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INTERNATIONAL

31 December 2019
Half Year Results Presentation

28 February 2020

Key Points

- **Statutory loss of \$(1.5) million versus a loss of \$(36.8) million in 1H19**
 - Results consistent with recent trading updates
 - Underlying NPAT of \$4.3 million excludes non-cash impairment charge on the value of Star Vegas casino license of \$4.0 million, non-recurring costs of \$1.7 million and net exchange loss of \$0.1 million
 - Previous corresponding period included \$38.2 million non-cash impairment charge of the value of the Star Vegas casino license, non-recurring costs of \$0.8 million and net exchange loss of \$0.5 million
- **Board and Management continues to focus on operational improvements at Star Vegas and Aristo**
 - The major existing slot machine provider at Star Vegas has now agreed in principle to reduce the profit sharing ratio to be in line with other operators
 - Operating expenses continued to be tightly controlled and were significantly reduced from last year, despite higher legal costs relating to the dispute with the Thai vendor
- **Board and senior management changes following the AGM**
 - Non-executive Chairman and two Non-Executive Directors have joined the board, bringing prior experience in business turnarounds, restructuring and performance management
 - Executive search continues for the CEO role
 - Outgoing CEO Paul Arbuckle to assist in the transition period
- **Litigation matters suspended for two months**
 - The Board has signed a memorandum of understanding with the Thai vendor of the Star Vegas business
 - All litigation matters suspended until the end of March while settlement negotiations continue
- **Financial position remains solid**
 - Operationally the business continues to be cash flow positive, supporting the debt repayments
 - Megabank debt down to A\$24.1 million from A\$31.4 million as at 30 Jun 19

Board changes following the 2019 AGM

- **Board changes at the 2019 AGM**

- Former Chairman Stuart McGregor and two independent Non-Executive Directors, David Green and Yugo Kinoshita, were removed from the Board by shareholder vote at the 2019 AGM
- Executive Director Ben Reichel announced his resignation as a Director, and concluded his roles of General Counsel and Company Secretary on 12 February 2020

- **Mel Ashton appointed Non-Executive Chairman**

- Mel is a listed company director and brings over 37 years' experience across hospitality, property, banking and resources industries
- Previously held senior leadership roles in restructuring and insolvency at KPMG and as a Founding Partner of PPB

- **Rod Sutton appointed Non-Executive Director**

- Rod brings over 25 years' experience in business advisory and management, currently serving as a special advisor to FTI Consulting in APAC

- **Simon Vertullo appointed Non-Executive Director**

- Simon brings broad experience focussing on managing performance, risks and turnarounds in leading restructuring practices of KordaMentha and KPMG

Immediate Board Priorities

- **Settlement with Thai Vendor**
 - The Board believes settlement with the Thai Vendor is in the best interest of the Company. If the Company settles with the Thai Vendor, it will clear the concerns of shareholders, potential investors, and other potential partners who are interested in investing or doing business with Donaco
- **Financing**
 - The Board is aware that the liquidity of the Company may tighten from the closure of the border crossing between China and Vietnam in January due to the outbreak of COVID-19. Accordingly, Donaco is seeking to access financing to support the payment obligations and working capital requirements of the Company
- **Internal controls and streamlining work processes**
 - The Board and management is continuing to tighten control over both operational and corporate expenses, including procurement, and conditions around contracts with third party vendors to make them more commercial

Senior management changes

- **Executive search process commenced to replace CEO Paul Arbuckle**
 - Paul Arbuckle has tendered his resignation on 5 December 2019, and pursuant to his employment contract, will assist during a transition period
 - The Board has commenced an executive search process to replace Paul, and a number of quality candidates are under consideration
- **Gordon Lo appointed CFO**
 - Gordon Lo has replaced outgoing CFO Chong Kwong Yang, who has been with the company for 6 years
 - Prior to joining Donaco, Gordon held the CFO role at China Ruifeng Renewable Energy, a Hong Kong listed investment holding company operating wind farms

Group Financial Performance Summary

All figures in AUD (millions)	1H20	1H19
Group Revenue	40.9	39.7
<i>Star Vegas</i>	30.6	32.3
<i>Aristo International Hotel</i>	10.3	7.4
<i>Corporate Operations</i>	0.0	0.0
EBITDA	13.8	12.9
<i>Star Vegas</i>	11.7	13.2
<i>Aristo International Hotel</i>	4.6	2.7
<i>Corporate Operations</i>	(2.5)	(3.0)
Statutory NPAT	(1.5)	(36.8)
Underlying NPAT¹	4.3	2.7

- Group Revenue up \$1.2 million to \$40.9 million
- Star Vegas impacted by increased competition in the Poipet area and unregulated gambling affecting the market
- Star Vegas experienced higher VIP win rate of 3.52%, vs 2.85% theoretical win rate (2.81% in pcp), offsetting lower turnover
- Revenue at Aristo was higher vs pcp, driven by strong visitation and turnover
- Aristo win rate of 2.15% (2.20% in pcp)
- Cost reductions in areas of marketing and tighter control of entertainment expenses

1 1H19 Underlying NPAT excludes Star Vegas casino license impairment, legal fees and net forex loss

2 1H20 Underlying NPAT excludes Star Vegas casino license impairment, legal fees and net forex loss

Non-Recurring Items

All figures in AUD (millions)	1H20	1H19
Star Vegas impairment	(4.0)	(38.2)
Non recurring items	(1.7)	(0.8)
Net Exchange Gain/(Loss)	(0.1)	(0.5)
Total	(5.8)	(39.5)

Non-recurring items include:

- \$4.0 million Star Vegas impairment loss related to the online gaming license cancellation
- \$1.1 million in non-recurring legal costs incurred in litigation process with Thai vendor
- \$0.6 million write-off of other assets and prepayments
- \$0.1 million net foreign exchange loss

Group Balance Sheet

All figures in AUD (millions)	31-Dec-19	30-Jun-19	% Change
Cash and cash equivalents	24.9	27.4	-9%
PP&E	168.4	168.0	0%
Intangibles (including licences)	73.9	77.6	-5%
Other Assets	3.5	5.5	-37%
Total Assets	270.7	278.4	-3%
Borrowings	27.8	35.9	-23%
Trade and other payables	46.5	44.3	5%
Other liabilities	0.8	2.5	-69%
Net Assets	195.6	195.6	0%

- Cash position of A\$24.9 million at 31 Dec 2019
- Reduction in borrowings reflects ongoing principal repayments under the Mega Bank loan facility
 - Net Debt to equity significantly reduced to 1.5% from 4.4% previously
 - Mega Bank debt now reduced to \$24.1 million
 - Initial discussions with Mega Bank regarding altering repayment terms to more favourable conditions

Cash flow

All figures in AUD (millions)	1H20	1H19
Cash flow from Operations	7.6	2.5
Cash flow from Investing	(0.9)	(4.0)
Cash flow from Financing	(8.9)	(13.3)
Net Increase (decrease)	(2.2)	(14.8)
Cash at end of the year	24.9	33.8

- Significantly improved operating cash flow of \$7.6 million compared to \$2.5 million in pcp
 - Group continues to produce positive operating cashflow despite lower visitation at Star Vegas, supported by higher VIP win rate
 - Improved visitation and turnover at Aristo contributed to improved cash flow
- Cash outflow from financing of (\$8.9 million) relates to the Mega Bank principal repayment and interest on the Megabank loan

Star Vegas – Profit & Loss

All figures in Thai			
Baht (millions)	1H20	1H19	% Change
Total Revenue¹	640.2	769.3	(17%)
- Net Gaming Revenue	531.5	651.3	(18%)
- Non-Gaming Revenue	108.7	117.9	(8%)
Operating Expenses	(414.7)	(454.5)	(9%)
EBITDA	255.5	314.7	(19%)
Normalised EBITDA	75.6	331.0	(77%)
Property Level NPAT	141.3	233.8	(40%)
VIP Gross Win rate	3.52%	2.81%	25%

- VIP Turnover decreased by 41%, due to increased competition in Poipet and the emergence of unregulated gambling effecting the entire market
- Improved junket and slot profit sharing arrangements put in place by new management were offset by lower visitation and turnover
- Higher VIP win rate of 3.52% vs 2.81% in pcp
- Gaming revenue fell 18%, due to:
 - Increased competition from nearby casinos, including new Galaxy casino in Poipet
 - Impacted by lower visitation and turnover, primarily in November and December
- Operating Expenses continued to be tightly controlled, down 9%
- Property level EBITDA down 19%, largely affected by a particularly weak December due to increased competition
 - Management is continuing to seek additional junket and reviewing programmes to increase customer visitation

1: 1H19 was restated in accordance to AASB15 for comparison purposes.

Star Vegas – Key operational metrics



	(THB millions)	1H20	1H19
VIP Table Game Turnover		21,687	36,829
Gross Gaming Revenue – Table Games		917	1,229
Gross Gaming Revenue – Slot Machines		269	408
Net Gaming Revenue		586	700
Non-Gaming Revenue		54	69
VIP Gross Win Rate		3.52%	2.81%
Casino Visitors		0.72m	0.85m
Average Visitors / Day		3,914	4,659

Star Vegas – Results Commentary and Update



- VIP turnover decreased by 41% vs 1H19, to THB 21.7 billion
- Slot machine revenue decreased by 36%, due to increased competition in the Poipet area
- The online casino license was not renewed when it expired on 31 December 2019 as per the ordered of the Government of Kingdom of Cambodia
- Slot machine business has improved in January due to management initiatives to deploy new slot machines on the floor



Aristo International Hotel – Profit & Loss

All figures in RMB			
(millions)	1H20	1H19	% Change
Total Revenue	51.1	37.0	38%
- Net Gaming Revenue	27.0	19.0	42%
- Non-Gaming Revenue	24.1	18.1	33%
Operating Expenses	(27.6)	(23.7)	16%
EBITDA	23.5	13.5	74%
Normalised EBITDA	41.2	18.2	126%
Property Level NPAT	8.7	(2.2)	495%
VIP Gross Win rate	2.15%	2.20%	(2%)

- Gaming revenue increased 42%, and non-gaming revenue was up 33%
 - Visitation up 13% to 89,787 patrons
 - VIP table game turnover up 194%
 - The VIP win rate of 2.15% was solid, but below the 2.85% theoretical win rate
- Property level EBITDA up 76%, due to higher turnover and solid win rate
- Normalised EBITDA up 125% after applying the theoretical win rate, due to higher VIP turnover
- Property level NPAT up 495%
- Cost control was strong, but operating expenses up 16%, due to increase in business volume

Aristo International Hotel – Key operational metrics



(RMB millions)	1H20	1H19
VIP Table Game Turnover	3,341	1,138
Main Hall Turnover	403	182
Gross Gaming Revenue – Table Games	95.4	46.2
Gross Gaming Revenue – Slot Machines	5.5	1.7
Net Gaming Revenue	27.0	19
Non-Gaming Revenue	24.1	18.1
VIP win rate	2.15%	2.20%
Casino Visitors	89,787	79,463
Average Visitors / Day	488	432

Outlook

- **Board and management strategy**
 - A search for a new CEO continues, with a number of quality candidates under consideration and the Board expect to announce a new CEO in the short term, so that a proper transition and handover can occur
 - Seeking a timely settlement of all legal cases and focusing on ramping up the operations at Star Vegas
 - A cost control strategy is currently being implemented at Aristo to manage the downturn related to coronavirus travel restrictions and proper health and hygiene protocols are in place
 - The Board is in discussions with several potential strategic investors and will provide updates in due course
- **New Board and management team continues to focus on operational improvements at Star Vegas and Aristo**
 - Star Vegas has seen an improvement in January 2020, with new slot machines on better terms being installed
 - January 2020 VIP turnover has increased by 26% as compared to December 2019
 - Star Vegas has achieved solid VIP win rate of 4.2%, as compared to 1H FY19 VIP win rate of 3.52%
 - Expected reduction of OPEX due to cessation of online business and tight cost control
 - Aristo to be managed tightly whilst Chinese visitation remains reduced over coming months
 - Reduction in Chinese visitation in January due to the closed border between China and Vietnam
 - Uncertainty around the duration of the COVID-19 impact on Aristo, however the board and management are focussed on maintaining a tight control over operating costs
- **All litigation matters against Thai vendor suspended pending negotiations**
 - The Board has signed a memorandum of understanding with the Thai vendor of the Star Vegas business
 - All litigation matters suspended for two months while settlement negotiations continue
- **Capital management**
 - Mega Bank loan reduced to A\$ 24.1 million, and discussions continue to potentially free up additional working capital

APPENDIX – 1H20 Financial performance



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Property Performance (Normalised and Actual)

	1H20 Normalised			1H20 Actual		
All figures in AUD (millions)	Star Vegas	Aristo	Total	Star Vegas	Aristo	Total
Total Revenue	23.5	14.0	37.5	30.6	10.3	40.9
- Net Gaming Revenue	18.3	9.1	27.4	25.4	5.5	30.9
- Non-Gaming Revenue	5.2	4.8	10.0	5.2	4.8	9.9
Operating Expenses (excl. non-recurring items)	(19.0)	(5.6)	(24.6)	(19.0)	(5.6)	(24.4)
Property level EBITDA (excl. non-recurring items)	4.5	8.4	12.9	11.7	4.6	16.3
Property level NPAT (excl. non-recurring items)	0.5	4.6	5.1	7.6	1.8	9.4

Note: Non-recurring expenses at property level has been removed from operating expenses and property level EBITDA amounted to AUD 866,901 (Star Vegas: AUD 864,283; Aristo: AUD 2,619).

Note: numbers may not add due to rounding

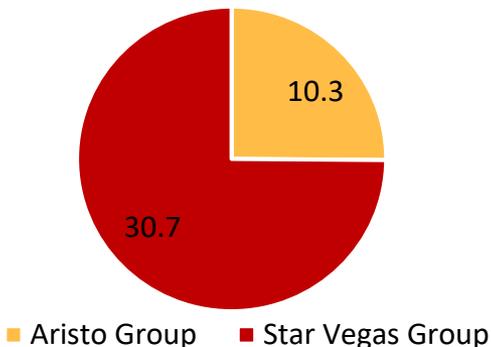
FY19 – Group Financial Performance Summary

All figures in AUD	NORMALISED RESULTS			ACTUAL RESULTS		
	1H20	1H19	% Change	1H20	1H19	% Change
Operating Revenue	37.5	41.3	-9%	40.9	39.7	-3%
Property Level EBITDA	12.9	17.5	-26%	16.3	15.9	-3%
Corporate Costs	(2.5)	(3.0)	-17%	(2.5)	(3.0)	-17%
= Group EBITDA	10.4	14.5	-28%	13.8	12.9	7%
Net Interest income and Finance costs	(2.3)	(3.6)	-36%	(2.3)	(3.6)	-36%
Other income	-	-	-	-	-	-
Non-recurring items	(5.8)	(39.5)	-85%	(5.8)	(39.5)	-85%
Depreciation & Amortisation	(5.1)	(5.0)	2%	(5.1)	(5.0)	3%
Income tax expense	(2.0)	(1.5)	33%	(2.0)	(1.5)	37%
Minority Interest	(0.1)	(0.2)	-50%	(0.1)	(0.2)	-40%
= Net Loss After Tax (incl. non-recurring items)	(4.9)	(35.2)	-86%	(1.5)	(36.8)	-96%
= Net Profit After Tax (excl. non-recurring items)	0.9	4.3	-79%	4.3	2.7	59%

Note: numbers may not add due to rounding

Two strategically located leisure and entertainment businesses

1H20 Revenue (A\$ millions)



1H20 EBITDA (A\$ millions)



Star Vegas

- Large and profitable Poipet casino hotel
 - 385 guest rooms
 - Multiple restaurants, shops, health spa, pool
 - Non-gaming revenues growing
- Substantial casino facilities
 - 170 gaming tables, predominantly baccarat
 - 1,007 Electronic Gaming Machines (EGMs), of which 338 are owned outright and 669 under profit share deals
 - Wagering and online gaming licences

Aristo International Hotel

- Five star luxury resort
- 400 guest rooms; additional 28 rooms fitted out for recreational facilities (health spa and nightclub)
- Five restaurants, swimming pool, gym, spa, tennis courts
- Retail shop leases
- Boutique gaming facilities
 - Multiple gaming tables, primarily baccarat
 - 68 electronic gaming machine positions, with 44 linked jackpot slot machines, and 24 electronic roulette seats, with license allowing up to 300 EGMs

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Normalised results adjust the revenue received from the VIP table games business, by applying a theoretical win rate of 2.85% to VIP rolling chip turnover. This provides a more accurate guide to the underlying operating performance of the VIP table games business, which can experience significant volatility over shorter periods. This is consistent with the practice of Asian listed gaming operators.