

**25 May 2017**

**SILVER HERITAGE GROUP LIMITED**

**ASX ANNOUNCEMENT – ANNUAL GENERAL MEETING PRESENTATIONS**

In accordance with the ASX Listing Rules, the Chairman's and Chief Executive Officers addresses to the Annual General Meeting are appended.

**Kim Clark**  
**Company Secretary**

**About Silver Heritage**

Silver Heritage is an experienced regional gaming operator that operates and manages casinos in Nepal and Vietnam. Operating across Asia for more than 13 years, Silver Heritage brings best-in-class gaming operations to emerging gaming markets that are witnessing significant growth in gaming due to rising income levels and liberalisation of gaming regulations and rapid growth of outbound Chinese and Indian tourism.

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### **Forward Looking Statements**

*This announcement contains forward-looking statements. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future are forward-looking statements. These forward-looking statements are based on management's beliefs and assumptions and on information currently available to our management. The Company's management believes that these forward-looking statements are reasonable as and when made. However, you should not place undue reliance on any such forward-looking statements because such statements speak only as of the date when made. We do not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law or the ASX Listing Rules. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results, events and developments to differ materially from our historical experience and our present expectations or projections.*

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## Chairman's Address

Ladies and Gentlemen,

It is my pleasure to present the inaugural Silver Heritage Group Limited Chairman's address. The Silver Heritage group of companies was founded in 2003 by Mike Bolsover and his compatriot, Tim Shepherd.

The group's purpose then, as now, was to supply international standard gaming expertise and equipment to emerging Asian jurisdictions, where it had identified strong demand for gaming. This resulted in the targeting of jurisdictions where lawful gaming was at best a nascent industry, and where there were relatively low barriers to entry. Markets such as Vietnam, Cambodia, Laos, the Philippines and India not only presented profiles consistent with what was sought by Silver Heritage; they were also jurisdictions which had been largely ignored by the major international casino operators.

The group has a history of entering new markets through revenue sharing arrangements related to the supply and servicing of gaming machines. This has allowed the group to take a low risk approach to market entry, and to gather experience in a number of markets concurrently.

It has also enabled considered assessment of broader opportunities for participation in those markets, especially as a gaming facility manager, operator, and most recently licensee. Commensurate with the formative state of the gaming industry in jurisdictions such as those mentioned, laws regulating the industry are often underdeveloped and uncertain in their interpretation. This creates challenges for many companies which are more familiar and comfortable with the highly prescriptive and predictable regulatory frameworks provided in many Western jurisdictions.

We take the view that we must conduct ourselves according to the highest standards of probity and good industry practice, irrespective of the state of development of regulated gaming in jurisdictions in which we may operate. In some cases, we have an opportunity to contribute to improved regulation or regulatory practice, which benefits the company by establishing and maintaining higher barriers to entry for those who may wish to emulate us.

As a small player we can be more agile than the large players. We can make good returns from well run, small-scale operations, and accept risk profiles which

the Compliance Committees of large gaming companies would perhaps currently find much too challenging.

It has been said, and rightly, in my opinion, that when faced with a challenge, we should look for a way, not a way out. This is not some homespun, folksy philosophy; it is the articulation of the *raison d'être* for small casino developers and operators such as your company.

In my Chairman's letter, incorporated in the 2016 Annual Report, I have identified, and commented upon some of the challenges which have arisen for your company since it listed in August 2016. I did not comment then in relation to our challenge in bridging the funding gap for the Tiger Palace resort, which was identified in February last. It is appropriate that I do so now.

First, some context. As you know, trading in the company's shares was suspended by the ASX, at the company's request, on February 27, 2017. At that time, it had become apparent that both the cost and expected completion date of the Tiger Palace project would likely be materially, and adversely different from what had previously been announced to the market.

On March 23, 2017, the company advised the ASX that it had completed a comprehensive review of the development of Tiger Palace. As a result, the budgeted cost of delivering the project was increased by US\$13.8m (A\$18m), and completion dates were revised to August 2017 for hospitality areas, and to November 2017 for the entire resort, including the casino. Since that announcement, the Board, management and the company's legal and financing advisors have been working to secure a funding solution which best protects the interests of you, the shareholders of Silver Heritage Group.

To say the least, the process has been demanding. It is undeniable that our credibility has been an issue, given the substantial increase in the aggregate budgeted cost of the Tiger Palace project, and the anticipated delay in completion. However, I believe that we are close to completing negotiations for a financing package which will fully fund the project to completion, and responsibly and fairly respect the interests of our existing shareholders.

We are conscious of the protracted period of suspension of the company's shares, and the implications of such a lengthy suspension. That said, we are not yet ready to request a resumption of trading. We will do so only when the Board is satisfied that we have identified the best available financing option, and are in a position to announce it to the market. I cannot predict when that will be, but

we are working constructively with a number of parties to deliver a positive outcome.

Let me turn now to our other, continuing operations, where trading is strong. We have benefitted from the investment made by the owner of the Phoenix International Club in additional hotel capacity and amenities. Unfortunately we are only the managers of the casino, which restricts our ability to place additional live gaming product on the casino floor, in the quantity and at the time we want. It also means that we are not entirely in control of the costs of operating the casino and ancillary services. However, we consider the company has, on balance, done well from its investment in Phoenix, indeed we have already earned back and repatriated to Hong Kong more than the aggregate US\$11.2m invested to date, and we expect that it will continue to develop as an attractive entertainment destination for visitors to Bac Ninh and Hanoi.

TMCCCK may gain some incremental benefit once the Tiger Palace casino is operating, as we will be able to integrate branding, player rewards, and marketing initiatives, and to develop more comprehensive staff training programs and remuneration arrangements, and provide greater and more diverse career opportunities. It is important that we retain and promote the best of our people, since they are a sustainable source of competitive advantage.

Our focus now is firmly on completing Tiger Palace and commencing trading there. We have to capitalize on our expertise and our first mover advantage. We have encountered frustrating delays in obtaining approval for the remittance into Nepal of capital required for Tiger Palace. These delays have resulted in contractors suffering severe delays in their payments, and we have been unable to provide any certainty to them as to the duration of the delays.

We are fortunate that most of our contractors have been supportive, and have worked with us to minimize the impact this has on our ability to complete construction in accordance with our revised timeline. I am pleased to advise that our lawyers in Nepal have reported that we have progressed to the final stage with our application for approval to increase the equity ceiling, or authorized capital, of our Nepal holding company through which the Company is investing in Tiger Palace, Silver Heritage Investments Pty. Ltd., to a level which will comfortably enable us to remit the funds required to complete Tiger Palace. They also noted, though, that there is no certainty as to how long it will take for the final approval to be granted.

I can well understand why many shareholders will feel that they have been let down by the Company's performance. It is a feeling shared by your Directors.

Indeed, there have been times when finding a way out would have been far easier than finding a way to address the myriad challenges which have been presented.

Let me take this opportunity to assure you that the Board has no intention of finding a way out; we accept that we are accountable for the governance of the Company, and for the performance of management – that we must do better, and that we have a mountain to climb in terms of re-building your trust. Our objective remains to deliver returns to shareholders, commensurate with the risk involved in establishing a substantial entertainment and hospitality facility in what is, both literally and figuratively, a frontier market.

Simply put, in order for the Company to make a meaningful start in rebuilding that trust, we MUST complete and open Tiger Palace, in accordance with the revised timeline advised to the ASX on March 23, 2017, being November 2017 for the opening of the entire resort. Unless and until that goal has been realized, the Board will not have found a way; the challenge will have defeated us.

That does not sit well with any of us, and we will continue to do what has to be done to ensure that we succeed in the completion and opening of Tiger Palace. All we can ask for is your understanding, patience and support – you have our ongoing commitment.

I wish to record my thanks for the efforts of my fellow Directors, who have worked tirelessly to mitigate the challenges that the company has confronted in the past nine months. I also wish to thank the many good people who work for your company; your energy and endeavour has been much appreciated.

**END**

## Chief Executive Officer's Address

Thank you Mr. Chairman.

Fellow shareholders and directors, ladies and gentlemen, good morning and welcome to the 2017 Silver Heritage AGM. It's a pleasure to be here in Sydney and to address you at our inaugural AGM as a public listed company.

As many of you will know, and see today, we have come a long way in our development since we started in the region as a gaming services provider in 2003, but we still have a way to go to fulfill our potential.

It is an important and exciting time to be at Silver Heritage as we edge closer to the launch of our Integrated Resort in Bhairahawa, Nepal, adjacent to India's most populous state, Uttar Pradesh and its more than 215 million residents.

Let me start by recapping on Silver Heritage's competitive strengths as these are the foundations that differentiate us, and which will enable your company to successfully operate in the region.

Our strengths include:

- the depth of our experience,
- our track record of successful operations across the Asian gaming markets, particularly in frontier or developing markets, and
- our strict adherence to international standard operating procedures, compliance, and governance.

Since our IPO last year, we have focused our efforts on Nepal and Vietnam, both of which present significant opportunity, and both where we have been operating for over five years.

Further to the Chairman's summary, I am pleased to be able to update shareholders on how each of our regional operations have performed so far in 2017, and to take this opportunity to show you all the progress we have made in the development of Tiger Palace Resort Bhairahawa and to update you on our strategy through to completion.

### **Our existing operations**

We have had a strong start to trading in 2017, with first quarter net cashflow at Phoenix in Vietnam of US\$1.3 million, up more than 50% compared to Q1 2016, and in The Millionaire's Club in Nepal of US\$147,000.

Together with our fixed lease business in Laos, and contribution from our 50% owned company, Gaming Concepts Group, this has resulted in Total Adjusted EBITDA of US\$654,000 in 1Q17, approximately 8% up year on year.

This is a welcome and pleasing improvement from the early post-IPO performance, notwithstanding that many of the same factors which impacted our revenues in 2016 continue today, namely:

- operational volatility,
- a slower than anticipated rebounding of the Nepali tourism market, and
- the unexpected action taken by the Reserve Bank of India to withdraw high denomination bank notes from circulation.

### **Tiger Palace Resort Bhairahawa**

The challenge since our IPO has been to successfully complete the development of our most exciting project to date.

Tiger Palace Resort Bhairahawa is situated between two incredible and captivating UNESCO World Heritage sites:

- Lumbini – the birthplace of Lord Buddha, and
- Chitwan – a beautiful safari park.

Coupled with an excellent location, the fundamentals of the Tiger Palace investment proposition remain strong.

In particular:

1. Positive broad structural demographic trends in India underpin a burgeoning middle class in the neighboring state of Uttar Pradesh, with its population of some 215 million citizens with a significant middle class, and the 1.32 billion citizens of the Republic of India.
2. Structurally, great progress has been made in the upgrading of the proximate road infrastructure from India to Kathmandu (including a six lane highway directly past the resort), as well as significant airlift facilities due to complete over the next 15 months.
3. Upgrading of the domestic Nepal airport at Bhairahawa (which is a 15 minute drive from the resort) to full international status, and the expansion of the domestic Indian airport at Gorakhpur (just 100km over the border in India) will substantially improve ease of access to Tiger Palace resort from the largest cities in India such as Delhi, Mumbai, Kolkata and also internationally.

There is no question that on completion, Tiger Palace will be a world class asset, the likes of which Nepal, and Indian gaming has not seen before.

### **Delays and cost overruns and how we have dealt with these issues**

In my letter to shareholders contained within the 2016 Annual Report, I detailed the various macro-challenges we have faced in the construction of the Tiger Palace resort since inception, which have included:

- the temporary raw materials ban in 2014,
- the tragic earthquake in 2015, and
- a fuel shortage connected with the new constitution in the latter stages of 2015.

Construction has also been hindered by the complicated and protracted processes involved in obtaining certain approvals, most notably, the raising of the equity ceiling of our local investing company, SHIPL, which our Chairman has highlighted earlier in his address, and which is an issue that we are making good progress in resolving.

The delays and cost overruns at Tiger Palace were not caused entirely by macro-factors beyond our control. As a management team and board, we accept responsibility for this and in hindsight, there were things we could have done better, and we have worked hard to ensure that we learn from these issues and improve our processes.

As we have announced in recent months, we have carried out an extensive review of the construction processes surrounding Tiger Palace and have implemented a host of new measures and procedures to ensure that we have a far higher degree of transparency between the project team and central management and the Board, and accountability ascribed for all aspects of the completion of Tiger Palace.

Key to these improvements has been the appointment of our new Project Director, Adam Titus, and his experienced and capable team, who together have overseen the completion of a number of integrated resort projects in Asia, most recently Okada Manila. Since commencing work formally in March 2017 and notwithstanding the many issues that they have faced, the impact of Adam and his team has been substantial, as can be gauged by the current state of the Tiger Palace development.

Your company is in good hands and given the solid progress made so far this year at Tiger Palace, we expect to deliver a completed world class asset on our new schedule and within our revised budget.

### **Funding the completion of Tiger Palace Resort Bhairahawa**

As detailed in the recent announcements we have made to the ASX, and as highlighted by our Chairman earlier, we will need to source sufficient capital to cover the estimated funding gap of an aggregate US\$13.8m to enable the Company to complete the final stages of the development and to open the resort in a staged manner, starting with the hotel and hospitality in August.

The board, our advisors, your management team and I have all worked tirelessly to provide a funding solution which provides certainty of funding on terms which are as favorable as possible to you, our shareholders.

In this regard, we have identified and assessed a variety of funding alternatives, which have included:

- Provision entirely through debt from new providers, both international and within Nepal,
- Provision entirely through an equity investment from new investors, both internationally and within Nepal,
- Funding entirely through new equity investment from existing shareholders through an entitlements offer or otherwise,
- An increase of the debt facilities provided by our existing debt provider, and
- Combinations of one or more of the above.

We are not quite there with a finalized funding solution, but are well advanced on several and our objective is to announce the preferred solution to you shortly.

The challenge will then be to complete the exercise and deliver the funds in a timely manner to complete construction to the revised schedule, and to open the hospitality and hotel public areas in August 2017, and the casino in November 2017.

### **Silver Heritage Outlook**

Whilst we complete the planned capital raise and complete and open Tiger Palace resort, we will be building on the solid revenues earned by the Company to date in 2017.

I look forward to the rest of 2017 - to achieving the opening of our Integrated Resort in Bhairahawa, Nepal and to continued growth in our operating casinos in Bac Ninh, Vietnam and Kathmandu, Nepal.

Thank you all for your time today and for your continued support.

**END**

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