

# SILVER HERITAGE GROUP

## June 2017 Half-Year Results Summary

23 August 2017

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# Executive Summary

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- Tiger Palace Resort Bhairahawa is on schedule - being 30 September 2017 for Hotel and Hospitality and 30 November 2017 for the Casino; and remains on budget
- Tiger Palace Resort Bhairahawa is fully funded following the Entitlement Offer which raised A\$19m
- Additional local debt of US\$5m secures long term and local (Nepal) market financing for the Group
- Nepal Central Bank approvals secured and free flow of funds to the Group subsidiary in Nepal
- 1H17 Adjusted EBITDA up 4% on same period in 2016 to US\$1.19m
- 1H17 Phoenix (Vietnam) Gross Margin up 61% on same period in 2016 to US\$2.86m
- 1H17 TMCCK (Nepal) Gross Margin up on same period in 2016, to US\$57,000 from Loss of US\$90,000

# Company Summary

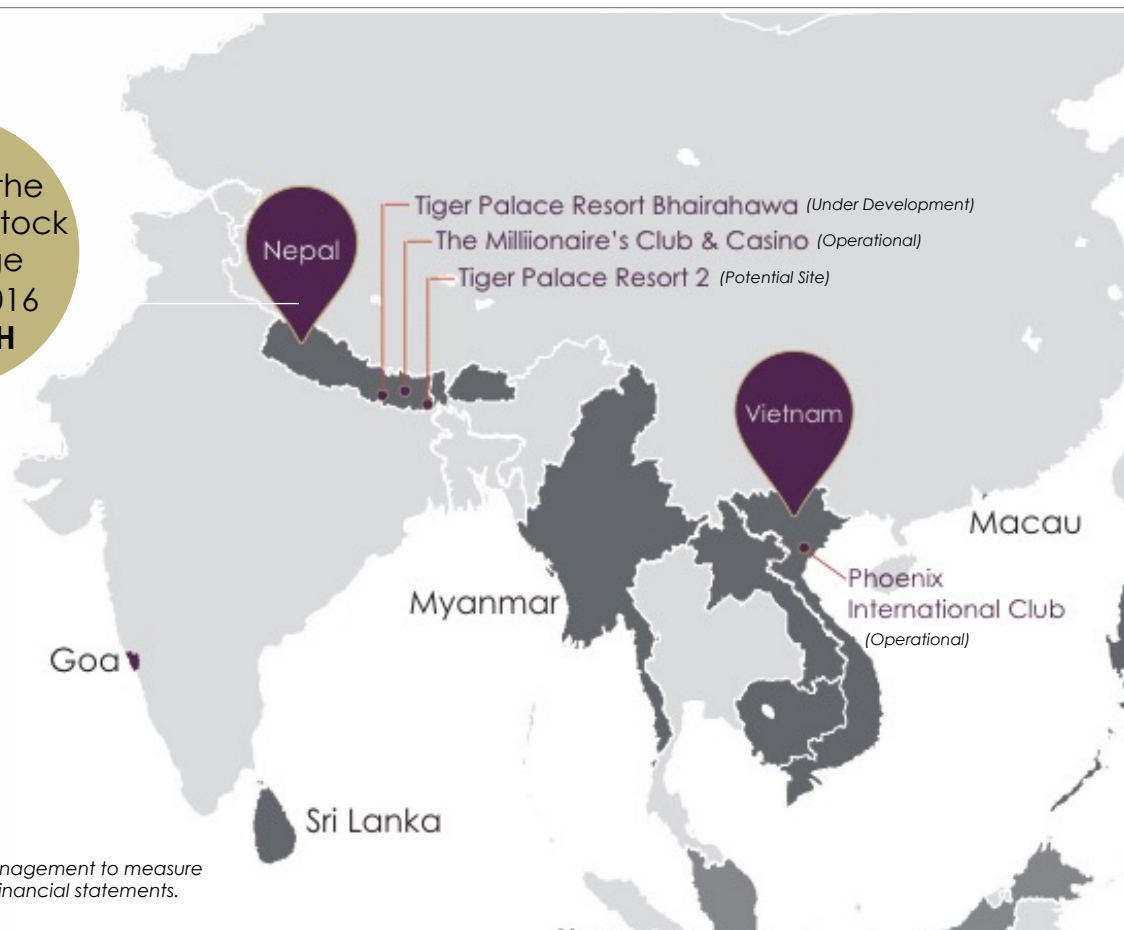
## SVH: Regional Asian Gaming Operator and Developer

Founded in  
**2003**

HQ in  
**Hong Kong**

Over  
**450 staff**

Listed on the  
Australian Stock  
Exchange  
August 2016  
**ASX: SVH**



### Financial Overview H1 2017

Gross Gaming Revenue (GGR) <sup>1</sup>  
- US\$13.49 million

Total Revenue  
- US\$8.06 million

Adjusted EBITDA<sup>2</sup>  
- US\$1.19 million

### 5-Year Plan

- India-facing Tiger Strategy
- Leverage existing Operations
- Develop multiple world class casinos

<sup>1</sup> GGR for countries other than Nepal is not earned by the Group but is the key metric used by management to measure the performance of the various segments of its business. GGR is not included in the Company's financial statements.

<sup>2</sup> Adjusted EBITDA is as defined in note 3 of the 2017 Interim Report

	<b>14</b> Years Operating History	<b>2</b> Casinos Managed (Nepal and Vietnam)	<b>1</b> Casino Resort in Development (India-Nepal Border)	<b>30</b> Live Casino Gaming Tables	<b>128</b> EGMs (Slots and ETGs)	<b>30 Sep 2017</b> Tiger Palace Opening <b>Hotel &amp; Hospitality</b>	<b>30 Nov 2017</b> Tiger Palace Opening <b>Casino &amp; Resort</b>

# June 2017: Group Half-Year Results Summary

Operating Results (US\$'000)	1H 2017	1H 2016	Change	
GGR <sup>1</sup> : Phoenix (Vietnam)	11,076	7,864	+41%	Strong growth in Vietnam (see page 7)
GGR <sup>1</sup> : TMCK (Nepal)	2,411	2,458	-2%	Growth in visitation offset by lower hold rate (see page 9)
GGR <sup>1</sup> : EGM Lease (Laos)	-	6,751	-100%	Change in business model & exit from Cambodia
<b>Total GGR<sup>1</sup></b>	<b>13,487</b>	<b>17,073</b>	<b>-21%</b>	
Casino Share & Gaming Taxes	(6,092)	(9,939)	-39%	Increase in Vietnam less reduction from EGM Lease
Machine Partner Share	-	(152)	-100%	Buy-out in Vietnam, and reduction from EGM Lease
<b>Operating Revenue</b>	<b>7,395</b>	<b>6,982</b>	<b>+6%</b>	
Other Revenue	663	534	+24%	
<b>Total Revenue</b>	<b>8,058</b>	<b>7,516</b>	<b>+7%</b>	
Direct Operating Costs	(4,891)	(5,291)	-8%	Increase in Vietnam less reduction from EGM Lease
<b>Gross Profit</b>	<b>3,167</b>	<b>2,225</b>	<b>+42%</b>	
Corporate Expenses	(1,998)	(1,266)	+58%	Increase due to being a listed entity post August 2016
Profit from Joint Venture	19	180	-89%	Less trading transactions for first half of this year
<b>Adjusted EBITDA<sup>2</sup></b>	<b>1,188</b>	<b>1,139</b>	<b>+4%</b>	See Page 6 for reconciliation between Adjusted EBITDA and Net Loss after Income Tax Expense

<sup>1</sup> GGR for countries other than Nepal is not earned by the Group but is the key metric used by management to measure the performance of the various segments of its business. GGR is not included in the Company's financial statements.

<sup>2</sup> Adjusted EBITDA is as defined in note 3 of the 2017 Interim Report

## June 2017: Group Half-Year Results Summary (continued)

Reconciliation of Adjusted EBITDA to Loss after Income Tax Expense (US\$'000)	1H 2017	1H 2016	Change	
<b>Adjusted EBITDA<sup>1</sup></b>	<b>1,188</b>	<b>1,139</b>	<b>+4%</b>	<b>See Page 5 for analysis of Adjusted EBITDA<sup>1</sup></b>
Expenses for Future Projects <sup>2</sup>	(724)	(57)	+1,170%	Increase in costs as operations due to commence shortly
Fund Raising Expenses	(575)	(845)	-32%	Related to Entitlement Offer (2016: IPO)
Restructuring Expenses	(117)	-	+100%	
Depreciation	(1,378)	(1,285)	+7%	
Share Option Expense	(447)	-	+100%	Amortised cost of Options issued to OCP in August 2016
Interest Expense	(1,449)	(508)	+185%	Corporate borrowings increased from US\$10.0 million to US\$20.0 million in conjunction with IPO in August 2016
Income Tax Expense	(16)	(88)	-82%	
<b>Loss after Income Tax Expense</b>	<b>(3,518)</b>	<b>(1,644)</b>	<b>+114%</b>	

<sup>1</sup> Adjusted EBITDA is as defined in note 3 of the 2017 Interim Report

<sup>2</sup> Expenses for Future Projects relate to expenses incurred on the Tiger Palace Bhairahawa project that are not capitalised and included in either the Cost of Construction or Cost of Capital Works

# Phoenix, Vietnam - Income Statement

(US\$'000)	1H 2017	1H 2016	Change	
Table Drop	35,795	32,142	+11%	Strong growth in visitation (+16%) and Table Drop
Table Hold Rate %	23.4%	19.9%		Small improvement on last 2-year average of 22.3%
Table GGR	8,362	6,402	+31%	12 Tables (2016: 12) WPD: US\$3,850 (2016: US\$2,948)
EGM GGR	2,714	1,462	+86%	86 EGMs <sup>1</sup> (2016: 72) WPD: US\$174 (2016: US\$112)
<b>Total GGR</b>	<b>11,076</b>	<b>7,864</b>	<b>+41%</b>	
Casino Share & Gaming Taxes	(6,092)	(4,325)	+41%	
Machine Partner Share	-	(36)	-100%	All EGMs now owned by the Group
<b>Operating Revenue</b>	<b>4,984</b>	<b>3,503</b>	<b>+42%</b>	
Other Revenue	244	4	+6,000%	
<b>Total Revenue</b>	<b>5,228</b>	<b>3,507</b>	<b>+49%</b>	
Direct Operating Costs	(2,371)	(1,735)	+37%	Increased share of resort operating costs
<b>Gross Profit</b>	<b>2,857</b>	<b>1,772</b>	<b>+61%</b>	
Depreciation	(511)	(495)	+3%	
Income Tax Expense	-	9	-100%	
<b>Profit after Income Tax Expense</b>	<b>2,346</b>	<b>1,286</b>	<b>+82%</b>	

<sup>1</sup> Average during the period. Number of EGMs at end of the period was 94

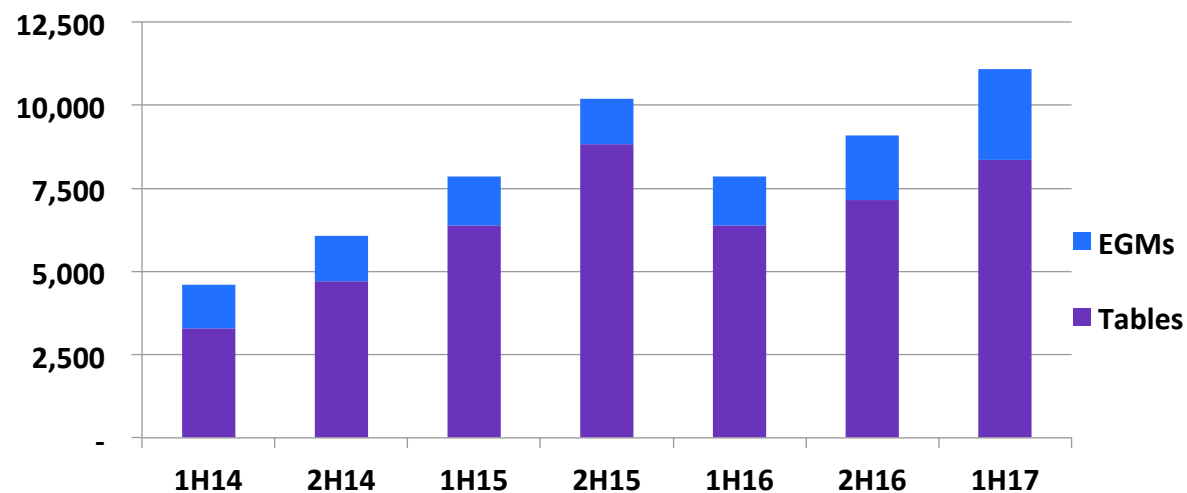
(1) Profit After Tax	+ 82%
(2) Visitation	+ 16%
(3) Table Win Per Day	+ 30%
(4) EGM Win Per Day	+ 55%

# Operations - Vietnam: Phoenix International Club

- SVH manages the Phoenix International Club, located in Bac Ninh City, Vietnam
- 76 hotel rooms (42 new rooms launched in Q2 2017)
- 15 tables on the main gaming floor (3 added in August 2017)
- 94 EGMs on the main gaming floor
- Commercial relationship with our strategic partner, the owner of Phoenix, is due to run until at least 31 March 2025
- US\$2.86 million of Gross Profit and US\$2.35 million of Net Profit in the half-year ended 30 June 2017
- Annualised Cash Return of 51% in the half-year ended 30 June 2017 on aggregate invested capital of US\$11.1 million since opening



**Phoenix - Gross Gaming Revenue<sup>1</sup> (US\$'000)**



<sup>1</sup> GGR for countries other than Nepal is not earned by the Group but is the key metric used by management to measure the performance of the various segments of its business. GGR is not included in the Company's financial statements.





# TMCCCK, Nepal - Income Statement

(US\$'000)	1H 2017	1H 2016	Change	
Table Drop	13,038	10,970	+19%	Strong growth in visitation (+16%) and Table Drop
Table Hold Rate %	16.4%	20.2%		Down on last 2 Year average of 20.1%
Table GGR	2,141	2,221	-4%	15 Tables (2016: 15) WPD: US\$789 (2016: US\$818)
EGM GGR	270	237	+14%	36 EGMs <sup>1</sup> (2016: 37) WPD: US\$41 (2016: US\$35)
<b>Total GGR</b>	<b>2,411</b>	<b>2,458</b>	<b>-2%</b>	
Casino Share & Gaming Taxes	-	-	-	Annual Casino Royalties and Licence Fees included in Operating Costs
Machine Partner Share	-	-	-	
<b>Operating Revenue</b>	<b>2,411</b>	<b>2,458</b>	<b>-2%</b>	
Other Revenue	14	19	-26%	
<b>Total Revenue</b>	<b>2,425</b>	<b>2,477</b>	<b>-2%</b>	
Direct Operating Costs	(2,368)	(2,567)	-8%	
<b>Gross Profit / (Loss)</b>	<b>57</b>	<b>(90)</b>		
Depreciation	(199)	(190)	+5%	
Income Tax Expense	(14)	(83)	-84%	
<b>Loss after Income Tax Expense</b>	<b>(156)</b>	<b>(363)</b>	<b>+57%</b>	

<sup>1</sup> Average during the period. Number of EGMs at end of the period was 34

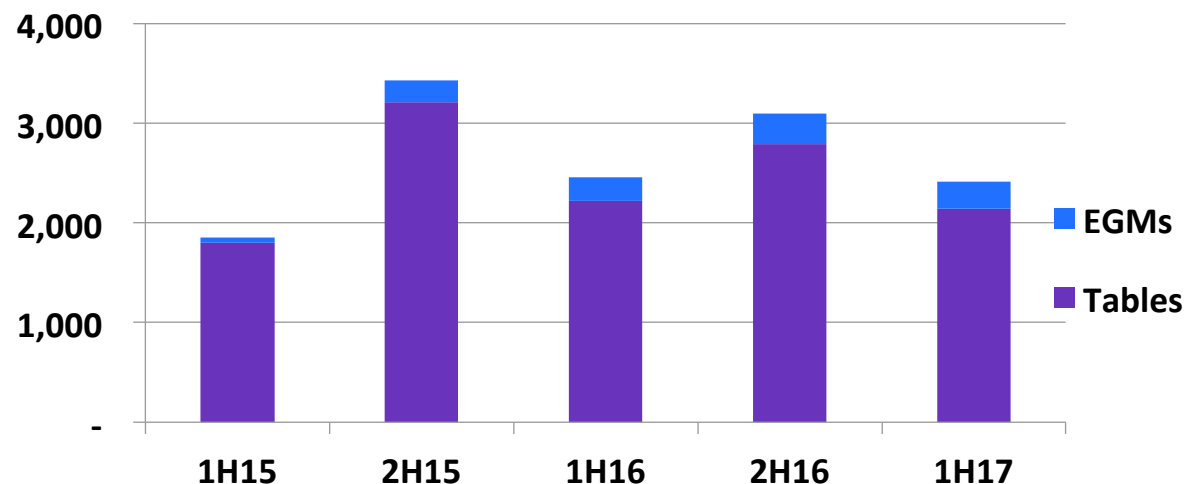
(1) Visitation	+ 16%
(2) Drop	+ 19%
(3) Hold Rate	- 19%
(4) GGR	- 2%

# Operations - Nepal: The Millionaire's Club & Casino Kathmandu

- Located in the Shangri-La Hotel, Kathmandu, Nepal
- 100 hotel rooms in a 5-star hotel
- 15 tables on the main gaming floor and 34 EGMs, with 3 additional VIP tables and potential additional capacity available
- The Group owns the casino license and manages the casino
- The Group leases the area until at least 2024 from the Hotel
- US\$57,000 of Gross Profit and US\$156,000 of Net Losses in the half-year ended 30 June 2017
- Annualised Cash Return of 4% in the half-year ended 30 June 2017 on an aggregate invested capital of US\$3.2 million



**TMCKK - Gross Gaming Revenue<sup>1</sup> (US\$'000)**



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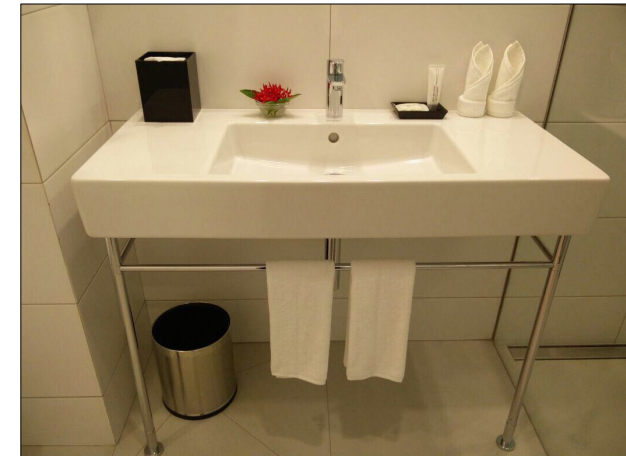
# Development - Nepal: Tiger Palace Resort Bhairahawa

- 10 Hectare (22 acre) Integrated Resort
- 15 mins drive from Bhairahawa Airport
- 18 mins drive from India Border
- 100 Rooms, 2 Villas, 6 F&B Outlets, Pool, Gym, Spa
- Casino: 52 Tables / 200 EGM with room for expansion
- Meetings, Conferences, Exhibition, and Wedding Areas
- Situated between two UNESCO World Heritage Sites
- Visa-free access for Indian citizens to Nepal
- Excellent road infrastructure and airlift improving
- Hospitality due to open by end September 2017
- Casino due to open by end November 2017



# Tiger Palace Resort Bhairahawa: Hotel & Hospitality Photos

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Hotel Rooms - AC1 (Mountain Wing): Standard Room Twin, South Facing - August 2017

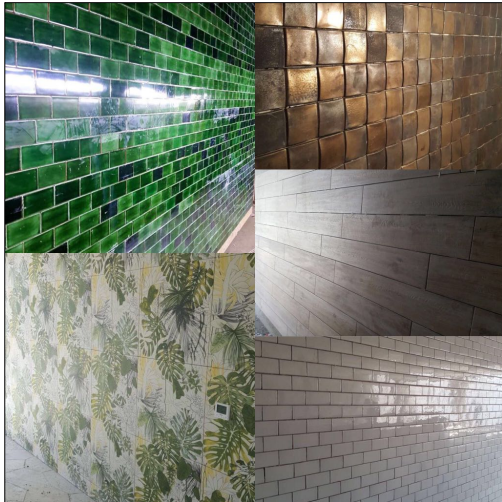
# Tiger Palace Resort Bhairahawa: Hotel & Hospitality Photos



Pool Bar & Grille – Interior – August 2017 (all photos August 2017)



Gym - Sauna



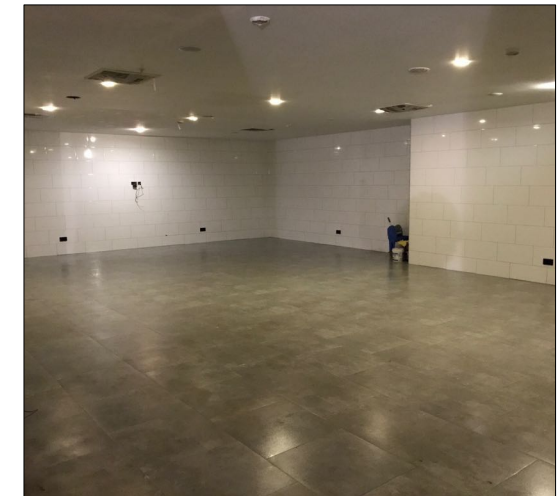
Hospitality - Interior Tiling



Kitchens - Coolers



Laundry - Driers



Back of House - Staff Canteen

# Tiger Palace Resort Bhairahawa: Artist Renderings, Exterior

Pool, Pool Bar & Grille



Reflecting Pool



Tiger Palace Resort Bhairahawa



Car Park



## Appendix 1(a) - June 2017: Group Balance Sheet

(US\$'000)	June 2017	Dec 2016	Change	
Cash and cash equivalents	8,456	16,931	-50%	See page 16 for analysis of cash flows
Other current assets	2,227	4,731	-53%	Includes some reclassification in this period of deposits to non-current assets
Property, plant & equipment	47,704	28,256	+69%	Increase mainly due to investment in Tiger Palace
Intangibles	10,944	11,380	-4%	Gaming software licences & Phoenix management services contract
Other non-current assets	6,287	5,259	+20%	Includes deposits for Tiger Palace 2 land
<b>Total Assets</b>	<b>75,618</b>	<b>66,557</b>	<b>+14%</b>	
Current liabilities	12,492	2,629	+375%	Increase due to investment in Tiger Palace
Current borrowings	193	178	+8%	Nepal bank lending repayment starts in April 2018
Long-term borrowings	25,351	24,327	+4%	See page 17 for further details on borrowings
<b>Total Liabilities</b>	<b>38,036</b>	<b>27,134</b>	<b>+40%</b>	
<b>Net Assets</b>	<b>37,582</b>	<b>39,423</b>	<b>-5%</b>	
No. of ordinary shares in issue	190.3m	190.3m		
<b>Net Tangible Assets per Share (US\$ cents)</b>	<b>14.00</b>	<b>14.74</b>		

## Appendix 1(b) - June 2017: Cash Flows

(US\$'000)	1H 2017	1H 2016
<b>Cash flows from Operating Activities</b>		
Receipts from customers	8,555	8,368
Payments to suppliers and employees	(6,744)	(6,876)
	1,811	1,492
Interest received	17	15
Interest and other finance costs paid	(800)	(400)
Income taxes paid	(140)	(104)
<b>Net Cash from Operating Activities</b>	<b>888</b>	<b>1,003</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(8,660)	(4,398)
Repayment of loans advanced to related parties	-	130
Payments for future project expenses	(724)	(78)
<b>Net cash used in Investing Activities</b>	<b>(9,384)</b>	<b>(4,346)</b>
<b>Cash flows from Financing Activities</b>		
Proceeds from borrowings	-	3,119
Transaction cost related to issue of shares or options	(181)	(688)
<b>Net cash from/(used in) Financing Activities</b>	<b>(181)</b>	<b>2,431</b>
Net decrease in cash and cash equivalents	(8,677)	(912)
Cash and cash equivalents at beginning of the financial half-year	16,931	6,034
Effects of exchange rate changes on cash and cash equivalents	202	(606)
<b>Cash and cash equivalents at the end of the financial half-year</b>	<b>8,456</b>	<b>4,516</b>



# Appendix 1(c) June 2017: Borrowings

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## **Bank Loans**

Nepalese bank loans: NPR 750 million (US\$7,351,000) (31 Dec. 2016: NPR 750 million (US\$6,758,000)  
Repayment terms: 12 years (from 30 April 2014), repayable in 38 quarterly instalments with the first installment due in April 2018.  
Interest: Paid quarterly at a variable rate, which for the period averaged 9.92% (2016: 9.8%).

**Subsequent Event:** On 21 August 2017, Nepal bank facilities expanded. Term Loan increased from NPR 750 million to NPR 1,100 million (US\$10.8 million). Additional NPR 150 million (US\$1.5 million) provided as a 1-Year Demand Loan (See Announcement dated 22 August 2017 for further details)

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## **Corporate Bonds**

Corporate Bonds: US\$20,000,000 issued on 25 August 2016  
Fair Value: US\$18.2 million (31 December 2016: US\$ 17.7 million).  
Interest: 8% payable semiannually in arrears  
Redemption: At any time prior to the date of maturity at the redemption price that will entitle the bondholders to an internal rate of return equal to 15% per  
Maturity Dates: US\$2.0 million on or before 31 December 2018;  
US\$3.0 million on or before 31 March 2019;  
US\$4.0 million on or before 30 June 2019; and  
US\$11.0 million on or before 24 August 2019 (Subsequently amended to US\$9.0 million – see below)

**Subsequent Event:** In conjunction with the increase in Nepal bank facilities, Company will repay US\$2.0 million of Corporate Bonds on or around 25 August 2017 (See Announcement dated 22 August 2017 for further details)

# Appendix 1(d) Results of Entitlement Offer – July & August 2017

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**Institutional Offer** 206,533,143 Ordinary Shares issued on 10 July 2017 at A\$0.05 each  
Total funds raised: A\$10.3 million (US\$7.9 million)  
8,518,727 Ordinary Shares issued in partial satisfaction of sub-underwriting fees

**Retail Offer** 174,037,162 Ordinary Shares issued on 3 August 2017 at A\$0.05 each  
Total funds raised: A\$8.7 million (US\$6.9 million)  
5,867,445 Ordinary Shares issued in partial satisfaction of sub-underwriting fees

**Summary**

Number of Ordinary Shares in issue at June half-year end:	190,285,153
Issued in 2 for 1 Entitlement Offer in July and August 2017	380,570,305
Issued in partial satisfaction of sub-underwriting fees	14,386,172
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<b>Number of Ordinary Shares in issue at 23 August 2017</b>	<b>585,241,630</b>
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**Options**

Issued to OCP in August 2016 @ A\$0.44. Expiry: August 2019	29,904,306
Issued to OCP in August 2017 @ A\$0.11. Expiry: August 2019	29,904,306
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<b>Total Options in issue at 23 August 2017</b>	<b>59,808,612</b>
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(10.2% of number of Ordinary Shares in issue)

# Appendix 2 - Key Corporate Information

## Capital Structure (at 22 August 2017):

Shares on issue	585,241,630
Options (OCP)	29,904,306 @ A\$0.11, Expiry Aug 2019
	29,904,306 @ A\$0.44, Expiry Aug 2019

## Debt (See Page 17 for further details)

Bond (OCP)	US\$20,000,000 <sup>1</sup>
Bank Loans (Nepal)	US\$7,351,000 (NPR 750 million) <sup>2</sup>

## Market Statistics:

Share Price (22 Aug 2017)	A\$0.08
Market Cap (22 Aug 2017)	A\$46.8 million (US\$37.1 million)
NAV (30 June 2017)	A\$49.0 million (US\$37.6 million)

## Board of Directors:

David Green	Chairman & Non Executive Director
Richard Barker	Non-Executive Director
Matthew Hunter	Non-Executive Director
Rob Benussi	Non-Executive Director (7 Aug 2017)
Mike Bolsover	Executive Director & CEO
Company Secretary:	Kim Clark

## Top 10 Shareholders (per ASX Announcement 3 Aug 2017):

Citicorp Nominees Pty Ltd	24.202%
HSBC Custody Nominees (Aus) Ltd.	8.549%
Brispot Nominees Pty Ltd.	8.250%
UBS Nominees Pty Ltd.	5.732%
CS Fourth Nominees Pty Ltd.	4.636%
Calm Waters Partnership	4.238%
CS Third Nominees Pty Ltd.	3.736%
HSBC Custody Nominees (Aus) Ltd. - A/C 2	3.281%
J P Morgan Nominees Aus Ltd.	2.348%
HSBC Custody Nominees (Aus) Ltd. - A/C 3	2.050%

## Principal Advisers:

Legal Counsel:	DLA Piper
Auditors:	Grant Thornton
Share Registrar:	Boardroom
Investor Relations:	Michael Brown

<sup>1</sup> Company will repay US\$2.0 million of Corporate Bonds on or around 25 August 2017 (See Announcement dated 22 August 2017 for further details)

<sup>2</sup> On 21 August 2017 Nepal bank facilities extended from NPR 750 million to a total of NPR 1,260 million (See Announcement dated 22 August 2017 for further details)

# Appendix 3 - Corporate Social Responsibility

Silver Heritage is committed to helping the local communities in Nepal as part of our Corporate Social Responsibility program.

The following are examples of CSR in Nepal.

## Nepal Youth Foundation

- Established over 25 years ago by Olga Murray
- Helps impoverished children across Nepal
- Impacted in a major way over 50,000 lives
- 16 hospitals, children's village, scholarship program

## Captivating International & 3 Angels Nepal

- Bhairahawa Border Monitoring Station Program
- Targets human trafficking at the Nepal/India border
- Direct Intervention, Rehabilitation, Prevention, Education
- Intercepting 30 girls per month and providing counselling, support, and returning home

## Dream Cricket (Don Bradman Foundation)

- A special needs program enabling the community to create opportunities to grow and develop self-esteem and inspire confidence in children
- Programs in South Asia and SVH-led in Nepal



# Disclaimer

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This document may contain forward-looking statements including statements regarding our intent, belief or current expectations with respect to the Company's business and operations, market conditions, results of operations and financial condition, specific provisions and risk management practices. When used in this document, the words 'plan', 'will', 'anticipant', 'expect', 'may', 'should' and similar expressions, as they relate to the Company and its management, are intended to identify forward-looking statements.

Forward-looking statements involve known and unknown risks, uncertainties and assumptions and other important factors that could cause the actual results, performances or achievements of the Company to be materially different from future results, performances or achievements expressed or implied by such statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document.

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