

25 September 2017

Update on Star Vegas Management Transition

Further to the announcements made on 24 July and 29 August 2017, Donaco International Limited (“Donaco” or “the Company”) provides the following update on the implementation of new management arrangements at the Star Vegas property in Poipet, Cambodia.

Key management personnel

Donaco has now filled the key management roles at Star Vegas with new personnel. This includes Mr Kenny Bee Meng Chuan, who commenced as General Manager at the property on 1 September. Mr Bee was formerly the Casino Manager at Wynn Macau, and has extensive experience at Wynn and at the Genting Group. Other key roles now filled include the Hotel Manager, Head of Human Resources, Casino Cage Manager, and other key finance roles.

Performance of the Star Vegas business since 1 July 2017

Donaco confirms that the main hall and slot machine business at Star Vegas has continued to be robust since the management changeover on 1 July 2017.

On the VIP side, new junket arrangements continue to be implemented. A number of new Thai junkets commenced operations at the property in August, and a number of additional junkets commenced in early September.

As previously announced, the VIP earnings from the property are expected to be lower in the September quarter, but the VIP business has been rebuilding during this period as the new junkets are introduced. The reduction in VIP turnover has also led to a reduction in costs, with VIP junket commissions reduced by more than 70% in July and August, compared to 2016.

Donaco has also been able to implement significant cost savings at the property, in the areas of staffing and procurement, since gaining full management control on 1 July 2017. Operational expenditure in July and August was reduced by 24.5% in US dollar terms, and 27.6% in Thai Baht terms, compared to 2016.

As a result of these initiatives, Star Vegas recorded EBITDA of USD2.9m in July, with good growth to USD3.8m in August, as the new VIP junkets commenced operations in that month. The total of USD6.7m is 5% lower than the previous corresponding period in 2016.

Donaco notes that in the December 2016 half year period, Star Vegas recorded EBITDA of USD22.86m, which is an average of USD3.81m per month.



In Thai Baht terms, the EBITDA at the property in July and August was THB225.6m, which is 9% lower than the previous corresponding period in 2016.

Donaco notes again that these results are prior to the introduction in September of additional Thai junkets, and the commencement of new experienced property management. In addition, Donaco plans to refresh the inventory of slot machines at the property, and is confident that higher revenue and earnings can be generated from this line of business.

Update on Star Paradise

As previously announced to the market, Donaco has been managing the gaming room at the adjoining Star Paradise property under a management contract signed in August 2016. Donaco has received a management fee of THB 5 million per month, plus reimbursement of expenses. The Star Paradise property is owned by the family of the Thai vendor of the Star Vegas.

The management contract for Star Paradise has now expired, and no new management arrangements have been put in place. Donaco has formally notified the Thai vendor that the Star Paradise gaming room cannot operate without Donaco's consent. Otherwise, Donaco considers that this would be a breach of the non-compete provisions that were agreed by the Thai vendor at the time of the purchase of Star Vegas. The non-compete provisions are not limited in time, and prevent the Thai vendor from being involved in any other casino or gaming business in the Poipet area.

Currently the gaming room at Star Paradise continues to operate. Accordingly, Donaco has issued a cease and desist letter, and will not hesitate to commence legal proceedings to enforce its rights under the non-compete provisions, should this become necessary.

Update on international marketing arrangements

Under the deal with Vivo Tower Limited, Donaco continues to market the previously unused space at the property to international (non-Thai) junkets and players. In order to cater to this clientele, a number of new entertainment and other non-gaming facilities have been built, including karaoke rooms, a nightclub, and new food and beverage outlets. These facilities have been built by third party operators, at no upfront cost to Donaco. The operators will pay a revenue share fee for the right to occupy the space.

In addition, Vivo Tower Limited has prepared an area for 12 online gaming tables, to be operated by third party junkets. This will represent the first time that the online gaming licence at Star Vegas has been used.

Both the new entertainment facilities, and the online gaming area, are expected to commence operations within the next month. This will enable Donaco and Vivo Tower to accelerate the marketing of the property to international junkets.



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ABOUT DONACO INTERNATIONAL LIMITED (ASX: DNA)

Donaco International Limited operates leisure and entertainment businesses across the Asia Pacific region.

Our major business is the Star Vegas Resort and Club, a successful casino and hotel complex in Poipet, Cambodia, on the border with Thailand. Star Vegas was established in 1999, and is the largest and highest quality of the Poipet casino hotels. The property has more than 100 gaming tables, more than 1400 slot machines, and 385 hotel rooms.

Our flagship business is the Aristo International Hotel, a successful boutique casino in northern Vietnam, located on the border with Yunnan Province, China. Established in 2002, the property has recently been expanded to a brand new five star resort complex with 400 hotel rooms. Donaco is a pioneer casino operator in Vietnam, and owns a 95% interest in the business, in a joint venture with the Government of Vietnam.

To learn more about Donaco visit www.donacointernational.com
