

ASX : DNA

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21 December 2020

Chairman's Statement: 2020 Annual General Meeting

Ladies and Gentlemen, before commencing the formal business of today's meeting I would like to give you an overview of Donaco's performance and developments over the past 12 months, as well as briefly outlining our strategy going forward. After we conclude the formal business, Donaco's Chief Executive Officer Lee Bug Huy and Chief Financial Officer Gordon Lo will provide a more comprehensive presentation on our operations and the strategic initiatives underway.

2020 has been a year of changes and challenges for Donaco, both internally and externally. Internally, we've had to navigate shareholding and management changes, as well as arbitration proceedings.

We have successfully completed the renewal of the Board and appointed a highly experienced executive, Mr Lee Bug Huy, in the role of Chief Executive Officer to lead the business forward.

I'd like to take the opportunity to thank former members of the Board, Non-Executive Chairman Mr Mel Ashton and Non-Executive Director Mr Simon Vertullo for their contribution at Donaco, guiding the Company through turbulent times; whilst also welcoming two new Independent Directors Mr Andrew Phillips and Mr Issaraya Intrapai boon who joined post financial year end.

As part of the process, our Executive Directors Mr Leo Chan and Mr Kurkye Wong have advised the Board of their intention to step down from their role at the end of this meeting. Now that the Executive and Board transition has occurred, and with Donaco's strategy bearing positive results, they have decided it is the time to pursue their other business interests. Mr Chan and Mr Wong will continue to be supporters of the Company, and on behalf of the Board I would like to thank them for their contribution and we wish them well in their other business endeavours.

During the year, Donaco also reached an agreement in relation to the Star Vegas litigation proceedings. The settlement has protected Donaco's cash position, which retired over 80% of the Company's liabilities, and preserved the Star Vegas business; which is the Company's primary cash and profit generating asset.

The settlement requires approval from Mega Bank as part of the provisions of a Facility Agreement with the lender. We have asked for a waiver from Mega bank and we remain confident of securing approval, as we continue to work constructively with the lender and pay down the debt facility under the agreement.

Externally, the unexpected COVID-19 pandemic significantly impacted our operating environment, which was reflected in our 2020 financial results.

However, the renewed Board and management team's focus on restructuring and strategic initiatives, has helped navigate through the operational impact from COVID-19. Whilst executing a prudent cost control strategy, we have taken the opportunity to adjust some of the service provider agreements we had in place. This

has resulted in restructuring our gaming machine arrangements, utilising our ample space to introduce retail outlets, and reorganise our arrangements with junket operators for improved outcomes.

In tandem with our cost control initiatives, the gradual easing of COVID-19 restrictions in the areas we operate is already improving the position of our business. In the meanwhile, we have implemented a number of strategic changes to weather the impacts from the pandemic and provide a solid platform for growth for the business. These initiatives include the change in targeted clients as we renew our focus on attracting clientele from the local region to Star Vegas, to in turn reduce our international staff expenses. As announced last week, we are pleased to report that these initiatives have led to two months of positive EBITDA (unaudited) for October and November, of USD\$0.54 million and USD\$0.8 million respectively for the overall Group. The growing trend has continued into December and the Company is extremely encouraged that since its limited reopening Star Vegas is no longer making a loss and the outlook for our Aristo operation is also increasingly positive.

We are also proactively exploring other options to access the gaming market and we will update the market on developments in due course.

Additionally, as at 11 December 2020 we only have US\$7.8 million outstanding debt with Mega Bank, and we anticipate that the remaining debt will be repaid in FY21. This is compared to the initial US\$100 million debt with Mega Bank which is a notable result.

Our strategy for 2021 will build on these pragmatic initiatives, underpinned by a strengthened balance sheet following the recent \$14.41 million capital raise.

On behalf of the Donaco Board, I would like to thank our senior management and employees for their commitment and hard work during a challenging year. Finally, I would also like to extend a special thanks to our shareholders for their support through a volatile period. We look forward to rewarding shareholder loyalty as the performance from both Star Vegas and Aristo continues to improve. Thank you.

[ENDS]

Authorised for release by the Board.

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