



REEF
CASINO TRUST

**TRUST CHAIRMAN'S AND REEF HOTEL CASINO CEO'S
ADDRESS TO THE ANNUAL GENERAL MEETING
18 MAY 2018**

Chairman's address

I would like to again welcome all unit holders and observers to the Reef Casino Trust's 2018 annual general meeting here in the Reef Hotel Casino. A little later, our CEO, Allan Tan will also provide his address. I hope you will find our addresses informative and that you will take away with you a good understanding regarding your investment in the Trust.

Distributable profit

We reported in February this year that the Trust produced a distributable profit in 2017 of \$11.3 million compared to \$11.9 million in the previous year. Rental income from the Reef Hotel Casino was 0.3% higher than 2016, however the total expenses of the Trust were higher due to a higher responsible entity fee which resulted from an increase in the Trust's property value, a tariff increase in electricity, and higher depreciation and interest arising from Project L1 complex refurbishments which were completed successfully in early 2017.

Distributable profit is determined as net profit for the year, which was \$5.64 million, plus distributions to unitholders which have been treated as finance costs in accordance with International Financial Reporting Standards (IFRS), which was also \$5.64 million.

Total Trust revenue for 2017 comprised mainly of rental income from the Reef Hotel Casino and totalled \$22.4 million, compared to \$22.3 million in 2016. The Trust's operating expenses continued to be well controlled.

As Chairman, I record my thanks to my fellow board members of the Trust and the management and staff of the Reef Hotel Casino for their efforts during 2017.

Unit distribution of 22.86 cents per unit

The total unit distribution in 2017 was 22.86 cents per unit. This total unit distribution comprises just slightly more than 100% of 2017 distributable profit by 0.2 cents per unit. Following this, the undistributed income account balance is 11.9 cents per unit, or \$5.93 million.

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Responsible Entity -
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Increase in value of Trust property

In accordance with the requirements of the Trust Constitution an independent valuation of the Reef Hotel Casino complex was externally undertaken at 31 December 2017.

The independent valuer, JLL Hotels and Hospitality Group, valued the Reef Hotel Casino complex at \$150 million as at 31 December 2017, up from \$136 million as at 31 December 2014. As the Reef Hotel Casino complex is measured at depreciated cost (which was \$97.7 million as at 31 December 2017), this latest independent valuation is shown as a note to the financial statements.

The Trust will continue to obtain an independent valuation of the Reef Hotel Casino complex at least once every 3 years in accordance with the requirements of the Trust Constitution.

A strong and healthy balance sheet

The Trust's balance sheet remains strong and healthy with positive cash flows and the Trust continues to have sufficient working capital. The interest only loan facility with the Bank of Queensland remains unchanged at \$13.5 million. This loan facility was due to expire on 31 January 2019. The Trust has accepted the bank's offer of an extension of the loan for another three years which will expire on 31 January 2022. The amount drawn down at 31 December 2017 was \$3.2 million.

Capital Investment

Project L1, a \$6.5 million refurbishment of the ground floor of the Reef Hotel Casino was completed in early 2017. Capital expenditure for the rest of 2017 consisted mainly of operational requirements including new gaming machines and on-going maintenance of the Reef Hotel Casino complex.

I will now ask Allan Tan, the CEO of the Reef Hotel Casino to deliver his address.

CEO's address

Thank you Chairman. Good afternoon unitholders, ladies and gentlemen.

Brief overview of Reef Hotel Casino in 2017

The 2017 annual report sets out in some detail our 2017 trading performance. Let me briefly provide an overview this afternoon.



Some key trading and operating conditions in 2017

First half year:

- The Chinese New Year holiday season in the first quarter was soft for Cairns as a whole. There was an absence of direct flights from China into Cairns, however, direct flights have now resumed.
- The Reef Hotel Casino faced strong local competition in electronic gaming from clubs and hotels.
- Premium gaming was subdued in the first half of 2017 because of the arrest of marketing staff in China from another Australian casino operator. This impact lessened as the year progressed.

Second half year:

- New facilities from the complex level 1 refurbishment contributed positively to strong casino and hotel performance in the second half year.
- Traditional high tourist season in Cairns

Rentals paid to the Trust were slightly above last year by 0.3% on the back of hotel and casino revenues growth.

Room accommodation revenues were 4.4% below the previous year which was a record year. Successful yield management, product packaging and leveraging off Accor's global and Australian network contributed to a good overall performance.

Food and beverage revenues were 19.4% better than last year due to new facilities including BAR36, Merchant Artisan Food and Coffee, and an expanded Tamarind restaurant.

Casino electronic games revenues were 0.6% lower than 2016. A special slots focus group was formed by management during 2017, new gaming machines and new games were introduced, our tiered loyalty membership program was built on, and we continued to implement a full and exciting program of marketing, promotions and entertainment which is proving successful.

Table games revenues from the main floor grind and premium markets were 5.3% better than last year. The marketing agreement entered into in 2016 with a Macau based marketing agent for our premium player market segment continued throughout 2017.

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Driving future performance in 2018

The following strategic areas will drive future performance of the complex. These will be coupled with the proven success of our management strategy and philosophy under our “One Complex, One Team, One Success” mantra.

- Casino operations
 - Casino Refresh Project
Work will commence in September this year to refresh the main casino gaming floor. This will include a new higher stakes table gaming area, a new look for Finders Bar and Grill, new carpets throughout and a new entrance into the casino. The expected cost of this project is about \$1.75 million and is expected to be completed by Christmas this year.
 - Electronic Gaming
Apart from growth in direct food and beverage sales, our new BAR36, expanded Tamarind Restaurant and new Merchant Artisan Food and Coffee venue together with our new look casino lobby with high-tech interactive feature, new casino guest services reception – all continue to play a key role to drive further growth in electronic gaming by driving visitations into our entertainment complex. Increased advertising in Cairns and selected regions to target the visitor market, a full promotion, entertainment and marketing program and continued investment in new gaming products all contribute to our expectation of competing aggressively and successfully with our competition.
 - Table Games
Our casino’s marketing agreement with a Macau-based marketing agent was updated and bolstered with effect from 1 January 2018 in order to further development of premium gaming activity barring any unforeseen political and economic challenges in China.
- Hotel Operations
 - Our Pullman hotel have applied sharp yield management strategies to capitalise on an expected reduced inventory in Cairns to drive REVPAR performance and take advantage of Commonwealth Games opportunities, high end tours and cruise ships homeporting in Cairns.

We will have a full entertainment program to strengthen BAR36’s position as the best live entertainment venue in Cairns



Update for the first 4 months

So far in the first 4 months of this year, total rental paid by the Reef Hotel Casino to the Trust is up by 19% compared to the same period last year. This partly reflects a degree of short term trading variability in the casino industry and a relatively soft start to last year.

Key factors include an improved Chinese New Year high tourist season, strong performance in table games premium play and strong performance by hotel room operations. We continue to take on the local competition in electronic gaming machine operations and our food and beverage operations continue to strongly support the overall performance of the complex.

Ladies and gentlemen, this concludes my address and I now hand back to the Chairman.

Chairman's address continues

Thank you, Allan.

Ladies and gentlemen, let me continue.

Summary and conclusion

Casinos Austria AG (CASAG) ownership changes

Casinos Austria (CASAG) holds 42% of the units in the Trust via its wholly owned subsidiaries including Casinos Austria International Limited (CAIL). CAIL and Accor jointly own Reef Corporate Services Ltd, the responsible entity of the Trust and Casinos Austria International (Cairns) Pty Ltd, the operator of the Reef Hotel Casino.

Since the Trust's release of its 2017 annual report on 21 February 2018, we are not aware of any further material changes to the ownership of Casinos Austria AG.

We will of course update unitholders and the market as and when the Trust becomes aware of more information.

CASAG's Project Otto

The Trust made a statement to the ASX on 13 April 2018 that CASAG had announced that it will no longer pursue Project Otto which was a potential sale of CASAG's casino assets located outside of Austria.



Trust, CASAG and Accor

The relationships between the Trust and CASAG/Accor (as major unitholders and joint operator of the Reef Hotel Casino) continue to work well.

Queensland Government's Global Tourism Hub (GTH)

On 28 October 2017 the Queensland Government announced its proposed GTH policy for Cairns.

The Trust continues to consider any appropriate future investment to expand. To this end, your Board is undertaking and continuing internal discussions with the Queensland Government.

Business as usual

For now, it is business as usual. The CEO has shared with you his key strategies to continue to develop the business at the Reef Hotel Casino. The Board endorses the overall strategic direction that he is taking.

The CEO has also provided an update for the 4 months of this year. As the Trust's main revenue is rent from the Reef Hotel Casino, the Trust's first 4 months reflects that. As announced in an update to the ASX earlier today, our current estimate of the distributable profit for the first half year from 1 January 2018 to 30 June 2018 is approximately \$4.8 million

The Trust will make an announcement of its estimation of the Trust unit distribution for the first half year 2018 in mid to late June.

Since 2000, the Trust has consistently delivered profits, declared unit distributions and carefully managed the business and corporate risks. The Trust intends to stick to its policy to distribute 100% of distributable income. Your Board remains committed to continue with this.

In conclusion, I would like to thank my fellow directors, especially the two independent directors, the partners of the operator, Casinos Austria International and Accor, the management team and the staff of the Trust and the Reef Hotel Casino, and last but not least you, our unitholders for your support during this past financial year.

Ladies and gentlemen, that concludes my address to the meeting.

Thank you.

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