

ASX RELEASE**3 July 2014****Trading and Construction Update**

Donaco International Limited (**the Company**) announces that the Aristo International Hotel, its brand new five star hotel and casino in Lao Cai, Vietnam, has traded in accordance with expectations since its soft opening on 18 May 2014.

The opening of the new property has attracted strong interest from players and junket operators. Total visitation to the gaming floor since the soft opening has increased by 41%, compared to the previous corresponding period in 2013.

The new property has proven to be especially popular with VIP players, who are sourced by junket operators. Total VIP turnover in the May 2014 month increased by 116%, compared to May 2013. This is due to the substantial increase in capacity at the new property, with 40 gaming tables available, which means that junket operators have more opportunities to bring their players to the property. However, turnover from mass market players declined by 13%, compared to May 2013. Since the majority of turnover is from VIP players, the overall increase in turnover in May 2014 was a healthy 94%.

It should be noted that the new property has only been trading for just over six weeks, which is far too short a period to make any judgment on future performance. In addition, the recent six week period is not a typical trading period, as a result of the following temporary factors:

1. The fact that the Aristo International Hotel is still in soft opening mode, and not all of the facilities are available. An update on the progress of construction, and an overview of the current state of the property, appears below.
2. The current maritime tensions between China and Vietnam. China located a mobile oil exploration platform in disputed waters on 2 May 2014, but has announced that it will be removed by 15 August 2014. The tensions have not prevented VIP players from visiting the property, but have caused a slowdown in general Chinese tourism to Vietnam, and may have deterred some mass market players from visiting the property. The border crossing has remained open at all times, and it has also been reported that the total value of trade through the Lao Cai border gate increased by 59% in the five months from January to May 2014, compared to the same period last year.
3. The impact of the soccer World Cup. It has been reported that the current tournament, which commenced in mid June, has caused a drop in gross gaming revenue at various Macau casinos. There also appears to have been some impact on the Aristo, with the effect of moderating the otherwise strong growth in gaming activity at the property. The current tournament runs until 13 July 2014.

These factors are temporary, and have no impact on the strong fundamentals for the business of the Aristo International Hotel. Those fundamentals include:



1. The very strong demand for gaming entertainment from VIP players and junket operators in Yunnan Province and elsewhere, as identified by the Company's marketing team. New junket operators have begun visiting the property from Shanghai, Guangzhou, and Malaysia.
2. The improvements in transport infrastructure on both sides of the border, with the highway from Kunming making it much easier for Chinese players to visit the property. In addition, a new highway from Hanoi to Lao Cai is expected to be open by December 2014, cutting the travel time to approximately four hours. This will allow the Company to offer tour packages to the large Asian expatriate communities in Hanoi.
3. The growth of the middle class in China and throughout Asia, their increasing propensity to travel and to spend, and their strong desire for leisure and gaming entertainment.

Full details of the Company's financial performance are currently being finalised as part of the normal year-end process, and will be made available at the time of the FY14 results announcement, which is planned for 26 August 2014.

Construction Update

As noted above, the Aristo International Hotel has been in soft opening mode since 18 May, and construction has continued during this period. The fit-out of all 428 hotel rooms has now been completed, although normal touch-up and defect works are ongoing. A total of 28 rooms have been fitted out for recreation and entertainment facilities, including a spa and health centre (which is now 90% complete), and rooms leased on a long term basis to a nightclub operator.

External landscaping, including the tennis court, is now 90% complete. The pool and gym are now open and ready for guests to use.

There are now five food and beverage outlets operating. Proposals are currently being considered for a food court and indoor amusement park in the second floor basement.

The property includes space for eight retail shops. A convenience shop has been opened and is fully operating, and a contract has been signed with a ticketing agency. Lease negotiations are in progress for the remaining shops.

The Company has three vans shuttling players non-stop from the border gate to the property. Due to the ongoing increase in player numbers, a fourth van will be commissioned in July.

The Aristo International Hotel will remain in soft opening mode until all of the hotel rooms and facilities have been completed. The property is expected to be handed over from the construction team in August 2014.

The photographs on the following pages show the current state of various parts of the property.





Hotel facade



Reception





Ballroom



Entrance to gaming hall



For further information:

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ABOUT DONACO INTERNATIONAL LIMITED (ASX: DNA)

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

Our flagship business is the Aristo International Hotel, a successful boutique casino in northern Vietnam. The business was established in 2002, and is located on the border with Yunnan Province, China. The property has recently been expanded to a brand new five star resort complex with 428 hotel rooms.

Donaco is a pioneer casino operator in Vietnam. Donaco operates the business and owns a 95% interest, in a joint venture with the Government of Vietnam.

Donaco also owns and operates successful gaming technology businesses, including secure mobile payment gateways across South East Asia, and the Way2Bet wagering portal, whose customers include all major corporate bookmakers in Australia.

To learn more about Donaco visit www.donacointernational.com

