and overall economic growth, as well as providing a significant source of taxation. The largest gaming market in Asia is Macau SAR, where casinos have long been legal but operation was restricted to a monopoly licensee. In 2002, the Macau SAR Government liberalised the gaming industry, licensing a number of additional market participants. Prior to liberalisation, the maximum industry revenue was MOP 17.8 billion (\$2.20 billion), but by 2015 had increased to MOP 231 billion (\$28.9 billion).<sup>18</sup> This has driven a significant increase in visitors to Macau which reached almost 31 million in 2015, including 20 million from China.<sup>19</sup> Around 35% of Chinese visitors to Macau have gaming as their primary reason for visiting.<sup>20</sup>

A further example is Singapore, where the Government changed its previous policy in 2004 and allowed the opening of two casinos operating within Integrated Resorts (IRs) in 2010. The Government considered that the IRs were important to stimulate inbound tourism, an area where Singapore had been losing market share over recent years, to stimulate job creation, to present Singapore as a “global city” and to reduce outflow of funds to other jurisdictions.<sup>21</sup>

Since the IRs opened in 2010, international visitor arrivals to Singapore have increased by 3.6 million.<sup>22</sup> The IRs are the most visited tourist attraction in Singapore, with an estimated 31% of international visitors visiting them in 2012,<sup>23</sup> and are estimated to support 40,000 local jobs.<sup>24</sup>

<sup>18</sup> Source: Gaming Inspection and Co-ordination Bureau (DICJ) Macau SAR statistics, accessed April 2016

<sup>19</sup> Source: Macau Government Tourism Office, Visitor Arrivals, accessed April 2016

<sup>20</sup> Source: Penny Yim Kin Wan, Increasing Chinese Tourist Gamblers in Macao: Crucial Player Characteristics to Identify and Exploit; UNLV Gaming Research & Review Journal, Volume 15 issue 1

<sup>21</sup> Source: <https://www.mti.gov.sg/MTIInsights/Documents/Ministerial%20Statement%20-%20PM%2018apr05.pdf>

<sup>22</sup> Source: Singapore Tourism Board, annual tourism statistics, accessed April 2016

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Influenced by the Singapore example, governments in other countries have started to review current restrictions on casino operations. For example, the governing LDP party in Japan favours the legalisation of casinos, and future licensing of gaming in Japan is a strong possibility.

## Conversion from Illegal Gaming

Illegal gaming is widespread in most Asian countries. This is likely to provide significant pent-up demand as gaming is made more accessible, particularly to mass-market consumers. Frost & Sullivan considers that many gaming customers would prefer to utilise legalised gaming facilities where available, as a result of factors such as better facilities and choice of games, no corruption and no unforeseen changes to the offer. Additionally, governmental crackdowns on illegal casino operations can stimulate gamers to visit licensed casinos, either in their domestic market where feasible, or in other markets. For example, the crackdown on illegal gambling undertaken by the military government in Thailand following the coup in 2014 has reportedly stimulated visitation to overseas casinos.<sup>25</sup>

## Increasing Inter-Asian Tourism

Rising income levels in Asia have caused a significant increase in inter-Asian tourism, which in turn is stimulating growth of the gaming industry. Since 2007, the number of international visitor arrivals to Asian countries has increased by over 100 million, to reach 389 million in 2013, a CAGR of 5.9% from 2007 to 2013.<sup>26</sup> The fastest growth has been in outbound travel from China, which reached 81 million visitors to other Asian destinations (including the Hong Kong and Macau SARs) in 2013, and which has grown at a CAGR of 14.4% from 2007 to 2013.<sup>27</sup> For many Asian tourists, gaming is a primary reason for travel, especially for those in countries where gaming is restricted (such as India and China), and this is likely to stimulate growth in the gaming industry in jurisdictions where gaming is allowed.

Over the period from 2014 to 2020, outbound tourism from emerging economies in Asia is forecast to increase at a CAGR of 10.1% to reach just under 200 million in 2020 (excluding same-day trips). China and India will account for the majority of the increase over this period (see Figure 4). Between 2014 and 2020, outbound trips from China (including to Hong Kong and Macau SARs) are forecast to increase at a CAGR of 11.1%, and outbound trips from India at a CAGR of 13.0%.<sup>28</sup>

<sup>23</sup> Source: Singapore Tourism Board, Annual Report on Tourism Statistics, 2012

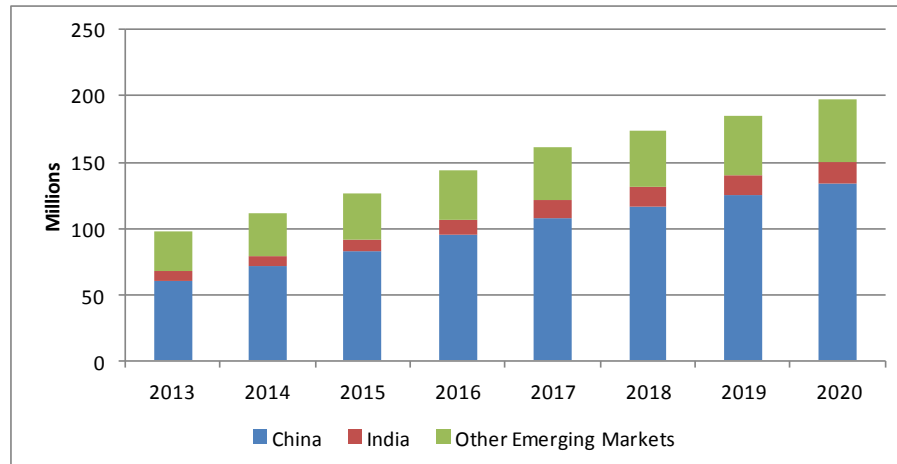
<sup>24</sup> Source: <http://www.mti.gov.sg/MTIInsights/Pages/Integrated%20Resorts.aspx>

<sup>25</sup> Source: <http://www.casino.org/news/thailand-military-coup-provokes-mini-casino-boom-cambodia>

<sup>26</sup> Source: Pacific Asia Tourism Association (PATA), Annual Tourism Monitor, 2013

<sup>27</sup> Source: Ibid. Includes same-day trips to Macau and Hong Kong

<sup>28</sup> Source: Mastercard International, the Future of Outbound Travel in Asia Pacific, 2014

**Figure 4: Outbound Tourism by Origin, Asia Pacific, 2013 to 2020**

Source: Mastercard International, *the Future of Outbound Travel in Asia Pacific, 2014*

## Market Drivers – Vietnam

In Vietnam, Silver Heritage provides a range of services to the Phoenix International Club in Bac Ninh in Northern Vietnam, one of seven licensed casinos in Vietnam. The seven licensed casinos in Vietnam that are currently operational are listed in Table 4.

**Table 4: Operating Casinos in Vietnam**

| Casino                            | Location                         | Comments   |
|-----------------------------------|----------------------------------|--|
| <b>Aristo International Hotel</b> | Lao Cai Province                 | 95% owned by Donaco. 40 tables and 58 EGMs. A new, larger casino and hotel has recently opened with up to 50 gaming tables |
| <b>Royal International Club</b>   | Ha Long Bay, Quang Ninh Province | 18 tables, 70 EGMs   |
| <b>Li Lai International Hotel</b> | Mong Cai, Quang Ninh Province    | 8 tables   |
| <b>Phoenix International Club</b> | Bac Ninh Province                | Operated by Silver Heritage. Currently 12 tables and 67 EGMs   |
| <b>Do Song Casino</b>             | Hai Phong City                   | 16 tables, 100 EGMs  |
| <b>Crowne Plaza</b>               | Danang City                      | 20 tables, 100 EGMs  |
| <b>Grand Ho Tram</b>              | Ba Ria-Vung Tai Province         | 90 tables, 614 EGMs  |

Source: *World Casino Directory*, accessed April 2016; company websites

The seven operating casinos are located across Vietnam, as indicated in Figure 5.

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Figure 5: Locations of Operating Casinos in Vietnam



Source: Frost & Sullivan

As entry to casinos is currently barred to Vietnamese nationals, the Phoenix International Club primarily serves Vietnam-based expatriates, international visitors (largely from China) and Vietnamese nationals with secondary passports. The casino is approximately two hours from the Chinese border, with the Chinese province of Guangxi adjacent to the border. Guangxi has a population of approximately 47 million.<sup>29</sup> The largest cities in Guangxi are the provincial capital Nanning (population 2.7 million), Liuzhou (population 1.4 million) and Guilin (population 1 million).<sup>30</sup>

Frost & Sullivan considers that there are a number of factors which are likely to stimulate growth in the market opportunity for the Phoenix International Club, and particularly in the likely growth in the customer base of expatriates living or visiting Vietnam, as well as customers from China. These factors are described in more detail below.

<sup>29</sup> Source: China Statistical Office, accessed April 2016

<sup>30</sup> Source: <http://www.citypopulation.de/China-Guangxi.html>

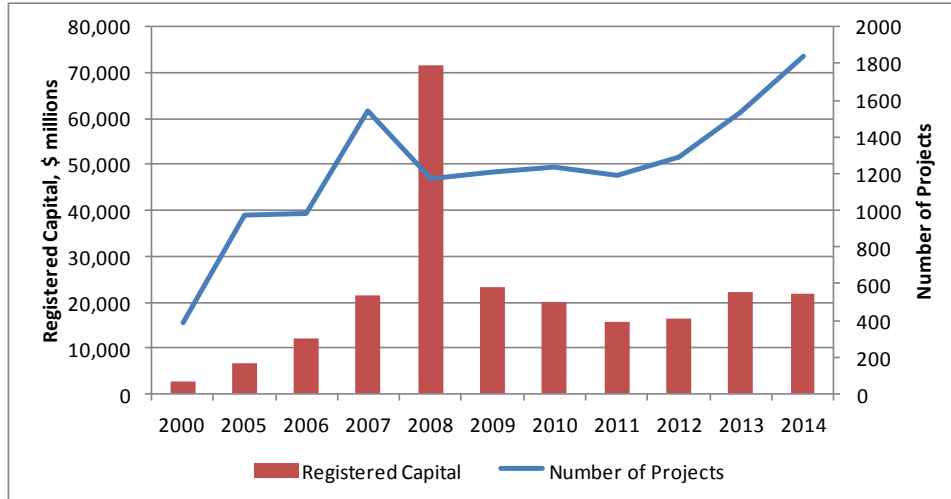
### Vietnamese Government Support for Gaming

Since relaxing restrictions on gambling in 2003, the Vietnamese Government has adopted a more supportive policy towards gaming operations.<sup>31</sup> A total of seven full casino licenses have been issued, each with restrictions on the number of tables and electronic gaming machines within hotels of a three star standard or above. In addition, a number of five star hotels have been allowed to run electronic gaming halls (no live tables) across the country. Draft regulations currently being considered by the Vietnamese Government would loosen the requirements on Vietnamese nationals entering casinos, as well as relaxing the requirements on companies that can operate a casino.<sup>32</sup>

### Growing Expatriate Workforce in Vietnam

As well as Chinese and other visitors, the Ban Ninh casino is accessible to expatriates living in Vietnam. Over recent years, the number of foreigners living in Vietnam has grown strongly, particularly driven by significant increases in the extent of foreign direct investment, which is stimulating demand for expatriate workers. Over recent years, foreign direct investment has increased significantly. Over the period 2008 to 2014 a total of 17,768 foreign direct investment projects were licensed, with total registered capital of \$252 billion (see Figure 6). The Red River Delta region<sup>33</sup> accounts for 25% of the total direct foreign investment made in Vietnam to the end of 2014.<sup>34</sup>

**Figure 6: Foreign Direct Investment Projects Licensed in Vietnam, 2000 to 2014**



Source: General Statistics Office of Vietnam, accessed April 2016

Bac Ninh province is a focus of investment, particularly by Korean companies, which accounted for 82 of the 111 foreign direct investment licenses granted to in year-to-date October 2014, and cumulatively 220 Korean

<sup>31</sup> Prior to 2003, all gambling except for the state lottery was illegal

<sup>32</sup> Source: <http://www.talkvietnam.com/2014/08/draft-decree-allows-vietnamese-in-casinos/>

<sup>33</sup> The Red River Delta region includes the province of Bac Ninh, as well as the adjacent provinces of Hanoi, Haiphong, Vinh Phuc, Thai Binh, Ninh Binh, Nam Dinh, Hung Yen, Hai Duong and Ha Nam. It has a total population of approximately 20.7 million, or 23% of the national population (source: General Statistics office of Vietnam, accessed April 2016)

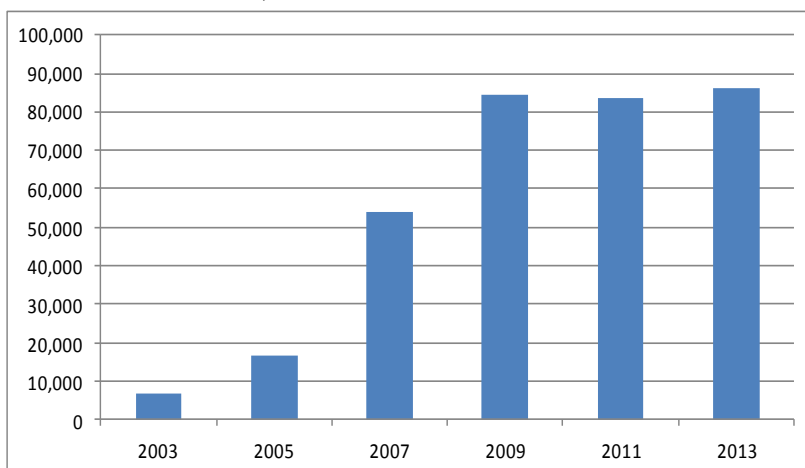
<sup>34</sup> Source: General Statistics Office of Vietnam, accessed April 2016

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companies have invested nearly \$4.5 billion in the province.<sup>35</sup> For example, Korean company Samsung Electronics opened one of its largest global plants in Bac Ninh in 2009 to manufacture mobile phones, and the plant now employs over 10,000 workers. Sister company Samsung Display is building a plant to manufacture high definition screens and will employ over 8,000 workers.<sup>36</sup>

This investment has contributed to a significant increase in the number of Korean expatriates resident in Vietnam. According to statistics from the Korean Ministry of Foreign Affairs and Trade, the number of Koreans resident in Vietnam reached over 86,000 in 2013, the largest Korean diaspora in SE Asia apart from the Philippines.<sup>37</sup> Since 2003 the number of Korean expatriates resident in Vietnam has increased from just over 6,000 (see Figure 7.)

**Figure 7: Koreans Resident in Vietnam, 2003 to 2013**



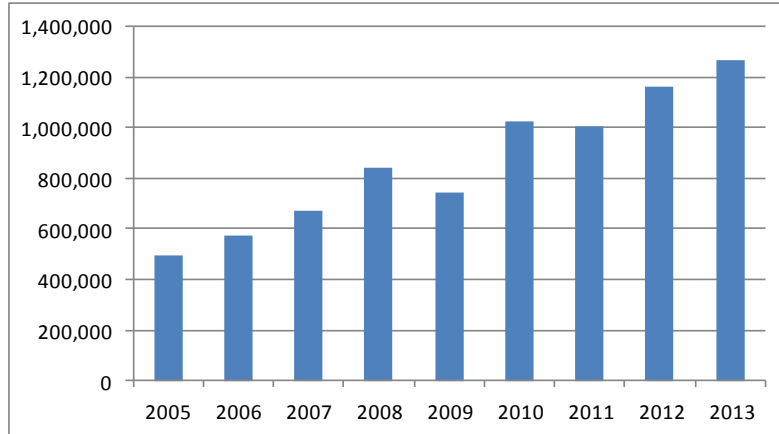
Source: Korean Ministry of Foreign Affairs & Trade, *Current Status of Overseas Compatriots*, accessed August 2015. Data is released every two years

Growth in overseas investment has also stimulated overseas business visitors to Vietnam. Between 2005 and 2013, the number of foreign business visitors to Vietnam has increased at a CAGR of 12.4% to reach 1.27 million in 2013 (see Figure 8).

<sup>35</sup> Source: <http://vietnamnews.vn/economy/261556/south-korean-firms-explore-bac-ninh-business-potential.html>

<sup>36</sup> Source: <http://tuoitrenews.vn/business/20737/samsung-obtains-license-for-1bn-plant-in-vietnam-total-investment-nears-7bn>

<sup>37</sup> Source: Korean Ministry of Foreign Affairs & Trade, *Current Status of Overseas Compatriots*, accessed August 2015

**Figure 8: Foreign Business Visitors to Vietnam, 2005 to 2013**

Source: General Statistics Office of Vietnam, accessed April 2016

### Restricted Gaming Supply in China

Apart from the operation of lotteries, gambling is illegal in China with the exception of the Macau SAR, which over recent years has grown to be the largest gambling centre in the world, primarily as a result of the influx of mainland Chinese tourists. Although there is extremely strong demand for gaming in China, the restrictions on gaming operations in China have led to a significant growth in outbound travel from China for the purpose of gaming – particularly to Macau but also to other regional gaming centres such as Singapore and Vietnam.

### Long Distance from Guangxi to Macau

The strong Chinese demand for gaming has stimulated travel to Macau, with 20 million mainland Chinese visiting Macau in 2015. A significant proportion of mainland visitors to Macau are residents of the adjacent Guangdong province, with 9 million (42% of total mainland visitors) Guangdong residents visiting Macau in 2014.<sup>38</sup> This is equivalent to approximately 8.6% of the Guangdong population.<sup>39</sup> However, the much longer travel time from Guangxi<sup>40</sup> has resulted in a much smaller proportion of residents visiting Macau. In 2013, the number of residents from Guangxi province that visited Macau is estimated at only 280,000, less than 1% of the Guangxi population.<sup>41</sup> Frost & Sullivan considers that demand for gaming is likely to be similar in Guangxi as in Guangdong, and this will stimulate travel into Vietnam for gaming as Vietnam is more accessible than Macau. The distance from Nanning to Bac Ninh is approximately half of the distance to from Nanning to Macau.

<sup>38</sup> Source: Macau Statistics Service, Visitor Arrivals 2014

<sup>39</sup> Source: calculated based on Guangdong population of 105 million (source: China Statistical Yearbook, 2012)

<sup>40</sup> The distance from Nanning to Macau is approximately 536km, compared to 107km from Guangzhou

<sup>41</sup> Source: calculated based on Penny Yim Kin Wan, Increasing Chinese Tourist Gamblers in Macao: Crucial Player Characteristics to Identify and Exploit; UNLV Gaming Research & Review Journal, Volume 15 issue 1

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## Infrastructure Improvements

Planned upgrades to transportation infrastructure are likely to improve access to the Bac Ninh location, especially for Chinese visitors. For example, Hanoi's Noi Bai international airport, the second largest in Vietnam, has been upgraded with the addition of a second terminal planned to serve an additional 10 million visitors annually.<sup>42</sup> A plan submitted by the Civil Aviation Agency of Vietnam in 2015 for a third runway would increase the capacity to 50 million passengers a year after 2020.<sup>43</sup> This airport is approximately 34km from the Bac Ninh site. Additionally, plans have been announced to build a high speed railway from Nanning to Singapore via Hanoi, which if developed would provide rapid access to Hanoi from Guangxi province, and accordingly to Bac Ninh.<sup>44</sup>

## Increasing Disposable Incomes in China

Rapid economic growth in China is stimulating an increase in the Chinese middle-class with rapidly increasing amounts of disposable income. Between 2001 and 2020, GDP per capita in purchasing power parity (PPP) terms in China is forecast to increase at a CAGR of 10.3% to \$20,003 by 2020.<sup>45</sup> This rapid growth in incomes is stimulating the emergence of a large middle-class in China, which is forecast to increase from 12% of the population in 2009 to as much as 70% by 2030. Over this time period middle-class expenditure in China is anticipated to increase from \$859 billion to \$9,985 billion (in 2005 dollars at purchasing power parity).<sup>46</sup>

This growth has stimulated expenditure on discretionary items such as recreation. Between 2000 and 2013 average annual per capita expenditure on Education, Recreation and Culture by urban households has increased by 242% to reach RMB 2,294 (\$354) in 2013 (13% of total annual expenditure).<sup>47</sup> Higher income households spend a higher proportion of their income on Education, Recreation and Culture, with average annual per capita expenditure by the highest income households being RMB 5,432 (\$840) (14% of total annual expenditure) in 2012.<sup>48</sup>

## Significant Growth in Outbound Travel from China

The strong increase in disposable income in China over recent years has stimulated significant growth in outbound travel from China. Since 2007, outbound travel from China to other Asian destinations (including Macau and Hong Kong) has increased at a CAGR of 14.4% to reach 120 million outbound trips in 2015.<sup>49</sup> Outbound travel to Vietnam has grown at a faster rate of 21.2% from 2010 to 2014, to reach 1.94 million outbound trips in 2014 (see Figure 9).<sup>50</sup>

<sup>42</sup> Source: <http://english.vov.vn/Society/Development/Noi-Bai-air-terminal-2-due-for-completion-in-2014/275222.vov>

<sup>43</sup> Source: <http://www.thanhniennews.com/business/vietnams-noi-bai-airport-plans-to-triple-capacity-with-34bln-runway-47925.html>

<sup>44</sup> Source: [http://www.chinadaily.com.cn/bizchina/2011-01/18/content\\_11874287.htm](http://www.chinadaily.com.cn/bizchina/2011-01/18/content_11874287.htm)

<sup>45</sup> Source: IMF, World Economic Outlook Database, April 2015. Data is in current dollars

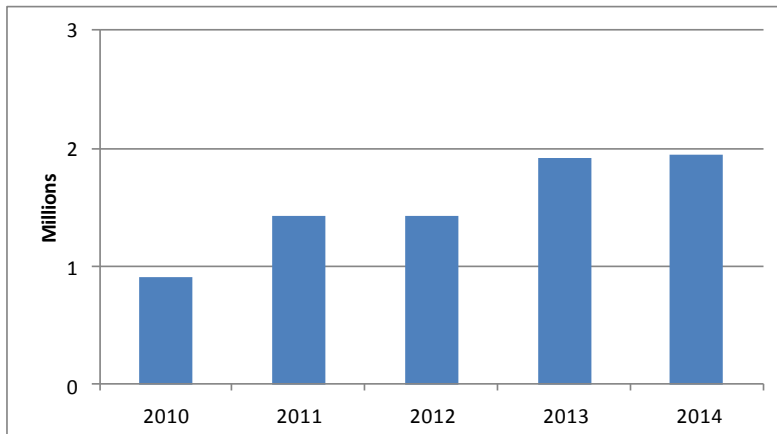
<sup>46</sup> Source: Homi Kharas, Brookings Institution, The Emerging Middle Class in Developing Countries, 2011

<sup>47</sup> Source: China Statistical Yearbook, 2014, Basic Conditions of Urban Households

<sup>48</sup> Source: China Statistical Yearbook, 2014

<sup>49</sup> Source: <https://www.travelchinaguide.com/tourism/2015statistics/inbound.htm>

<sup>50</sup> Source: Pacific Asia Travel Association, Annual Tourism Monitor, 2013

**Figure 9: Visitor Arrivals from China to Vietnam, 2010 to 2014**

Source: General Statistics Office of Vietnam, accessed April 2016

## Market Drivers – Nepal

Silver Heritage is currently operating a casino in Kathmandu, and plans to operate two additional casinos in Nepal that are located close to the Indian border, and whose primary market will be Indians. The Bhairahawa site (“Tiger I”) is located less than 10 km from the Indian border, adjacent to a Special Economic Zone planned for major development. The Jhapa site (“Tiger II”) is located approximately 12 km from the Indian border in what is the main East-West corridor on the Indian - Nepal transport network. These facilities are likely to benefit from the significant potential of the Indian gaming market. Currently, revenue from legal casino operations in India is only around \$100 million per year, however the Indian market is estimated to have a potential of up to \$4 billion per year, if sufficient casino facilities were available.<sup>51</sup>

Nepali citizens are forbidden to gamble; however there are currently four operating casinos in Nepal that cater to foreigners. From 2010 to 2013, there were approximately 14 “mini casinos” that were operational near the Indian border. These casinos were not true “live casinos,” in that all games were electronic games and no dealers were present. In 2013, the Casino Rules 2070 Act was passed which required live casinos to be located in five star quality hotels and electronic casinos in four star quality hotels, and also required casino operators to pay higher royalties to the government. As a result, all casinos in Nepal closed down due to unpaid royalties and unpaid taxes, and were forced to reapply for licenses under the 2013 Act. However, some casinos have now re-opened, and there are now four operating casinos located in Kathmandu: Casino Mahjong, Casino Royale, The Millionaire's Club & Casino and Casino Pride.<sup>52</sup> These casinos are summarised below in Table 5.

<sup>51</sup> Source: Union Gaming Analytics, India Gaming Market Study, November 2015

<sup>52</sup> Source: GMA, Gaming Market Assessment Tiger Palace Resort, June 2015, Silver Heritage

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**Table 5: Operating Casinos in Nepal (September 2015)**

| Casino                                     | Comments   |
|--|--|
| <b>Casino Mahjong</b>                      | Located in Kathmandu (Crowne Plaza Kathmandu – Soaltee). 60 EGMs, nine table games and two poker tables. The facility offers four full service restaurants, one bar, and a casino snack bar. There is also a connecting hotel that features 300 standard rooms and seventeen suites. |
| <b>Casino Royale</b>                       | Located in Kathmandu (Hotel Yak & Yeti). 27 EGMs and 25 table games. The property offers two full service restaurants, coffee house, and a main bar. There is also a connecting hotel that features 116 total rooms including 111 standard rooms and five suites.                    |
| <b>The Millionaire's Club &amp; Casino</b> | Located in Kathmandu (Shangri La Hotel). 28 EGMs and up to 21 live table games. The property offers two full service restaurants, a main bar, and a coffee lounge. There is also a connecting hotel that features 100 suites   |
| <b>Casino Pride</b>                        | Located in Kathmandu (Hyatt Regency Hotel). 30 EGMs and 20 live tables.  |

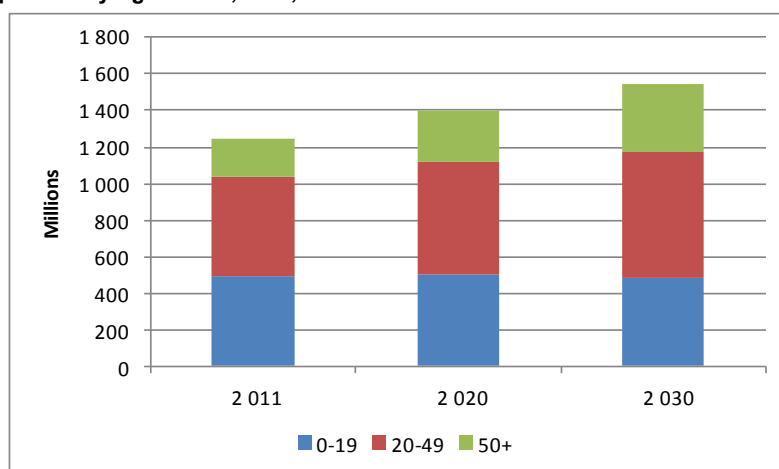
Source: GMA, Gaming Market Assessment Tiger Palace Resort, June 2015; Silver Heritage

Frost & Sullivan considers that there are a number of factors which are likely to stimulate the market opportunity in Nepal. In particular, these factors include the growing potential market in India, as described below.

## India's Demographic Dividend

Unlike many other countries, India will experience growth in both the size and proportion of the population in the 20-49 age cohort, which is likely to be the main demographic segment for recreational activities such as gaming. Between 2011 and 2030 the population aged 20-49 is forecast to increase from 544 million to 687 million, and an increase from 44% of the population to 45% by 2030. This is illustrated in Figure 10.

**Figure 10: Population by Age Cohort, India, 2011 to 2030**



Source: United Nations Population Division, World Population Prospects, 2011

### Significant Gaming Demand in India

Despite the relatively limited local gaming supply, gaming demand in India is growing rapidly. Total licensed casino revenues in India are estimated at \$100 million.<sup>53</sup> The casino market in Goa is estimated to be growing at 40% annually.<sup>54</sup> Gaming revenue in India is currently very small when compared with other Asian markets. However, revenue of licensed gaming operators is likely to significantly under-estimate total gaming spend in India, given the likely significant number of illegal operations and expenditure overseas by Indians. The gaming market in India is therefore likely to have significant growth prospects. One analyst has estimated that legal gaming revenue in India could reach \$4 billion per year, based on a comparison with gaming revenue in other similar markets. Achieving this level of gaming revenue in India would require significant investment, however, in new facilities.<sup>55</sup>

Data on total gambling expenditure in India, including illegal operations, is limited, however one analyst estimates that in 2009 total gambling expenditure in India was \$60 billion.<sup>56</sup> A rapidly growing number of Indians are estimated to be travelling overseas for the primary purpose of gaming, illustrated by the number of Indian visitors to Macau which has increased from 21,000 in 2005 to 153,000 in 2015.<sup>57</sup>

### Restricted Local Gaming Supply

Under the Indian constitution, gambling and betting are regulated by individual states and union territories. Gaming in India is currently legal in only three of India's 35 states and union territories - the states of Goa and Sikkim and the union territory of Daman & Diu (although no facilities are currently operational in Daman & Diu as one casino is awaiting licensing).<sup>58</sup> In Goa, there are currently four offshore casinos and seven land-based casinos operating, and there are two land-based facilities in Sikkim. These are amongst the smallest jurisdictions in India, with a combined population of 2.3 million, only 0.2% of the total population.<sup>59</sup> Very few of India's population therefore have easy access to local gaming facilities, and moreover these jurisdictions are relatively remote from India's large population centres.<sup>60</sup>

### Rapid Growth in the Middle Class

In common with other developing countries in Asia, India's middle-class is growing rapidly, creating an increasing population pool with disposable funds for expenditure on leisure and recreation. The total size of India's middle-class population (defined as individuals with an income greater than \$4 per day) is forecast to increase from around 180 million in 2010 to 370 million by 2020.<sup>61</sup> By 2020, India is forecast to have the second largest middle-class

<sup>53</sup> Source: Union Gaming Analytics, India Gaming Market Study, November 2015

<sup>54</sup> Source: G3-247 Report, India, 2014

<sup>55</sup> Source: Union Gaming Analytics, India Gaming Market Study, November 2015

<sup>56</sup> Source: <http://www.onlinecasino.in/india-misses-out-on-1-5bn-a-year-through-lack-of-online-gambling-regulation/>

<sup>57</sup> Source: Macau Government Tourism Office, Visitor Arrivals, accessed April 2016

<sup>58</sup> In Goa, only land-based gambling is permitted in casinos either in five-star hotels or in offshore floating vessels. Sikkim allows land-based casinos (source: Gaming Law, 2012)

<sup>59</sup> Source: States Census, 2011

<sup>60</sup> For example, Sikkim is 2392km from Mumbai, 1650km from New Delhi and 700km from Kolkata (source: Google Maps)

<sup>61</sup> Source: Asian Development Bank, The Rise of Asia's Middle Class, 2010

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consumption in the world, and the largest by 2030.<sup>62</sup> This growth is likely to stimulate a significant increase in discretionary expenditure on items such as recreation and entertainment. The proportion of income consumption on education and recreation (which includes gaming) is forecast to increase from 7% in 2014 to 9% in 2025, at a CAGR of 3%.<sup>63</sup>

## Large Adjacent Population Bases

Silver Heritage's proposed casinos in Nepal are adjacent to the Indian states of Bihar, Uttar Pradesh and West Bengal. These are three of the four most populous states in India (the other being Maharashtra) with a combined population in 2011 of 395 million, almost 33% of the total population of India.<sup>64</sup> The populations of these states are growing at between 1.3% and 2.23% annually, and by 2014 the combined population is likely to have exceeded 415 million.<sup>65</sup>

The combined gross domestic product of Bihar, Uttar Pradesh and West Bengal is approximately \$168.2 billion, around 18% of India's total GDP. In common with other parts of India, these states are witnessing the rapid growth in middle-class populations with increasing spending power.<sup>66</sup> In 2014, the total number of middle and upper-middle class citizens in these states with household income of over \$4,000 per year was quantified at 53 million, and by 2018 this is anticipated to reach 71 million.<sup>67</sup> Of this population, approximately half resides within a day's drive (eight hours or less) of one of Silver Heritage's facilities.<sup>68</sup>

Bihar and Uttar Pradesh are likely to be the primary target markets for Silver Heritage's border operations in Nepal. These two states are anticipated to witness significant economic growth over the next few years, as indicated in Table 6. Between 2014 and 2018, combined GDP in Bihar and Uttar Pradesh is forecast to grow by a CAGR of 16.3% and GDP per capita at a CAGR of 14.9%.

**Table 6: GDP and GDP per Capita, Bihar and Uttar Pradesh, 2014 to 2018**

|                            | 2014 | 2018  |
|----------------------------|------|-------|
| <b>GDP (\$ billions)</b>   | 197  | 357   |
| <b>GDP per Capita (\$)</b> | 628  | 1,083 |

Source: Planning Commission Government of India: Directorate of Economics Statistics of respective State Governments; Release date March 1st 2014. Quoted in GMA, Gaming Market Assessment Tiger Palace Resort, June 2015

The market opportunity available to Silver Heritage's Nepal operations from patrons living in India is indicated by the adult population that lives within a day's drive of Silver Heritage's proposed facilities. An estimate of the middle and upper-class population (defined as individuals with household income of over \$4,000 per year) that is forecast to reside within a 7-hour drive of the Bhairahawa site has been made by Global Market Advisors (GMA) on behalf of

<sup>62</sup> Source: Homi Kharas, Brookings Institution, The Emerging Middle Class in Developing Countries, 2011

<sup>63</sup> Source: McKinsey Global Institute: The Rise of India's Consumer Market

<sup>64</sup> Source: States Census, 2011

<sup>65</sup> Source: Frost & Sullivan estimate based on [http://planningcommission.nic.in/data/datatable/0814/table\\_212.pdf](http://planningcommission.nic.in/data/datatable/0814/table_212.pdf)

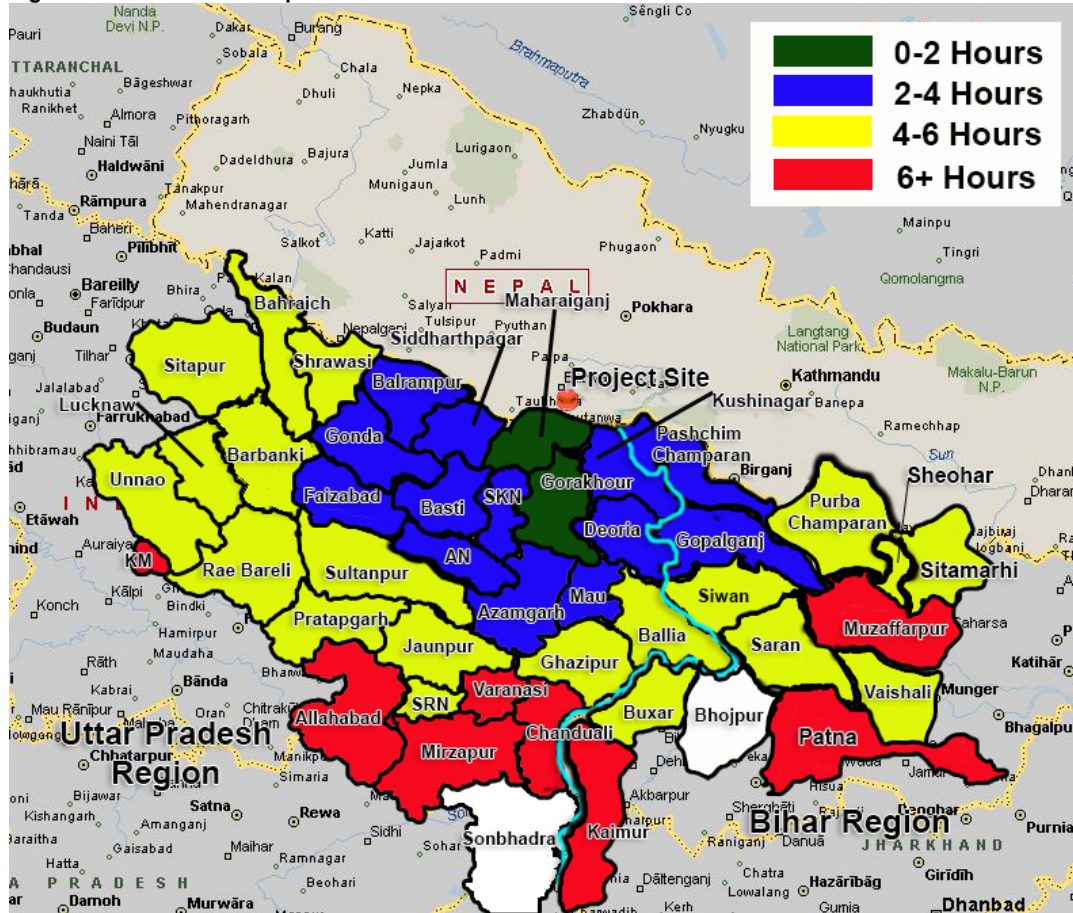
<sup>66</sup> For example, the proportion of households that have a computer ranges from 7.1% in Bihar to 8.3% in West Bengal (source: [http://planningcommission.nic.in/data/datatable/0814/table\\_325.pdf](http://planningcommission.nic.in/data/datatable/0814/table_325.pdf))

<sup>67</sup> Source: Global Market Advisors, Gaming Market Assessment, Tiger Palace Resort, June 2015

<sup>68</sup> Source: Ibid

Silver Heritage, based on the anticipated population of districts within specified driving times of the site. The districts that are assessed as lying in specified drive time bands are indicated in Figure 11.

**Figure 11: Districts within Specified Drive Times of Bhairahawa Site**



Source: Global Market Advisors, Gaming Market Assessment, Tiger Palace Resort, June 2015

The facility at Bhairahawa is forecast to have a middle or upper-class adult population of 20.4 million living with a seven-hour drive time of the site by 2019 (see Table 7).<sup>69</sup>

<sup>69</sup> Source: Global Market Advisors, Gaming Market Assessment, Tiger Palace Resort, June 2015

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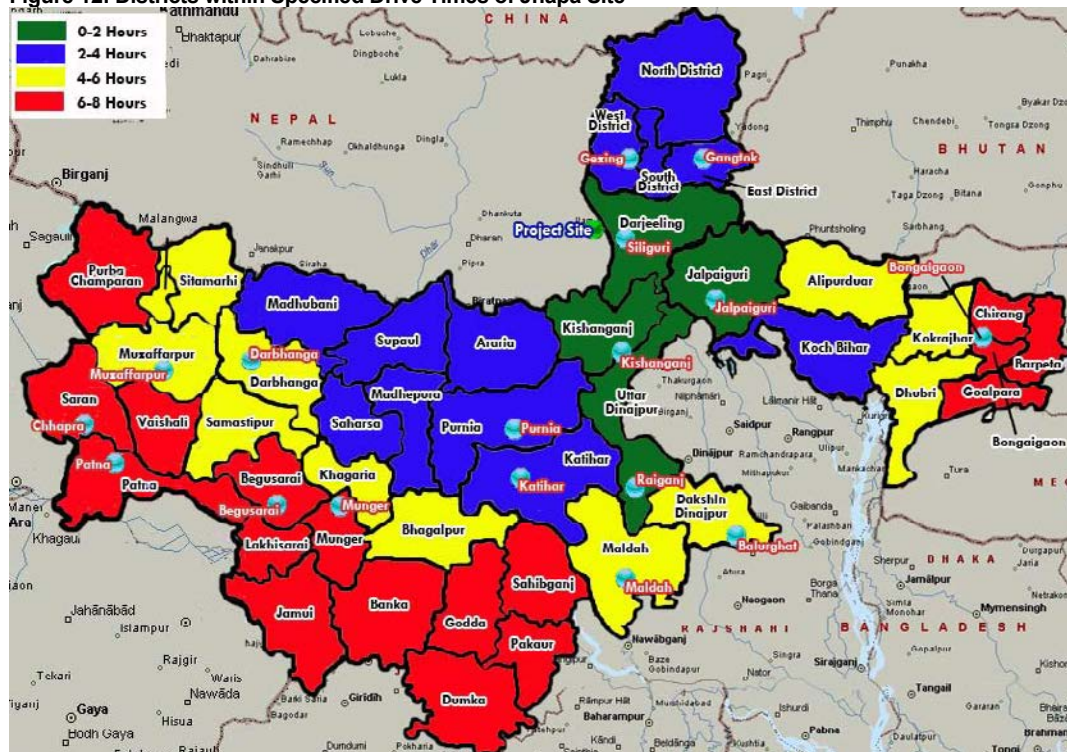
**Table 7: Projections of Middle and Upper Class Population within 7 Hours Drive Time of Bhairahawa Site ("Tiger I"), 2019**

| Drive Time   | Projected Population (millions) |
|--------------|---------------------------------|
| 0-2 Hours    | 1.0                             |
| 2-4 Hours    | 5.5                             |
| 4-6 Hours    | 9.0                             |
| 6-7 Hours    | 4.8                             |
| <b>Total</b> | <b>20.4</b>                     |

Source: Global Market Advisors, Gaming Market Assessment, Tiger Palace Resort, June 2015

A similar assessment has been made of the districts lying within specified drive times of the Jhapa site, as indicated in Figure 12.

**Figure 12: Districts within Specified Drive Times of Jhapa Site**



Source: Global Market Advisors, Tiger II Gaming Market Assessment, November 2015

The Jhapa site is anticipated to have a middle or upper-class adult population of 15.2 million living within an eight-hour drive of the site by 2020, as indicated in Table 8.<sup>70</sup>

<sup>70</sup> Source: Global Market Advisors, Tiger II Gaming Market Assessment, November 2015

**Table 8: Projections of Middle and Upper Class Population within 8 Hours Drive Time of Jhapa Site ("Tiger II"), 2020**

| Drive Time   | Projected Population (millions) |
|--------------|---------------------------------|
| 0-2 Hours    | 1.6                             |
| 2-4 Hours    | 3.5                             |
| 4-6 Hours    | 4.5                             |
| 6-8 Hours    | 5.6                             |
| <b>Total</b> | <b>15.2</b>                     |

Source: Global Market Advisors, Tiger II Gaming Market Assessment, November 2015

In total, the population of Northern India that is forecast to be accessible to Silver Heritage's facilities and which falls into the annual household income bracket of over \$4,000 is therefore forecast to exceed 35 million, as summarised in Table 9.

**Table 9: Middle and Upper Class Indian Population Residing within 8 Hours Drive Time of Silver Heritage's Proposed Facilities, 2019 / 2020**

| Facility               | Population (millions) |
|------------------------|-----------------------|
| Bhairahawa ("Tiger I") | 20.4                  |
| Jhapa ("Tiger II")     | 15.2                  |

Sources: Global Market Advisors, Gaming Market Assessment, Tiger Palace Resort, June 2015 and Tiger II Gaming Market Assessment, November 2015

### Significant Increase in Tourism

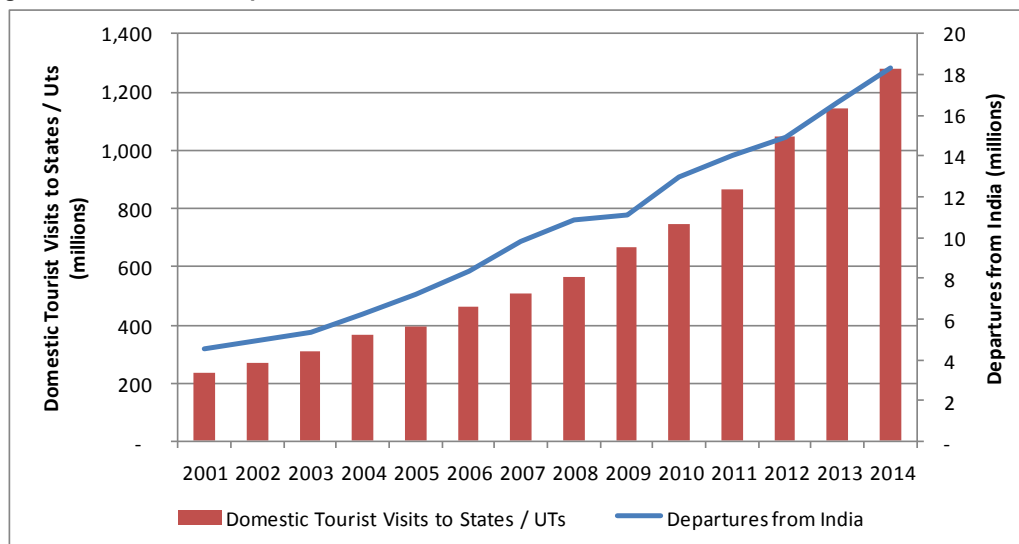
Driven by population growth and the significant increase in the middle-class population, tourism by Indians is increasing at a significant rate. Between 2001 and 2014, international departures by Indians has increased at a CAGR of 11.3% to reach 18.33 million in 2014<sup>71</sup>, and domestic tourism to other states and union territories (UTs) has increased at a CAGR of 13.9% to reach 1.28 billion tourist visits in 2014, about one domestic visit for every Indian (see Figure 13).

<sup>71</sup> This excludes outbound travel to Nepal

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**Figure 13: International Departures and Domestic Tourist Visits, India, 2001 to 2014**



Source: India Tourism Statistics, 2014

Outbound tourism from India to gaming locations such as Macau has also increased significantly, in fact at well over double the growth rate of international departures as a whole.<sup>72</sup> Within India, domestic tourism to the main gaming jurisdiction of Goa has increased at a CAGR of 10.9% between 2001 and 2015, with 4.7 million domestic tourists in 2015.<sup>73</sup> An estimated 30% of Indian visitors to Goa are reported to be gamblers.<sup>74</sup>

## Infrastructure Improvements

Planned improvements to transportation infrastructure are likely to make it easier for foreign nationals, especially from India, to access Silver Heritage's proposed operations in Nepal, both by land and air. For example, Gautam Buddha Airport in Bhairahawa, which is adjacent to one of Silver Heritage's proposed casinos ("Tiger I"), is being developed into a regional international airport. The planned airport (to be operational by 2018) will have a 3,000-metre runway and have a capacity to serve 760,000 passengers annually after the completion of its first phase. The Jhapa site ("Tiger II") is approximately 50km from Bagdogra airport in India, close to Siliguri in West Bengal. This airport has regular flights to the seven largest Indian cities, as well as international flights to Bangkok, Singapore and Kathmandu.

As well as improved air access, Silver Heritage's proposed sites are likely to benefit from improved road access from India. State governments in the relevant states in India have announced significant plans to improve road networks. While many of these projects have been delayed for a variety of reasons including challenges with land acquisition, clearances and construction delays, once completed, these will significantly improve access to Nepal.

<sup>72</sup> Source: Macau Government Tourism Office, Visitor Arrivals, accessed April 2016

<sup>73</sup> Source: Government of Goa, Department of Tourism, Tourist Arrivals, accessed April 2016

<sup>74</sup> Source: G3-247 Report, India, 2014

Frost & Sullivan considers that planned road improvements will improve access to the sites of Silver Heritage's proposed casinos.

The first meeting of the India-Nepal Cross Border Transport Facilitation Joint Working Group held in New Delhi in July 2015 has recommended that regular bus services between India and Nepal may be started on four new routes - Kathmandu-Patna-Bodhgaya, Mahendranagar-New Delhi, Siliguri-Kakarbhitta-Kathmandu and Janakpur-Patna. Another result of the Joint Working Group meeting was the Aug 2015 launch of online permits for non-scheduled and personal passenger vehicles, under a bilateral motor vehicle agreement, to ease movement of vehicles across the border. Once confirmed by both sides, the web-based system will undergo pilots at Birgunj-Raxaul and Bhairahawa-Sunauli border points.<sup>75</sup>

In addition, in August 2015, India announced that it would consider providing a new Line of Credit (LoC) to Nepal for the construction of a 76-km long fast track road to connect Kathmandu to Nijgarh where a new international airport has been planned.<sup>76</sup>

Road improvements have contributed to a significant increase in land arrivals to Nepal from India over recent years, which have increased at a CAGR of 11.5% between 2001 and 2013 to exceed 200,000 in 2013. This excludes Indian visitors who are normally able to visit Nepal by land without immigration formalities.<sup>77</sup> Although proof of identity is theoretically required, enforcement of this is extremely lax, and an estimated two million Indians are estimated to enter Nepal each year by land.<sup>78</sup>

## Market Drivers – Laos

Frost & Sullivan understands that Silver Heritage supplies EGMs to a number of casinos in Laos under revenue sharing agreements. Although operation of licensed casinos and gaming rooms is legal in Laos, Lao citizens are, to various degrees of on-going enforcement, prohibited in practice from entering gaming rooms and casinos.<sup>79</sup> Over recent years three casinos have been established in Laos all close to the Thai border.<sup>80</sup> The main target market for these casinos is Thais, as gaming is currently illegal in Thailand.

Frost & Sullivan anticipates that a similar set of factors will stimulate market growth for casino operations in Laos as with other countries covered in this report; restrictions on legalised gaming supply in the target market and a rapid growth in the number of individuals in the target market with the disposable income to participate in gaming tourism. These factors are described in more detail below.

<sup>75</sup> Source: <http://www.ekantipur.com/the-kathmandu-post/2015/08/01/news/cross-border-vehicle-permit-to-go-online/279070.html>

<sup>76</sup> Source: <http://www.ndtv.com/india-news/india-could-provide-soft-credit-to-nepal-1204145>

<sup>77</sup> Source: Ministry of Culture, Tourism & Civil Aviation, Nepal Tourism Statistics

<sup>78</sup> Source: Global Market Advisors, Gaming Market Assessment, Tiger Palace Resort, June 2015

<sup>79</sup> Source: Report by DFDL on Laws And Regulations on Gaming Business In Lao PDR, September 2014

<sup>80</sup> The Dansavanh Nam Ngum Resort Casino, the Savan Vegas Hotel & Casino and King Romans Casino

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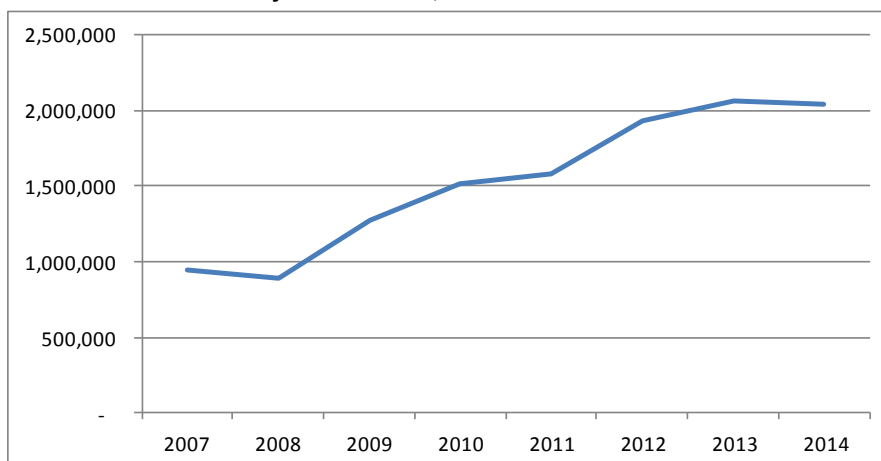
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## Restricted Gaming Supply in Thailand

Under the Gaming Act, all games of chance or betting on contests of any kind are prohibited in Thailand unless specifically exempted. The two exemptions are the official state lottery run by the Thai Government and domestic horse racing, specifically at two Bangkok turf locations.

Demand for gaming is likely to be one of the factors that has significantly stimulated travel to Laos by Thai nationals over recent years. Since 2007, inbound travel by Thais has increased at a CAGR of 12% (see Figure 14).

**Figure 14: Inbound Travel to Laos by Thai Nationals, 2007 to 2014**



Source: 2014 Statistical Report on Tourism in Lao PDR

Additionally, the military government in Thailand which came to power following the coup in May 2014 has undertaken a crackdown on illegal gambling, which was estimated to account for \$7 to \$9.5 billion annually.<sup>81</sup> This has reportedly driven an increase in Thais travelling to Cambodia and Laos for gaming.<sup>82</sup>

## Rising Disposable Incomes in Thailand

In common with other countries covered in this report, rising income levels in Thailand are likely to lead to a significant increase in the proportion of populations with sufficient disposable income to partake in gaming. From 2001 to 2020, GDP per capita (in current \$ PPP) is forecast to increase from \$7,334 to \$19,887 in Thailand (CAGR of 5.4%).<sup>83</sup> Frost & Sullivan anticipates that these growing middle-class populations will stimulate patronage at regional gaming facilities, such as those in Laos. In Thailand, the percentage of households with monthly income of

<sup>81</sup> Source: <http://www.straitstimes.com/asia/se-asia/thais-hit-cambodia-casinos-to-sidestep-juntas-crackdown-on-gambling>

<sup>82</sup> Source: <http://www.casino.org/news/thailand-military-coup-provokes-mini-casino-boom-cambodia>

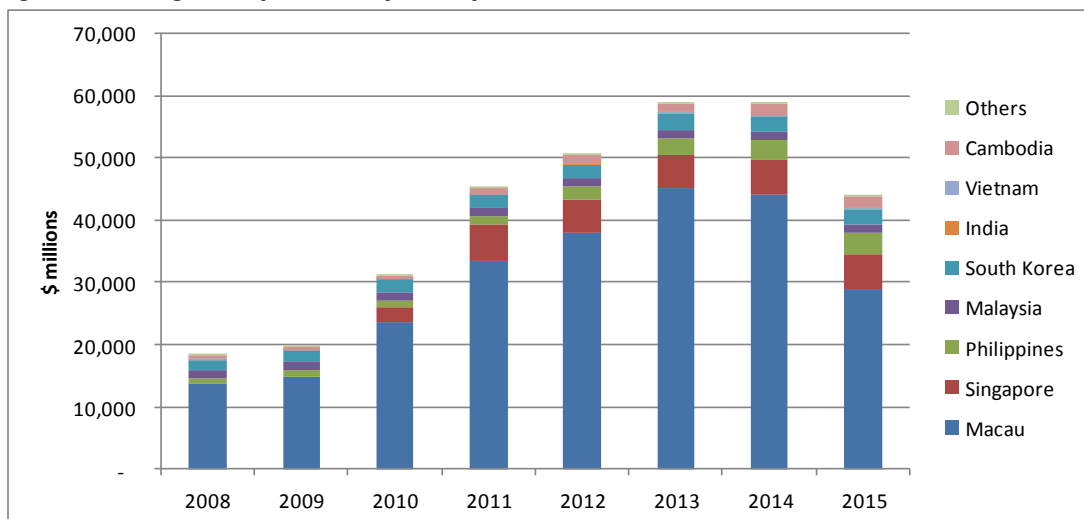
<sup>83</sup> Source: IMF, World Economic Outlook Database, October 2015

THB30,000 (\$826) and more has increased from 15.1% in 2007 to 23.4% in 2013.<sup>84</sup> Rising income levels will stimulate the growth of the middle-class, which is forecast to exceed 60% of the population in Thailand 2020.<sup>85</sup>

## Size and Forecast Growth of the Gaming Industry in Asia

Frost & Sullivan estimates that gaming industry revenue in Asia reached approximately \$43.9 billion in 2015. Since 2008, gaming industry revenue has increased at a CAGR of 13.2%, stimulated by the factors outlined earlier in this report.<sup>86</sup> Macau accounts for approximately 66% of Asian gaming industry revenue, but gaming revenue in several other jurisdictions is also increasing at a significant rate (see Figure 15).

**Figure 15: Gaming Industry Revenue by Country, 2008 to 2015**



Sources: DICJ Macau statistics, accessed April 2016; PAGCOR annual report, 2014; industry sources; Frost & Sullivan estimates

The decline in gaming revenues in 2015 is a result of a 34% decline in revenue in Macau.<sup>87</sup> This is mainly due to a decline in casino patronage by VIPs, driven by factors such as the anti-corruption drive announced by Communist Party Secretary Xi Jinping at the end of 2013, which has deterred some casino patrons from China from visiting Macau. However, this significant decline is specific to Macau (and to the VIP market), and has not been replicated in most other Asian markets. Excluding Macau, gaming revenue in Asia increased by 1% in 2015 compared to 2014, to reach \$15.03 billion in 2015.<sup>88</sup>

<sup>84</sup> Source: Thailand Statistical Office, Household Income & Expenditure Survey

<sup>85</sup> Source: ADB, The Rise of Asia's Middle Class, 2010. Middle-class are defined as those with an income of >\$4 per day

<sup>86</sup> Source: Frost & Sullivan estimates based on industry sources

<sup>87</sup> Source: DCIJ Macau statistics, accessed April 2016

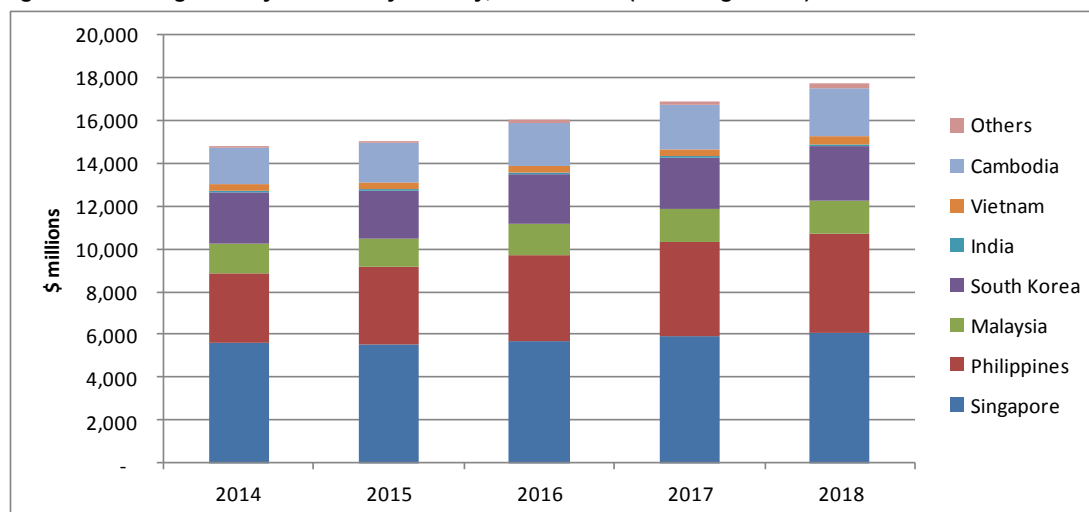
<sup>88</sup> Source: Ibid

# APPENDIX 1: INDEPENDENT MARKET REPORT ON THE GAMING MARKET IN ASIA BY FROST & SULLIVAN

Frost & Sullivan Australia Pty Ltd | 2016

Over the period 2015 to 2018, Frost & Sullivan anticipates that gaming industry revenue in Asia will continue to grow at a CAGR of 9% to reach \$56.9 billion in 2018. This is based on the assumption that there is no significant change to current gaming regulations in Asian countries (for example, relaxation of laws banning gaming operations or entry of local nationals to gaming venues). Any such changes could further stimulate growth in gaming industry revenue. Gaming revenue outside Macau is forecast to increase from \$15.03 billion in 2014 to \$17.7 billion in 2018, at a CAGR of 5.6%.<sup>89</sup> This is illustrated in Figure 16.

**Figure 16: Gaming Industry Revenue by Country, 2014 to 2018 (excluding Macau)**



Source: Frost & Sullivan forecasts

The main factors that are anticipated to underpin this growth include;

- Significant growth in the middle-class in Asia (forecast to increase by approximately 100 million individuals each year) which will drive growth in expenditure on recreation and entertainment services;<sup>90</sup>
- Growth in outbound tourism, particularly from emerging markets, which is anticipated to increase at a CAGR of over 10% between 2014 and 2020.<sup>91</sup> This will stimulate gaming participation particularly in countries whose gaming industry is focused on overseas nationals; and
- Growing availability of gaming facilities due to opening of new casinos and expansion of existing facilities.

Frost & Sullivan anticipates that the most rapid growth in the gaming industry in Asia will be from emerging gaming markets, including Nepal, India, the Philippines, Cambodia, Vietnam and Laos. In these emerging markets, gaming revenue is forecast to increase from \$6.0 billion in 2014 to \$7.5 billion in 2018, a CAGR of 8.0%.<sup>92</sup>

<sup>89</sup> Source: Frost & Sullivan forecasts

<sup>90</sup> Source: Homi Kharas, Brookings Institution, The Emerging Middle Class in Developing Countries, 2011

<sup>91</sup> Source: Mastercard Intelligence, The Future of Outbound Travel in Asia Pacific, 2014

<sup>92</sup> Source: Frost & Sullivan estimates

## Comparable Players in Gaming

The gaming industry in Asia is fragmented, with many competitors, particularly in developing markets, being local entrepreneurs, strong in their own markets but with less focus / access to capital and with lower standards of governance and compliance than those expected of a regional operator such as Silver Heritage. Frost & Sullivan considers that there are two international publicly-listed gaming operators with similar business models to Silver Heritage. Both of these companies operate licensed gaming operations which largely target overseas nationals. Both of these businesses have experienced significant revenue growth recently:

- NagaCorp, a company listed on the Hong Kong Stock Exchange, that manages and operates the only world class comprehensive hotel casino entertainment complex in Phnom Penh, Cambodia. It owns a casino license valid for 70 years and exclusive gaming rights for a period of around 41 years (1995-2035). NagaCorp is also constructing a casino in Vladivostok, Russia which is expected to be operational in 2018; and
- Donaco International (**Donaco**), a company listed on the ASX, whose principal business is the Aristo Hotel and casino in Lao Cai, Vietnam, located on the border with Yunnan province, China. Donaco is also seeking additional casino operations opportunities in Asia. Donaco has recently completed an acquisition of the Star Vegas Resort & Club, located in Poipet, Cambodia, adjacent to the Thai border.

Further information on these companies is given below:

### NagaCorp

NagaCorp's principal business is the operation of Naga World, which was established in 1995, and which consists of around 1 million square feet and approximately 700 hotel rooms, public and premium gaming halls, food & beverage outlets and convention and meeting facilities. As at 30 June 2014, NagaWorld had 169 gaming tables and 1,544 electronic gaming machines in operation.<sup>93</sup> An expansion project, Naga2, is currently underway that will add 200-300 gaming tables and 500 EGMs.<sup>94</sup> Since 2007, NagaCorp's revenue has increased at a CAGR of 16.3% to reach \$481 million in 2015 (see Figure 17).

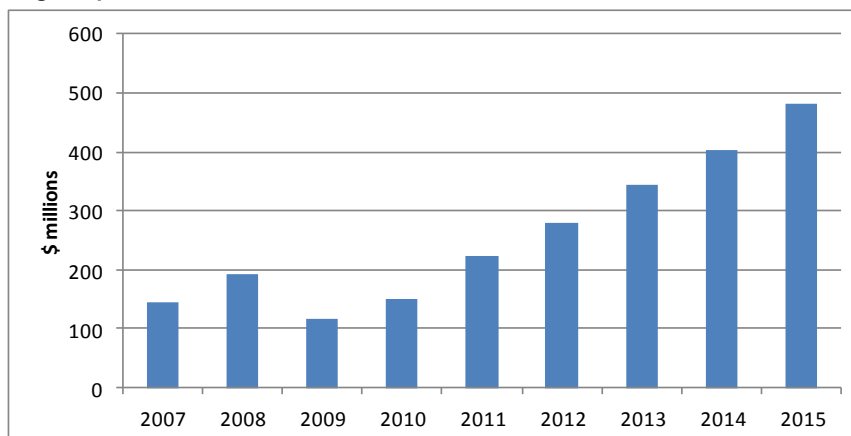
<sup>93</sup> Source: <http://www.nagacorp.com/eng/business/nagaworld.php>

<sup>94</sup> Source: <http://www.nagacorp.com/eng/business/property.php#Naga2>

# APPENDIX 1: INDEPENDENT MARKET REPORT ON THE GAMING MARKET IN ASIA BY FROST & SULLIVAN

Frost & Sullivan Australia Pty Ltd | 2016

**Figure 17: NagaCorp Revenue, 2007 to 2015**



Source: NagaCorp annual reports

## Donaco

The Lao Cai casino commenced operations in 2003. Donaco operates the business and owns a 95% interest, in a joint venture with the Government of Vietnam. A new, larger casino and hotel has recently opened with up to 50 gaming tables.<sup>95</sup> Donaco is operating a similar business to Silver Heritage's Phoenix International Club business, albeit adjacent to a different Chinese province. Total visitation reached over 90,000 visitors in 2015 with the majority from Yunnan province, China, and gross gaming revenue grew 21% between 2014 and 2015 to reach A\$68.4 million (\$51.8 million) on a normalised basis in 2015. In January 2015, Donaco announced a binding agreement to acquire the Star Vegas Resort & Club in Poipet, Cambodia, which has 109 gaming tables and 1264 EGMs. This casino provided revenue of A\$205.7 million (\$155.8 million) on a normalised basis in 2015.<sup>96</sup>

## Disclosure

This is an independent report prepared by Frost & Sullivan. Save for the preparation of this report and services rendered in connection with this report for which normal professional fees will be received, Frost & Sullivan has no interest in Silver Heritage and no interest in the outcome of the IPO. Payment of these fees to Frost & Sullivan is not contingent on the outcome of the IPO. Frost & Sullivan has not and will not receive any other benefits (including any commissions) and there are no factors which may reasonably be assumed to have influenced the contents of this report nor which may be assumed to have provided bias or influence. Frost & Sullivan does not hold a dealer's license or Financial Services License. This report does not constitute advice in respect of the IPO.

<sup>95</sup> Source: Presentation to Gaming, Racing and Wagering Australia 2014 conference, August 2014

<sup>96</sup> Source: Donaco Investor Presentation, August 2015

## Conclusion

The gaming market in Asia has grown significantly over recent years, to become the largest in the world. Over the period from 2008 to 2015, gaming industry revenues in Asia have increased at a CAGR of 13.2% to reach \$43.9 billion in 2015. Frost & Sullivan expects that this strong growth will continue, and industry revenues will reach \$56.9 billion by 2018. This forecast may be exceeded if further liberalisation in gaming restrictions occurs in some Asian countries.

Frost & Sullivan considers that there are three main trends that have contributed to this rapid growth, and will continue to do so. These are;

- The rising income levels in many emerging Asian countries, which is leading to a significant increase in the number of individuals able to partake in recreational activities such as gaming, and which is driving growth in total recreational expenditure;
- The liberalisation of gaming regulations in several jurisdictions over recent years, which has led to an increase in gaming supply; and
- The rapid growth in outbound tourism from many Asian markets, including several where gaming is restricted. This has led to a significant increase in patronage for gaming facilities.

Frost & Sullivan anticipates that the most rapid growth in gaming industry revenue will be from emerging markets, and that Silver Heritage has exposure to markets where this rapid growth is likely to occur. This is a result of the factors mentioned above, but also of factors that are specific to each market.

In Vietnam, Frost & Sullivan considers that Silver Heritage will benefit from the continued growth in the Chinese middle-class, and by the relative accessibility of its operation to the Chinese province of Guangxi, when compared to alternative gaming locations such as Macau. Additionally, the rapidly growing expatriate population in Vietnam is likely to stimulate demand for gaming facilities. Relaxation of laws forbidding Vietnamese nationals from entering casinos would be likely to significantly increase demand for gaming in Vietnam.

In Nepal, Frost & Sullivan anticipates that Silver Heritage's proposed operations will benefit from rising wealth levels and outbound travel from India, in addition to the relative inaccessibility of domestic gaming facilities to the heavily populated states of Bihar, Uttar Pradesh and West Bengal. There is significant demand in India for gaming, as evidenced by the rapid increase in Indian travellers to Macau, and the very large illegal gaming market. Frost & Sullivan considers that Silver Heritage's operations are well-positioned to capture this demand. Improvements to transportation infrastructure are likely to significantly improve access to Silver Heritage's proposed operations from India. In total, Silver Heritage's facilities in Nepal will be accessible to over 35 million middle and upper-class Indians who reside within an eight-hour drive of at least one of the facilities.<sup>97</sup>

<sup>97</sup> Source: Global Market Advisors, Gaming Market Assessment, Tiger Palace Resort, June 2015, and Global Market Advisors, Tiger II Gaming Market Assessment, November 2015

# APPENDIX 1: INDEPENDENT MARKET REPORT ON THE GAMING MARKET IN ASIA BY FROST & SULLIVAN

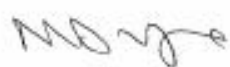
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Frost & Sullivan Australia Pty Ltd | 2016

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In Laos, Frost & Sullivan anticipates that the restrictions on gaming supply in the target market of, combined with rising income levels and disposable incomes in Thailand, will continue to stimulate demand for gaming. The crackdown on illegal gambling by the Thai Government is also stimulating patronage by Thais of casinos in neighbouring countries.

Yours Sincerely



Mark Dougan

Managing Director, Australia & New Zealand

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# APPENDIX 2: SIGNIFICANT ACCOUNTING POLICIES

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## **Basis of preparation**

The Financial Information has been prepared in accordance with International Financial Reporting Standards (IFRS) and on an accrual basis and is based on historical costs modified by the revaluation of selected non current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. Cost is based on the fair value of the consideration given in exchange for the assets. The following is a summary of the material accounting policies adopted by Silver Heritage Group Limited in the preparation of the Financial Information. The accounting policies have been consistently applied, unless otherwise stated.

## **Accounting policies**

### **Consolidation**

The consolidated financial statements include the financial statements of the Group, its subsidiaries and its joint ventures made up to 31 December (for each applicable year) for this Prospectus.

### **Subsidiaries**

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Acquisition related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non controlling interest in the acquiree either at fair value or at the non controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Transactions with non controlling interests that do not result in loss of control are accounted for as equity transactions, that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Intercompany transactions, balances, and unrealised gains or losses on transactions between the Group's companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### **Income tax**

The tax expense for the year comprises current income tax and deferred income tax. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the Group operates and generates taxable income.

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Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting or taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reverse of the temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## **Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases.

Revenue from gaming equipment is recognised on an accruals basis in accordance with the contractual terms of respective leasing or revenue sharing agreements. Such revenue is calculated at an agreed percentage of net win from each item of gaming equipment after deducting relevant gaming tax and specific direct expenses under the terms of the leasing or revenue sharing agreements.

Interest income is recognised on a time proportion basis using the effective interest method.

## **Foreign currency translation**

### **(i) Functional and presentation currency**

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The consolidated financial statements are presented in United States Dollars, which is the Group's functional currency and the Group's presentation currency.

### **(ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

### **(iii) The Group's entities**

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each reporting period presented are translated at the closing rate at the date of that reporting period;
- income and expenses for each statement of comprehensive income presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

## APPENDIX 2: SIGNIFICANT ACCOUNTING POLICIES

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Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### Intangible assets

Intangible assets acquired by the Group are stated in the consolidated statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred. Amortisation of intangible assets with finite useful lives is charged to consolidated statement of comprehensive income on a straight line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

- **Contract amendment fee:** over the contract period; and
- **Services agreement:** over the contract period.

Both the estimated useful lives and method of amortisation are reviewed annually.

Intangible assets are not amortised when their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

Software licences that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

### Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the subsequent costs will flow to the Group and those costs can be measured reliably.

All other repairs and maintenance are charged in the consolidated statement of comprehensive income during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost or revalued amounts less their residual values over the estimated useful lives on a straight line basis. The principal annual rates are as follows:

- Office equipment and furniture: 20%;
- Venue decoration: 20%; and
- Gaming equipment: 20%.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within other income in the consolidated statement of comprehensive income.

When revalued assets are sold, the amounts included in other reserves are transferred to retained profits.

### Employee benefits

#### (i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

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**(ii) Pension obligations**

The Group operates a defined contribution retirement scheme under a mandatory provident fund scheme ("MPF scheme") in Hong Kong for its employees in Hong Kong, the assets of which are held in separate trustee administered funds. The MPF scheme is funded by payments from the Hong Kong employees and by the Group. The Group's contributions to the MPF scheme are based on a fixed percentage of the employees' relevant income per month. The Group's contributions to these retirement schemes are recognised as an employee benefit expense in the consolidated statement of comprehensive income when they are due.

**(iii) Share based compensations**

The Group operates an equity settled share-based compensation plan. Share options ("Options") are granted to employees for consideration. The fair value of the employee services received in exchange for the grant of the Options is recognised as an employee benefit expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the Options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non vesting conditions (for example, the requirement for employees to save).

Non market vesting conditions are included in assumptions about the number of Options that are expected to become exercisable. At the end of each reporting period, the Group revises its estimates of the number of Options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the statement of comprehensive income, and a corresponding adjustment to equity over the remaining vesting period.

The grant by the Group of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

## APPENDIX 3: LIST OF SUBSIDIARIES AND ASSOCIATED COMPANIES

| Silver Heritage Limited Subsidiary             | Country of Incorporation | Principal Place of Business | Principal Business  | Percentage held by the Company |
|--|--------------------------|-----------------------------|---|--------------------------------|
| <b>Silver Heritage Group Limited</b>           | Australia                | Sydney                      | Australian company to be used as Group holding company upon allotment of Shares under the Offer   | 100%                           |
| <b>SHL (Macao) Limited</b>                     | Macau                    | Macau                       | Dormant   | 100%                           |
| <b>Gold &amp; Silver Heritage Co. Ltd</b>      | Thailand                 | Thailand                    | Dormant   | 100%                           |
| <b>Dollarplus Pacific Limited</b>              | British Virgin Islands   | Hong Kong                   | Dormant   | 100%                           |
| <b>Silver Heritage Investment Pvt. Limited</b> | Nepal                    | Nepal                       | The Group's investment holding company for its operations in Nepal  | 90% <sup>1</sup>               |
| <b>Happy World Pvt. Limited</b>                | Nepal                    | Nepal                       | Operates, manages and holds licence for TMC   | 99% <sup>2</sup>               |
| <b>Tiger One Pvt. Limited</b>                  | Nepal                    | Nepal                       | To own and operate Tiger Palace Resort Bhairahawa   | 100%                           |
| <b>Tiger Two Pvt. Limited</b>                  | Nepal                    | Nepal                       | To own and operate Tiger Palace Resort Jhapa  | 100%                           |
| <b>SHL Leisure Management (HK) Limited</b>     | Hong Kong                | Hong Kong                   | Manages the operations of the Group's headquarters in Hong Kong   | 100%                           |
| <b>Silver Heritage (Lao) Sole Co. Ltd.</b>     | Laos                     | Laos                        | Manages the Group's operations and employees in Laos  | 100%                           |
| <b>Silver Heritage Cambodia Limited</b>        | Cambodia                 | Cambodia                    | Manages the Group's operations and employees in Cambodia  | 100%                           |
| <b>Silver Heritage Technical Services Inc.</b> | Philippines              | Philippines                 | Provides technical, training, consulting and staffing to the Group for its EGMs and all technology needs. Also provides warehousing, repairing, shipping and logistical support services to the Group | 100% <sup>4</sup>              |
| <b>Prime Link Services Limited</b>             | British Virgin Islands   | Laos                        | Entity used to engage business with IPG at ST Vegas, Tanelang   | 100%                           |

| Silver Heritage Limited Subsidiary             | Country of Incorporation | Principal Place of Business | Principal Business  | Percentage held by the Company |
|--|--------------------------|-----------------------------|---|--------------------------------|
| <b>Gaming Concepts Group Limited</b>           | Belize                   | Thailand                    | Sources and provides gaming products, including essentials for table games, cage, surveillance, security; also provides management services, including, consulting, management, and studies in relation to opportunities for new and existing gaming facilities | 50%                            |
| <b>Ridgeway International Limited</b>          | Hong Kong                | Vietnam                     | The Group's investment holding company for its operations in Vietnam, including being engaged to provide services to Phoenix International Club   | 100%                           |
| <b>Silver Heritage Vietnam Company Limited</b> | Vietnam                  | Vietnam                     | Manages the Group's operations and employees in Vietnam   | 100%                           |

Notes:

1. SHL has entered into an agreement to acquire the remaining 10% of the issued share capital of Silver Heritage Investment Pvt Limited not already owned by it as described in "Section 5.9.4 Acquisition by SHL of all the shares in SHIPL not already owned by it".
2. SHIPL has entered into an agreement to transfer 9% of its interest in Happy World Pvt. Limited as described in "Section 5.9.5 Minority interests in Happy World".
3. 0.02% of Silver Heritage Technical Services Inc. is legally owned by eight of the Group's employees and held on trust for, and for the benefit of, SHL.

# APPENDIX 4: RECONCILIATION OF HISTORICAL AND FORECAST STATUTORY TO PRO FORMA RESULTS

**Table 1: Reconciliation of Statutory Historical Results to Pro Forma Historical Results for FY2013**

| US\$'000s                            | FY2013<br>Audited | Pro forma adjustments     |                            |                         |                         | FY2013<br>Pro Forma |
|--------------------------------------|-------------------|---------------------------|----------------------------|-------------------------|-------------------------|---------------------|
|                                      |                   | Removal of<br>Philippines | Public<br>company<br>costs | Share based<br>payments | Shareholder<br>interest |                     |
| <b>Total revenue</b>                 | <b>8,158</b>      | <b>(128)</b>              | <b>-</b>                   | <b>-</b>                | <b>-</b>                | <b>8,030</b>        |
| Operating costs                      | (4,213)           | 443                       | -                          | -                       | -                       | (3,770)             |
| <b>Gross profit</b>                  | <b>3,945</b>      | <b>315</b>                | <b>-</b>                   | <b>-</b>                | <b>-</b>                | <b>4,260</b>        |
| Overheads                            | (2,386)           | -                         | (1,000)                    | 769                     | -                       | (2,617)             |
| <b>EBITDA</b>                        | <b>1,559</b>      | <b>315</b>                | <b>(1,000)</b>             | <b>769</b>              | <b>-</b>                | <b>1,643</b>        |
| Depreciation                         | (2,018)           | 94                        | -                          | -                       | -                       | (1,924)             |
| <b>EBIT</b>                          | <b>(459)</b>      | <b>409</b>                | <b>(1,000)</b>             | <b>769</b>              | <b>-</b>                | <b>(281)</b>        |
| Net interest expense                 | (202)             | -                         | -                          | -                       | 138                     | (64)                |
| <b>Net profit/ (loss) before tax</b> | <b>(661)</b>      | <b>409</b>                | <b>(1,000)</b>             | <b>769</b>              | <b>138</b>              | <b>(345)</b>        |
| Income tax                           | -                 | -                         | -                          | -                       | -                       | -                   |
| <b>Net profit/ (loss) after tax</b>  | <b>(661)</b>      | <b>409</b>                | <b>(1,000)</b>             | <b>769</b>              | <b>138</b>              | <b>(345)</b>        |

**Table 2: Reconciliation of Statutory Historical Results to Pro Forma Historical Results for FY2014**

| US\$'000s                            | FY2014<br>Audited | Pro forma adjustments     |                            |                             |                            |   | FY2014<br>Pro Forma |
|--------------------------------------|-------------------|---------------------------|----------------------------|-----------------------------|----------------------------|---|---------------------|
|                                      |                   | Removal of<br>Philippines | Public<br>company<br>costs | Share<br>based<br>pay-ments | Offer<br>costs<br>expensed | Future<br>projects<br>costs<br>expensed |                     |
| <b>Total revenue</b>                 | <b>10,415</b>     | <b>(546)</b>              | <b>-</b>                   | <b>-</b>                    | <b>-</b>                   | <b>-</b>                                | <b>9,869</b>        |
| Operating costs                      | (4,943)           | 821                       | -                          | -                           | -                          | -                                       | (4,122)             |
| <b>Gross profit</b>                  | <b>5,472</b>      | <b>275</b>                | <b>-</b>                   | <b>-</b>                    | <b>-</b>                   | <b>-</b>                                | <b>5,747</b>        |
| Overheads                            | (5,173)           | -                         | (1,000)                    | 1,147                       | 663                        | 854                                     | (3,509)             |
| <b>EBITDA</b>                        | <b>299</b>        | <b>275</b>                | <b>(1,000)</b>             | <b>1,147</b>                | <b>663</b>                 | <b>854</b>                              | <b>2,238</b>        |
| Depreciation                         | (2,145)           | 151                       | -                          | -                           | -                          | -                                       | (1,994)             |
| Impairment                           | (1,578)           | 1,578                     | -                          | -                           | -                          | -                                       | -                   |
| <b>EBIT</b>                          | <b>(3,424)</b>    | <b>2,004</b>              | <b>(1,000)</b>             | <b>1,147</b>                | <b>663</b>                 | <b>854</b>                              | <b>244</b>          |
| Net interest expense                 | (393)             | -                         | -                          | -                           | -                          | -                                       | (393)               |
| <b>Net profit/ (loss) before tax</b> | <b>(3,817)</b>    | <b>2,004</b>              | <b>(1,000)</b>             | <b>1,147</b>                | <b>663</b>                 | <b>854</b>                              | <b>(149)</b>        |
| Income tax                           | (55)              | 12                        | -                          | -                           | -                          | -                                       | (43)                |
| <b>Net profit/ (loss) after tax</b>  | <b>(3,872)</b>    | <b>2,016</b>              | <b>(1,000)</b>             | <b>1,147</b>                | <b>663</b>                 | <b>854</b>                              | <b>(192)</b>        |

**Table 3: Reconciliation of Statutory Historical Results to Pro Forma Historical Results for FY2015**

| US\$'000s                            | FY2015<br>Audited | Removal of<br>Philippines | Pro forma adjustments      |                            |   | FY2015<br>Pro Forma |
|--------------------------------------|-------------------|---------------------------|----------------------------|----------------------------|---|---------------------|
|                                      |                   |                           | Public<br>company<br>costs | Offer<br>costs<br>expensed | Future<br>projects<br>costs<br>expensed |                     |
| <b>Total revenue</b>                 | <b>18,330</b>     | <b>(1,123)</b>            | <b>–</b>                   | <b>–</b>                   | <b>–</b>                                | <b>17,207</b>       |
| Operating costs                      | (12,185)          | 1,303                     | –                          | –                          | –                                       | (10,882)            |
| <b>Gross profit</b>                  | <b>6,145</b>      | <b>180</b>                | <b>–</b>                   | <b>–</b>                   | <b>–</b>                                | <b>6,325</b>        |
| Overheads                            | (5,550)           | –                         | (1,000)                    | 1,855                      | 388                                     | (4,307)             |
| <b>EBITDA</b>                        | <b>595</b>        | <b>180</b>                | <b>(1,000)</b>             | <b>1,855</b>               | <b>388</b>                              | <b>2,018</b>        |
| Depreciation                         | (2,842)           | 454                       | –                          | –                          | –                                       | (2,388)             |
| Impairment                           | (660)             | 660                       | –                          | –                          | –                                       | –                   |
| <b>EBIT</b>                          | <b>(2,907)</b>    | <b>1,294</b>              | <b>(1,000)</b>             | <b>1,855</b>               | <b>388</b>                              | <b>(370)</b>        |
| Net interest expense                 | (1,075)           | –                         | –                          | –                          | –                                       | (1,075)             |
| <b>Net profit/ (loss) before tax</b> | <b>(3,982)</b>    | <b>1,294</b>              | <b>(1,000)</b>             | <b>1,855</b>               | <b>388</b>                              | <b>(1,445)</b>      |
| Income tax                           | (258)             | 22                        | –                          | –                          | –                                       | (236)               |
| <b>Net profit/ (loss) after tax</b>  | <b>(4,240)</b>    | <b>1,316</b>              | <b>(1,000)</b>             | <b>1,855</b>               | <b>388</b>                              | <b>(1,681)</b>      |

**Table 4: Reconciliation of Statutory Forecast Results to Pro Forma Forecast Results for FY2016**

|                                      | FY16 Statutory | Public<br>company<br>costs not<br>incurred<br>until date of<br>listing | Offer<br>costs<br>expensed | Future<br>projects<br>costs<br>expensed | Finance<br>costs on<br>options<br>granted | FY2016<br>Pro Forma |
|--------------------------------------|----------------|--|----------------------------|---|---|---------------------|
|                                      |                |  |                            |   |   |                     |
| <b>Total revenue</b>                 | <b>19,251</b>  | <b>–</b>   | <b>–</b>                   | <b>–</b>                                | <b>–</b>                                  | <b>19,251</b>       |
| Operating costs                      | (10,721)       | –  | –                          | –                                       | –   | (10,721)            |
| <b>Gross profit</b>                  | <b>8,530</b>   | <b>–</b>   | <b>–</b>                   | <b>–</b>                                | <b>–</b>                                  | <b>8,530</b>        |
| Overheads                            | (7,959)        | (583)  | 2,312                      | 1,610                                   | –   | (4,620)             |
| <b>EBITDA</b>                        | <b>571</b>     | <b>(583)</b>   | <b>2,312</b>               | <b>1,610</b>                            | <b>–</b>                                  | <b>3,910</b>        |
| Depreciation                         | (2,390)        | –  | –                          | –                                       | –   | (2,390)             |
| <b>EBIT</b>                          | <b>(1,819)</b> | <b>(583)</b>   | <b>2,312</b>               | <b>1,610</b>                            | <b>–</b>                                  | <b>1,520</b>        |
| Net interest expense                 | (2,962)        | –  | –                          | –                                       | 737                                       | (2,225)             |
| <b>Net profit/ (loss) before tax</b> | <b>(4,781)</b> | <b>(583)</b>   | <b>2,312</b>               | <b>1,610</b>                            | <b>737</b>                                | <b>(705)</b>        |
| Income tax                           | (543)          | –  | –                          | –                                       | –   | (543)               |
| <b>Net profit/ (loss) after tax</b>  | <b>(5,324)</b> | <b>(583)</b>   | <b>2,312</b>               | <b>1,610</b>                            | <b>737</b>                                | <b>(1,248)</b>      |

# APPENDIX 5: TERMS OF OPTIONS

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## TERMS OF TRANCHE A OPTIONS

### 1. EXERCISE

- 1.1 Each Tranche A Option entitles the holder of the Tranche A Option to acquire one Share.
- 1.2 Each Tranche A Option is exercisable at any time in the period commencing on the date that is 6 months after the date of grant of the Tranche A Options until the third anniversary of the date of grant of the Tranche A Options ("**Option Period**") and if a Tranche A Option is not exercised on or prior to the expiry of the Option Period, the Tranche A Option will automatically lapse.

### 2. EXERCISE PRICE

- 2.1 The exercise price for each Tranche A Option is A\$0.44 (as adjusted in accordance with the terms of the Tranche A Options) ("**Exercise Price**") and is payable immediately on exercise either (i) by bank cheque or wire transfer to an account of the Issuer; and/or (ii) by way of set-off against any Bonds held by that Option Holder in accordance with clause 16 of the Bond Instrument.

### 3. NOTICE OF EXERCISE

- 3.1 Subject to paragraph 4, the Tranche A Options may be exercised wholly or in part by giving notice in writing to the Issuer at any time during the Option Period stating the number of Tranche A Options being exercised. Tranche A Options may only be exercised in multiples of 600,000 unless all of the then unexercised Tranche A Options are being exercised under the relevant Notice of Exercise.

### 4. LIMIT ON EXERCISE

- 4.1 The rights of a Tranche A Option holder to be issued Shares pursuant to such exercise of a Tranche A Option shall be limited at all times to such number of Shares as, when taken together with any other Shares held by any Tranche A Option holder, do not exceed 9.9% of the Shares then on issue ("**Share Limit**"). For the avoidance of doubt, the total number of Shares that may be issued pursuant to the Tranche A Options must never result in the Share Limit being exceeded.
- 4.2 For the avoidance of doubt, nothing in this paragraph 4 shall prevent a Tranche A Option holder receiving Shares up to the Share Limit on the exercise of its Tranche A Options.

### 5. ALLOTMENT OF SHARES

- 5.1 On receipt by the Issuer of a valid Notice of Exercise in accordance with paragraph 3.1 and payment of the Exercise Price in accordance with paragraph 2.1, the Issuer must, within two Business Days, allot and issue to the Tranche A Option holder or its nominee the number of Shares set out in the Exercise Notice and enter the Option Holder into the Issuer's register of members as the holder of such number of Shares, in and despatch the relevant holding statement or other appropriate acknowledgment as soon as reasonably practicable thereafter.

### 6. QUOTATION OF TRANCHE A OPTIONS AND SHARES

- 6.1 The Tranche A Options will not be listed for quotation on ASX or any other exchange.
- 6.2 As soon as reasonably practicable following the exercise of a Tranche A Option, the Issuer must apply for the Shares to be admitted for quotation on the official list of ASX by filing a compliant Appendix 3B (so long as the Shares are quoted on the official list of the ASX at that time) and use its best endeavours to obtain official quotation of the relevant number of Shares by ASX (without restriction) as soon as practicable on such terms and conditions as are usual for quotation of securities on ASX (including complying with any reasonable condition required by ASX as a condition of it granting quotation).

### 7. SHARES RANK EQUALLY, FREE OF SECURITY INTERESTS ETC

- 7.1 Shares issued on the exercise of Tranche A Options will:
  - (a) rank equally in all respects with the other Shares on issue at the date of issue;
  - (b) be fully paid and free from all encumbrances, pre-emptive rights, taxes, liens and charges; and
  - (c) be entitled to all of the rights and entitlements applicable to the Ordinary Shares already issued at the exercise date.

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## 8. NO PARTICIPATION IN NEW ISSUES

- 8.1 A Tranche A Option does not confer a right to participate in new issues of securities of the Issuer, unless the Tranche A Option holder has first exercised the Tranche A Option and such exercise took place on or before the record date for determining entitlements to the issue.
- 8.2 Subject to Applicable Laws, the Issuer must give each Tranche A Option holder 10 Business Days' prior notice of the record date (as defined in the ASX Listing Rules) for a new issue of Shares or entitlements made available to the holders of Shares generally to enable the Tranche A Option holder to exercise its Tranche A Options and participate in the new issue.

## 9. ADJUSTMENT TO EXERCISE PRICE

### Pro Rata Issue

- 9.1 If the Issuer makes a Pro Rata Issue of Shares to existing Shareholders (except a Bonus Issue) and the subscription price of a Share under the Pro Rata Issue is less than 92.5% of the average of the daily Volume Weighted Average Price per Share for the 5 trading days ending on the day before the announcement of the Pro Rata Issue, the Exercise Price of a Tranche A Option will be reduced according to the following formula:

$$\text{New exercise price} = O - \frac{E[P - (S + D)]}{N + 1}$$

- O = the old Exercise Price of the Tranche A Option.
- E = the number of underlying Shares into which one Tranche A Option is exercisable.
- P = Volume Weighted Average Price per Share for the 5 trading days ending on the day before the ex rights date or the ex entitlements date.
- S = the subscription price of a Share under the Pro Rata Issue.
- D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the Pro Rata Issue).
- N = the number of Shares with rights or entitlements that must be held to receive a right to one new Share.

### Bonus Issues

- 9.2 If the Issuer makes a Bonus Issue of Shares or other Equity Securities to existing Shareholders (other than an issue in lieu of, or in satisfaction of, dividends or by way of dividend reinvestment):
- (a) the number of Shares which must be issued on the exercise of a Tranche A Option will be increased by the number of Shares which the Tranche A Option holder would have received if the Tranche A Option holder had exercised the Tranche A Option before the record date for the Bonus Issue; and
- (b) no change will be made to the Exercise Price.

### Reorganisation

- 9.3 If there is any reorganisation of the issued share capital of the Issuer, the rights of the Tranche A Option holders will be varied to the extent necessary to comply with the ASX Listing Rules which apply to the reorganisation at the time of the reorganisation.

## 10. ISSUER RESTRICTION

- 10.1 The Issuer shall not:
- (a) issue new Shares, other than under a Pro Rata Issue or a Bonus Issue in accordance with paragraph 9.2, at a price which is discounted by more than 10% of the average of the daily Volume Weighted Average Price per Share for the 5 trading days ending on the day before the announcement of the issuance; or
- (b) grant or issue any Rights convertible or exercisable into more than 10% of the Fully Diluted Capital of the Issuer in any 12 month period,
- in each case without the consent of the Majority Option Holders.
- 10.2 If the Issuer wants to pay dividends or make any distributions, the Issuer must ensure that the record date to participate in any such dividend or distribution (as the case may be) is not a date earlier than 14 Business Days after the announcement by the Issuer of such dividend or distribution so as to give holders of Tranche A Options sufficient time to ensure that they are able to exercise their Tranche A Options and be issued with Shares to be eligible to receive the proposed dividend or distribution.

# APPENDIX 5: TERMS OF OPTIONS

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## **11. TRANSFER OF TRANCHE A OPTIONS**

- 11.1 Subject to paragraph 11.3, the Tranche A Options may be transferred separately, in whole or in part (but if in part only in multiples of 600,000 or integral multiples thereof).
- 11.2 Tranche A Options may only be transferred to a person who is a sophisticated or professional investor under section 708(8) or 708(11) of the Corporations Act.
- 11.3 A Tranche A Option may not be transferred to a Competitor unless the Issuer has given its prior written consent. An Option Holder may transfer a Tranche A Option to a Competitor if an Event of Default is continuing.
- 11.4 To effect a transfer of a Tranche A Option, a Transfer Instrument must be delivered to the Issuer detailing:
- (a) the Issue Date of the Tranche A Option the subject of the transfer;
  - (b) the name and address of the transferor and the transferee;
  - (c) the effective date of the transfer,
- along with the Certificate(s) in respect of the Tranche A Option being transferred.
- 11.5 For the purposes of paragraph 11.4, a Transfer Instrument may be delivered to the Issuer in the form of an attached PDF to an email and such email will be deemed to have been duly delivered on return of a receipt produced by the system to which the email was sent or, where no receipt is produced or the sender has not otherwise received notification that the email was unable to be delivered, by the end of the day the email was sent if a Business Day and otherwise the next Business Day.
- 11.6 Transfers will be registered without charge to the transferor or transferee.
- 11.7 A person becoming entitled to a Tranche A Option as a consequence of the death or bankruptcy of a Tranche A Option holder or of a vesting order or a person administering the estate of a Tranche A Option holder may, upon producing such evidence as to that entitlement or status as the Issuer considers sufficient, transfer the Tranche A Option or, if so entitled, become registered as the holder of the Tranche A Option.
- 11.8 The Issuer is not responsible for any stamp duty or other Taxes payable in any jurisdiction in connection with any transfer, assignment or any other dealing with the Tranche A Options.
- 11.9 Subject to the provisions of paragraphs 11.1 to 11.8, the Issuer may not decline to recognise any Transfer Instrument and must register the transfer of the Tranche A Option(s) in accordance with these terms of Tranche A Options promptly following receipt by the Issuer of the relevant Transfer Instrument.

## **12. REGISTRATION OF TRANSFER**

- 12.1 A transferor of a Tranche A Option remains the owner of the Tranche A Option transferred until the transfer is registered and the name of the transferee entered in the Tranche A Option Register in respect of the Tranche A Option transferred.

## **13. GENERAL MEETING**

- 13.1 Tranche A Option holders may attend general meetings of the Issuer but the Tranche A Options do not carry a right to vote at a general meeting of the Issuer, unless provided for by the Corporations Act.

## **14. OPTION REGISTER**

- 14.1 The Issuer's share registry will maintain a register of the Tranche A Options.

## **15. MISCELLANEOUS**

### **Governing Law**

- 15.1 The Tranche A Options shall in all respects be governed by and construed in accordance with the laws of New South Wales, without regard to its conflict of laws principles.
- 15.2 Any suit with respect to a Tranche A Option will be brought in the federal or state courts in New South Wales, and the Tranche A Option holder, by accepting the Tranche A Options, irrevocably and unconditionally agrees and submits to the personal jurisdiction and venue thereof.

### **Notices**

- 15.3 Notices may be given by the Issuer to the Tranche A Option holder in writing and to the address set out in the Register or such new address as is notified from time to time by the Tranche A Option holder to the Issuer.

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## TERMS OF TRANCHE B OPTIONS

### 1. EXERCISE PERIOD

- 1.1 Subject to paragraph 4.1, each Tranche B Option entitles the holder of the Tranche B Option to acquire one Share.
- 1.2 Each Tranche B Option is exercisable at any time in the period commencing on the date that is 12 months after the date of grant of the Tranche B Options until the third anniversary of the date of grant of the Tranche B Options ("**Option Period**") and if a Tranche B Option is not exercised on or prior to the expiry of the Option Period, the Tranche B Option will automatically lapse.

### 2. EXERCISE PRICE

- 2.1 The exercise price for each Tranche B Option is A\$0.44 (as adjusted in accordance with the terms of the Tranche B Options).

### 3. NOTICE OF EXERCISE

- 3.1 The Tranche B Options may be exercised wholly or in part by giving notice in writing to the Issuer at any time during the Option Period stating the number of Tranche B Options being exercised. Tranche B Options may only be exercised in multiples of 600,000 unless all of the then unexercised Tranche B Options are being exercised under the relevant Notice of Exercise.

### 4. CASH SETTLEMENT AMOUNT

- 4.1 The rights of a Tranche B Option holder on exercise of a Tranche B Option shall be limited at all times to receive the Cash Settlement Amount in respect of the exercise of any Tranche B Options.
- 4.2 The "**Cash Settlement Amount**" is an amount in AUD equal to the product of:
- (a) the number of Shares that a Tranche B Option holder would otherwise be entitled to receive following the exercise of a Tranche B Option (the "**Relevant Shares**"); and
  - (b) the average of the daily VWAP of a Share for each of the 10 trading days immediately before the day on which the Notice of Exercise in respect of the exercise of the relevant Tranche B Options was delivered,
  - (c) less the aggregate Exercise Price otherwise payable in respect of the Relevant Shares.
- 4.3 The Issuer must on or prior to the date falling 10 Business Days after the delivery of the relevant Notice of Exercise, remit or cause to be remitted to the Tranche B Option holder in immediately available funds the Cash Settlement Amount in accordance with the remittance instructions as notified by such Tranche B Option holder to the Issuer in the relevant Notice of Exercise.

### 5. QUOTATION OF TRANCHE B OPTIONS

- 5.1 The Tranche B Options will not be listed for quotation on ASX or any other exchange.

### 6. NO PARTICIPATION IN NEW ISSUES

- 6.1 A Tranche B Option does not confer a right to participate in new issues of securities of the Issuer.

### 7. ADJUSTMENT TO EXERCISE PRICE

#### Pro Rata Issue

- 7.1 If the Issuer makes a Pro Rata Issue of Shares to existing Shareholders (except a Bonus Issue) and the subscription price of a Share under the Pro Rata Issue is less than 92.5% of the average of the daily Volume Weighted Average Price per Share for the 5 trading days ending on the day before the announcement of the Pro Rata Issue, the Exercise Price of a Tranche B Option will be reduced according to the following formula:

$$\text{New exercise price} = O - \frac{E[P - (S + D)]}{N + I}$$

O = the old Exercise Price of the Tranche B Option.

E = the number of underlying Shares into which one Tranche B Option is exercisable.

P = Volume Weighted Average Price per Share for the 5 trading days ending on the day before the ex rights date or the ex entitlement date.

# APPENDIX 5: TERMS OF OPTIONS

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- S = the subscription price of a Share under the pro rata issue.
- D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).
- N = the number of Shares with rights or entitlements that must be held to receive a right to one new Share.

## Bonus Issues

- 7.2 If the Issuer makes a Bonus Issue of Shares or other Equity Securities to existing Shareholders (other than an issue in lieu of, or in satisfaction of, dividends or by way of dividend reinvestment):
- (a) the number of Shares which must be issued on the exercise of a Tranche B Option will be increased by the number of Shares which the Tranche B Option holder would have received if the Tranche B Option holder had exercised the Tranche B Option before the record date for the Bonus Issue; and
  - (b) no change will be made to the Exercise Price.

## Reorganisation

- 7.3 If there is any reorganisation of the issued share capital of the Issuer, the rights of the Tranche B Option holders will be varied to the extent necessary to comply with the ASX Listing Rules which apply to the reorganisation at the time of the reorganisation.

## 8. ISSUER RESTRICTION

- 8.1 The Issuer shall not:
- (a) issue new Shares, other than under a Pro Rata Issue or a Bonus Issue in accordance with paragraph 7.2, at a price which is discounted by more than 10% of the average of the daily Volume Weighted Average Price per Shares for the 5 trading days ending on the date before the announcement of the issuance; or
  - (b) grant or issue any Rights convertible or exercisable into more than 10% of the Fully Diluted Capital of the Issuer in any 12 month period,
- in each case without the consent of the Majority Option Holders.

## 9. TRANSFER OF TRANCHE B OPTIONS

- 9.1 Subject to paragraph 9.3, the Tranche B Options may be transferred separately, in whole or in part (but if in part only in multiples of 600,000 or integral multiples thereof).
- 9.2 Tranche B Options may only be transferred to a person who is a sophisticated or professional investor under section 708(8) or 708(11) of the Corporations Act.
- 9.3 A Tranche B Option may not be transferred to a Competitor unless the Issuer has given its prior written consent. An Option Holder may transfer a Tranche B Option to a Competitor if an Event of Default is continuing.
- 9.4 To effect a transfer of a Tranche B Option, a Transfer Instrument must be delivered to the Issuer detailing:
- (a) the Issue Date of the Tranche B Option the subject of the transfer;
  - (b) the name and address of the transferor and the transferee;
  - (c) the effective date of the transfer;
  - (d) whether the grant of Tranche C Options to the transferee will or will not contravene, or give rise to a significant action or notifiable action under, FATA,
- along with the Certificate(s) in respect of the Tranche B Option being transferred.
- 9.5 For the purposes of paragraph 9.4, a Transfer Instrument may be delivered to the Issuer in the form of an attached PDF to an email and such email will be deemed to have been duly delivered on return of a receipt produced by the system to which the email was sent or, where no receipt is produced or the sender has not otherwise received notification that the email was unable to be delivered, by the end of the day the email was sent if a Business Day and otherwise the next Business Day.
- 9.6 Transfers will be registered without charge to the transferor or transferee.
- 9.7 A person becoming entitled to a Tranche B Option as a consequence of the death or bankruptcy of a Tranche B Option holder or of a vesting order or a person administering the estate of a Tranche B Option holder may, upon producing such evidence as to that entitlement or status as the Issuer considers sufficient, transfer the Tranche B Option or, if so entitled, become registered as the holder of the Tranche B Option.

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- 9.8 The Issuer is not responsible for any stamp duty or other Taxes payable in any jurisdiction in connection with any transfer, assignment or any other dealing with the Tranche B Options.
- 9.9 If the transferee of a Tranche B Option gives a notice in the Transfer Instrument that the issue to it of Tranche C Options will not contravene or give rise to a significant action or notifiable action under FATA, then such transfer shall be deemed a Second Grant Date and the Issuer shall grant to the transferee an equivalent number of Tranche C Options to those Tranche B Options being transferred and cancel such Tranche B Options.
- 9.10 If the transferee of a Tranche B Option gives a notice in the Transfer Instrument that the issue to it of Tranche C Options will contravene or give rise to a significant action or notifiable action under FATA, then the transferee will receive Tranche B Options until such time as it satisfies a Second Grant Conditions Precedent.
- 9.11 Subject to the provisions of paragraphs 9.1 to 9.10, the Issuer may not decline to recognise any Transfer Instrument and must register the transfer of the Tranche B Option(s) in accordance with these terms of Tranche B Options promptly following receipt by the Issuer of the relevant Transfer Instrument.

## **10. REGISTRATION OF TRANSFER**

- 10.1 A transferor of a Tranche B Option remains the owner of the Tranche B Option transferred until the transfer is registered and the name of the transferee entered in the Tranche B Option Register in respect of the Tranche B Option transferred.

## **11. GENERAL MEETING**

- 11.1 Tranche B Option holders may attend general meetings of the Issuer but the Tranche B Options do not carry a right to vote at a general meeting of the Issuer, unless provided for by the Corporations Act.

## **12. OPTION REGISTER**

- 12.1 The Issuer's share registry will maintain a register of the Tranche B Options.

## **13. LAPSE**

### Automatic lapse of Tranche B Options

- 13.1 Upon the grant by the Issuer to each Tranche B Option holder of an equivalent number of Tranche C Options, the Tranche B Options will automatically lapse (the "**Lapse Date**").

### Return of Tranche B Options

- 13.2 Following the lapse of the Tranche B Options on the Lapse Date:
- (a) a Tranche B Option Holder shall return the relevant Option Certificate to the Issuer; and
  - (b) the Issuer will cancel the Option Certificate for that Tranche B Option.

## **14. MISCELLANEOUS**

### Governing Law

- 14.1 The Tranche B Options shall in all respects be governed by and construed in accordance with the laws of New South Wales, without regard to its conflict of laws principles.
- 14.2 Any suit with respect to a Tranche B Option will be brought in the federal or state courts in New South Wales, and the Tranche B Option holder, by accepting the Tranche B Options, irrevocably and unconditionally agrees and submits to the personal jurisdiction and venue thereof.

### Notices

- 14.3 Notices may be given by the Issuer to the Tranche B Option holder in writing and to the address set out in the Register or such new address as is notified from time to time by the Tranche B Option holder to the Issuer.

## **TERMS OF TRANCHE C OPTIONS**

### **1. EXERCISE**

- 1.1 Each Tranche C Option entitles the holder of the Tranche C Option to acquire one Share.
- 1.2 Each Tranche C Option is exercisable at any time in the period commencing on the later of (a) the date of grant; or (b) the date that is 6 months after the date of grant of the Tranche A Options until the third anniversary of the

# APPENDIX 5: TERMS OF OPTIONS

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date of grant of the Tranche A Options ("**Option Period**") and if a Tranche C Option is not exercised on or prior to the expiry of the Option Period, the Tranche C Option will automatically lapse.

## 2. EXERCISE PRICE

- 2.1 The exercise price for each Tranche C Option is A\$0.44 (as adjusted in accordance with the terms of the Tranche C Options) ("**Exercise Price**") and is payable immediately (i) on exercise by bank cheque or wire transfer to an account of the Issuer; and/or (ii) by way of set-off against any Bonds held by that Option Holder in accordance with clause 16 of the Bond Instrument.

## 3. NOTICE OF EXERCISE

- 3.1 Subject to paragraph 4, the Tranche C Options may be exercised wholly or in part by giving notice in writing to the Issuer at any time during the Option Period stating the number of Tranche C Options being exercised. Tranche C Options may only be exercised in multiples of 600,000 unless all of the then unexercised Tranche C Options are being exercised under the relevant Notice of Exercise.

## 4. ALLOTMENT OF SHARES

- 4.1 On receipt by the Issuer of a valid Notice of Exercise in accordance with paragraph 3.1 and payment of the Exercise Price in accordance with paragraph 2.1, the Issuer must, within two Business Days, allot and issue to the Tranche C Option holder or its nominee the number of Shares set out in the Exercise Notice and enter the Option Holder into the Issuer's register of members as the holder of such number of Shares and despatch the relevant holding statement or other appropriate acknowledgment as soon as reasonably practicable thereafter.

## 5. QUOTATION OF TRANCHE C OPTIONS AND SHARES

- 5.1 The Tranche C Options will not be listed for quotation on ASX or any other exchange.
- 5.2 The Issuer undertakes to ensure that any Shares issued on the exercise of the Tranche C Options are freely tradeable if the Issuer is admitted to the official list of ASX by:
- (a) providing to the ASX a written notice that complies with section 708A(6) of the Corporations Act ("**Cleansing Notice**") immediately after the issue of Shares upon exercise of a Tranche C Option or otherwise relying on an applicable exception to the disclosure requirements of the Corporations Act; and
  - (b) lodging an Appendix 3B with the ASX confirming that the Shares are freely tradeable.
- in each case on the date of issue of such Shares.
- 5.3 If the Board reasonably forms the view that the issue of the Cleansing Notice would materially prejudice the interests of the Issuer in forcing disclosure of information which would not otherwise require disclosure under ASX Listing Rule 3.1, the Issuer will issue to the holder of the Tranche C Option the Shares to be granted on exercise of the Tranche C Option on a date to be determined by the Issuer but to be a date no later than 10 Business Days after the date on which the exercise of the Tranche C Option becomes effective.

## 6. SHAREHOLDER APPROVAL

- 6.1 If, for any reason, an issue of Shares to the Tranche C Option Holder in accordance with this Agreement would require approval of Shareholders, the Issuer must convene the necessary meeting as soon as reasonably practicable and at its own cost.

## 7. SHARES RANK EQUALLY, FREE OF SECURITY INTERESTS ETC

- 7.1 Shares issued on the exercise of Tranche C Options will:
- (a) rank equally in all respects with the other Shares on issue at the date of issue;
  - (b) be fully paid and free from all encumbrances, pre-emptive rights, taxes, liens and charges; and
  - (c) be entitled to all of the rights and entitlements applicable to the Ordinary Shares already issued at the exercise date.

## 8. NO PARTICIPATION IN NEW ISSUES

- 8.1 A Tranche C Option does not confer a right to participate in new issues of securities of the Issuer, unless the Tranche C Option holder has first exercised the Tranche C Option and such exercise took place on or before the record date for determining entitlements to the issue.

- 8.2 Subject to Applicable Laws, the Issuer must give each Tranche C Option holder 10 Business Days' prior notice of the record date (as defined in the ASX Listing Rules) for a new issue of Shares or entitlements made available to the holders of Shares generally to enable the Tranche C Option holder to exercise its Tranche C Options and participate in the new issue.

## 9. ADJUSTMENT TO EXERCISE PRICE

### Pro Rata Issue

- 9.1 If the Issuer makes a Pro Rata Issue of Shares to existing Shareholders (except a Bonus Issue) and the subscription price of a Share under the Pro Rata Issue is less than 92.5% of the average of the daily Volume Weighted Average Price per Share for the 5 trading days ending on the day before the announcement of the Pro Rata Issue, the Exercise Price of a Tranche C Option will be reduced according to the following formula:

$$\text{New exercise price} = O - \frac{E[P - (S + D)]}{N + 1}$$

- O = the old Exercise Price of the Tranche C Option.
- E = the number of underlying Shares into which one Tranche C Option is exercisable.
- P = Volume Weighted Average Price per Share for the 5 trading days ending on the day before the ex rights date or the ex entitlements date.
- S = the subscription price of a Share under the pro rata issue.
- D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).
- N = the number of Shares with rights or entitlements that must be held to receive a right to one new share.

### Bonus Issues

- 9.2 If the Issuer makes a Bonus Issue of Shares or other Equity Securities to existing Shareholders (other than an issue in lieu of, or in satisfaction of, dividends or by way of dividend reinvestment):
- (a) the number of Shares which must be issued on the exercise of a Tranche C Option will be increased by the number of Shares which the Tranche C Option holder would have received if the Tranche C Option holder had exercised the Tranche C Option before the record date for the Bonus Issue; and
- (b) no change will be made to the Exercise Price.

### Reorganisation

- 9.3 If there is any reorganisation of the issued share capital of the Issuer, the rights of the Tranche C Option holders will be varied to the extent necessary to comply with the ASX Listing Rules which apply to the reorganisation at the time of the reorganisation.

## 10. ISSUER RESTRICTION

- 10.1 The Issuer shall not:
- (a) issue new Shares, other than under a Pro Rata Issue or a Bonus Issue in accordance with paragraph 9.2, at a price which is discounted by more than 10% of the average of the daily Volume Weighted Average Price per Share for the 5 trading days ending on the days before announcement of the issuance; or
- (b) grant or issue any Rights convertible or exercisable into more than 10% of the Fully Diluted Capital of the Issuer in any 12 month period,
- in each case without the consent of the Majority Option Holders.
- 10.2 If the Issuer wants to pay dividends or make any distributions, the Issuer must ensure that the record date to participate in any such dividend or distribution (as the case may be) is not a date earlier than 14 Business Days after the announcement by the Issuer of such dividend or distribution so as to give holders of Tranche C Options sufficient time to ensure that they are able to exercise their Tranche C Options and be issued with Shares to be eligible to receive the proposed dividend or distribution.

## 11. TRANSFER OF TRANCHE C OPTIONS

- 11.1 Subject to paragraph 11.3, the Tranche C Options may be transferred separately, in whole or in part (but if in part only in multiples of 600,000 or integral multiples thereof).

# APPENDIX 5: TERMS OF OPTIONS

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- 11.2 Tranche C Options may only be transferred to a person who is a sophisticated or professional investor under section 708(8) or 708(11) of the Corporations Act.
- 11.3 A Tranche C Option may not be transferred to a Competitor unless the Issuer has given its prior written consent. An Option Holder may transfer a Tranche C Option to a Competitor if an Event of Default is continuing.
- 11.4 To effect a transfer of a Tranche C Option, a Transfer Instrument must be delivered to the Issuer detailing:
- (a) the Issue Date of the Tranche C Option the subject of the transfer;
  - (b) the name and address of the transferor and the transferee;
  - (c) the effective date of the transfer,
- along with the Certificate(s) in respect of the Tranche C Option being transferred.
- 11.5 For the purposes of paragraph 11.4, a Transfer Instrument may be delivered to the Issuer in the form of an attached PDF to an email and such email will be deemed to have been duly delivered on return of a receipt produced by the system to which the email was sent or, where no receipt is produced or the sender has not otherwise received notification that the email was unable to be delivered, by the end of the day the email was sent if a Business Day and otherwise the next Business Day.
- 11.6 Transfers will be registered without charge to the transferor or transferee.
- 11.7 A person becoming entitled to a Tranche C Option as a consequence of the death or bankruptcy of a Tranche C Option holder or of a vesting order or a person administering the estate of a Tranche C Option holder may, upon producing such evidence as to that entitlement or status as the Issuer considers sufficient, transfer the Tranche C Option or, if so entitled, become registered as the holder of the Tranche C Option.
- 11.8 The Issuer is not responsible for any stamp duty or other Taxes payable in any jurisdiction in connection with any transfer, assignment or any other dealing with the Tranche C Options.
- 11.9 Subject to the provisions of paragraphs 11.1 to 11.8, the Issuer may not decline to recognise any Transfer Instrument and must register (a) the issue of a Tranche C Option following the transfer of a Tranche B Option pursuant to paragraph 8.9 of the terms of the Tranche B Options; and (b) the transfer of the Tranche C Option(s) in accordance with these terms of Tranche C Options promptly following receipt by the Issuer of the relevant Transfer Instrument.

## 12. REGISTRATION OF TRANSFER

- 12.1 A transferor of a Tranche C Option remains the owner of the Tranche C Option transferred until the transfer is registered and the name of the transferee entered in the Tranche C Option Register in respect of the Tranche C Option transferred.

## 13. GENERAL MEETING

- 13.1 Tranche C Option holders may attend general meetings of the Issuer but the Tranche C Options do not carry a right to vote at a general meeting of the Issuer, unless provided for by the Corporations Act.

## 14. OPTION REGISTER

- 14.1 The Issuer's share registry will maintain a register of the Tranche C Options.

## 15. MISCELLANEOUS

### Governing Law

- 15.1 The Tranche C Options shall in all respects be governed by and construed in accordance with the laws of New South Wales, without regard to its conflict of laws principles.
- 15.2 Any suit with respect to a Tranche C Option will be brought in the federal or state courts in New South Wales, and the Tranche C Option holder, by accepting the Tranche C Options, irrevocably and unconditionally agrees and submits to the personal jurisdiction and venue thereof.

### Notices

- 15.3 Notices may be given by the Issuer to the Tranche C Option holder in writing and to the address set out in the Register such new address as is notified from time to time by the Tranche C Option holder to the Issuer.

## Definitions

In these Terms of Tranche C Options, defined terms have the meaning given in the Option Deed entered into by the Issuer, OL Master (Singapore Fund 1) Pte. Limited and Orchard Landmark II (Singapore Fund I) Ptd. Limited.

### Options – defined terms

|                                |   |
|--------------------------------|---|
| <b>Appendix 3B</b>             | means an appendix 3B in the form set out in the ASX Listing Rules;  |
| <b>Applicable Law</b>          | means any one or more or all, as the context requires, of:<br>(a) the Corporations Act and any regulations to it;<br>(b) the ASX Listing Rules;<br>(c) any practice note, policy statement, class order, declaration, guideline, policy or procedure pursuant to the provisions of which any of ASIC or ASX is authorised or entitled to regulate, implement or enforce, either directly or indirectly, the provisions of any of the foregoing statutes, regulations or rules or any conduct of any duly authorised person, pursuant to any of the abovementioned statutes, regulations or rules; |
| <b>ASX Listing Rules</b>       | means the Listing Rules published by ASX from time to time;   |
| <b>Board</b>                   | means all or some of the directors of the Company acting as a board from time to time;  |
| <b>Bond</b>                    | means a bond issued pursuant to the Bond Instrument;  |
| <b>Bond Instrument</b>         | means the bond instrument dated between Silver Heritage Limited, the Initial Option Holders and Madison Pacific Trust Limited relating to the issue of US\$20,000,000 senior secured bonds by Silver Heritage Limited;  |
| <b>Bond Purchase Agreement</b> | means the bond purchase agreement between Silver Heritage Limited and the Initial Option Holders relating to the issue of US\$20,000,000 senior secured bonds by Silver Heritage Limited;   |
| <b>Bonus Issue</b>             | has the meaning given in the ASX Listing Rules;   |
| <b>Business Day</b>            | means any day, other than a Saturday, Sunday or public holiday in Sydney, Australia, Singapore or Hong Kong;  |
| <b>Cash Settlement Amount</b>  | has the meaning given in paragraph 4.2 of the terms of the Tranche B Options;   |
| <b>Certificate</b>             | means a certificate evidencing an Option in the form set out in the Option Deed;  |
| <b>Cleansing Notice</b>        | has the meaning given in paragraph 5.2(a) of the Tranche C Options;   |
| <b>Competitor</b>              | means any person whose principal business is the operation or management of casinos in Asia;  |
| <b>Corporations Act</b>        | means the Corporations Act 2001 (Cth);  |
| <b>Equity Securities</b>       | means any Shares or Rights or any other equity securities of the Issuer;  |
| <b>Event of Default</b>        | has the meaning given in the Bond Instrument;   |
| <b>Exercise Price</b>          | means the exercise price payable to acquire one Share pursuant to the exercise of each Option (as adjusted pursuant to the terms of the Options);   |
| <b>FATA</b>                    | means the Foreign Acquisitions and Takeovers Act 1975 (Cth);  |
| <b>First Grant Date</b>        | means the date on which the Initial Option Holders purchase US\$20,000,000 senior secured bonds from Silver Heritage Limited under the Bond Purchase Agreement;   |

## APPENDIX 5: TERMS OF OPTIONS

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|---|---|
| <b>Fully Diluted Capital</b>            | means the aggregate at the relevant time of:<br><br>(a) the issued and outstanding Shares and any other issued and outstanding Equity Securities;<br>(b) all Equity Securities which would be issued if all of the Options had been exercised to their maximum extent; and<br>(c) all Equity Securities which, at the relevant time, the Issuer had agreed to create or issue (whether conditionally or otherwise);   |
| <b>Issue Date</b>                       | means the date of issue of an Option;   |
| <b>Issuer</b>                           | means the Silver Heritage Group Limited ACN 604 188 445;  |
| <b>Majority Option Holders</b>          | means, at any time, a person or persons holding or representing seventy five per cent. (75%) or more of the aggregate number of Options for the time being outstanding;   |
| <b>Notice of Exercise</b>               | means the notice provided to the Issuer by an Option Holder in respect of the exercise of the Options;  |
| <b>Option</b>                           | means a Tranche A Option, Tranche B Option or Tranche C Option, as the context requires;  |
| <b>Option Certificate</b>               | means a certificate for an Option;  |
| <b>Option Holder</b>                    | means a holder of an Option from time to time;  |
| <b>Option Period</b>                    | means the date from which an Option becomes exercisable until the date on which the Option lapses;  |
| <b>Pro Rata Issue</b>                   | has the meaning given in the ASX Listing Rules;   |
| <b>Register</b>                         | means a register of the Options maintained by the Issuer in which is entered the particulars required by the Option Deed;   |
| <b>Relevant Shares</b>                  | has the meaning given in paragraph 4.2(a) of the terms of the Tranche B Options;  |
| <b>Rights</b>                           | means any option, warrant, security, right or other instrument convertible into or exchangeable for, or otherwise giving the holder thereof the right to acquire, directly or indirectly, any Shares or any other such option, warrant, security, right or instrument, including without limitation, any instrument the value of which is measured by reference to the value of the Shares or is the equivalent of a Share or any agreement to issue any of the foregoing;  |
| <b>Second Grant Condition Precedent</b> | means any of the following events in paragraphs (a) or (b) below, any one of which is a condition precedent to the grant of Tranche C Options:<br><br>(a) (i) a holder of a Tranche B Option; or (ii) a transferee of a Tranche B Option provides a written notification to the Issuer that their respective acquisitions of Tranche C Options will not contravene, or give rise to a significant action or notifiable action under, FATA;<br><br>(b) the Treasurer of the Commonwealth of Australia:<br><br>(i) gives written notice that The Treasurer of the Commonwealth of Australia has no objection to the acquisition of Tranche C Options by that Tranche B Option holder and that notice is either free from conditions or subject to conditions that are acceptable to that Tranche B Option holder; or<br><br>(ii) can no longer prohibit a holder of a Tranche B Option from acquiring the Tranche C Options under FATA; |
| <b>Share</b>                            | means a fully paid ordinary share in the Issuer;  |
| <b>Share Limit</b>                      | has the meaning given in paragraph 4.1 of the terms of the Tranche A Options;   |
| <b>Taxes</b>                            | means:<br><br>(a) any tax including the goods and services tax levied under the <i>A New Tax System (Goods and Services Tax) Act 1999 (Cth)</i> , levy, charge, impost, duty, fee, deduction, compulsory loan or withholding; or<br><br>(b) any income, tax or charge;  |

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| <b>Transfer Instrument</b>                   | means a transfer instrument in the form set out in the Option Deed;  |
| <b>VWAP or Volume Weighted Average Price</b> | means in respect of a Share, the volume-weighted average price of such Share on the ASX market and the Chi-X market excluding block trades, large portfolio trades, permitted trades during the pre-trading hours period, permitted trades during the post-trading hours period, out of hours trades and exchange traded option exercises. |

## APPENDIX 5: TERMS OF OPTIONS

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# CORPORATE DIRECTORY

## Company

### **Silver Heritage Group Limited**

Level 12, 225 George Street  
Sydney NSW 2000  
Australia  
Phone: +852 2110 1684  
Fax: +852 8169 8066  
Email: [info@silverheritage.com.au](mailto:info@silverheritage.com.au)  
Web: [www.silverheritagegroup.com](http://www.silverheritagegroup.com)

## Directors

### **David Green**

Independent Chairman  
(Non-Executive)

### **Mike Bolsover**

Managing Director and  
Chief Executive Officer (Executive)

### **Michael Anderson**

Independent Director  
(Non-Executive)

### **Hugh Holmes**

Director Special Projects (Executive)

### **Richard Barker**

Independent Director  
(Non-Executive)

## Proposed ASX Code

**SVH**

## Investigating Accountant

### **Grant Thornton Corporate Finance Pty Ltd**

Level 17, 383 Kent Street  
Sydney NSW 2000

## Lead Manager

### **CLSA Australia Pty Ltd**

CLSA House  
Level 15, 20 Hunter Street  
Sydney NSW 2000

## Co-Lead Manager

### **Baillieu Holst Ltd**

Level 26, 360 Collins Street  
Melbourne VIC 3000

## Australian Legal Adviser

### **DLA Piper Australia**

Level 22, No.1 Martin Place  
Sydney NSW 2000

## Registry

### **Boardroom Pty Limited**

Level 12, 225 George Street  
Sydney NSW 2000

# SILVER HERITAGE GROUP

