

24 July 2017

Donaco Market Update

- Donaco confirms that both of its operating venues, the Star Vegas and the Aristo International Hotel, have performed in line with earnings guidance provided on 1 May 2017, based on unaudited management accounts.
- Donaco is completing the transition to full management control of Star Vegas, as the management contract with the former Thai vendor ended on 30 June 2017.
- To mark the transition to new management, a successful VIP launch event was held at Star Vegas on 1 July 2017, followed by a successful international poker tournament.
- Renegotiation of Star Vegas VIP junket arrangements underway, with former junket operators being replaced by new operators.
- Expansion to international customers proceeding well, with approximately 100 gaming tables expected to be added in the next few months, filling virtually all of the available capacity at Star Vegas.

Donaco International Limited (ASX:DNA) provides the following update on performance during the financial year 2017 and the implementation of new management arrangements at the Star Vegas property in Poipet, Cambodia.

Full year earnings guidance affirmed with strong performance across the group

Donaco is pleased to affirm the guidance provided to the market on 1 May 2017.

Based on unaudited management accounts, the Star Vegas business has recorded EBITDA of US\$61 million for FY17. Assuming there are no significant audit adjustments, this will trigger the final management fee payment to the vendor following the determination and announcement of the full year result.

The Aristo has also performed strongly during FY17, benefiting from strategic initiatives implemented to enhance mass market visitation at the venue, and cost control measures. Unaudited EBITDA for FY17 was RMB 73.2 million (US\$10.8 million), an increase of 38% on last year.

Transition to Donaco management control at Star Vegas

The contract with the former Thai vendor for the management of the Star Vegas property expired in accordance with its agreed terms on 30 June 2017. Commercial terms have not been agreed to retain his on-going services as a consultant to the business. Following the conclusion of the contract, management of the venue has been taken in-house by Donaco.

Key management roles have already been filled, or are in the process of being filled, utilising the Group's extensive experience in managing Asian casino operations. New appointments are being made to replace a number of staff that departed with previous management. This process includes the relocation of several highly performing Aristo staff members to the Star Vegas.

Successful VIP launch event on 1 July 2017

The new era at Star Vegas commenced with a successful VIP launch event on 1 July 2017, attended by the Manchester United Class of '92 players. This legendary group of players includes Ryan Giggs, Paul Scholes, Nicky Butt, Philip Neville, and Gary Neville. The Class of '92 kicked off the South-East Asia leg of the Asian Poker Tour, a week-long poker tournament organised in conjunction with Donaco's partner, Poker King Club.

The launch event led to very high casino visitation (over 9,000 players for the day), and high levels of gaming turnover, with a strong win rate. Summaries of the progress of the week-long poker tournament can be found at the APT website (www.theasianpokertour.com).

Changes to Star Vegas Junket Arrangements

As part of the transition to full management control of Star Vegas, Donaco is now actively marketing the property and targeting growth from new junket operators.

The renegotiation of terms and conditions applicable to the existing Thai junket business is also underway, with the former junket operators being replaced by new operators. Further junket deals are under negotiation, to ensure the best possible utilisation of the junket halls at Star Vegas.

During this transition period, and the introduction of new junket operators at Star Vegas, Donaco anticipates that earnings from the VIP portion of the Star Vegas business in the first quarter of FY18 will be lower than the corresponding months last year. Donaco does not anticipate any impact to the main hall table gaming and slot machine business, which continues to perform in line with expectations.

Good progress with international marketing arrangements

Following the agreement with Vivo Tower Limited announced on 16 June 2017, Donaco is pleased to announce that good progress has been made in marketing the Star Vegas property to a new group of international customers. The international expansion will make use of the currently unutilised space at the property, and represents a new source of incremental revenue in FY17 and beyond.



Vivo Tower has signed a number of deals with international junkets, and expects to add approximately 100 gaming tables to the property over the next few months. This will add to the 140 tables that Star Vegas already has available for Thai players, and will fill almost all of the available empty space at the property.

The additional revenue from the Vivo Tower deal comprises the initial fixed rental fee of US\$1.5 million in FY17, rising to US\$3 million in subsequent years. Vivo Tower will also pay a revenue share to Donaco, dependent on the terms and conditions of the deals struck with international junkets, as well as the levels of rolling chip turnover and the win rates generated by those operations. Accordingly, the additional revenue to be earned by Donaco cannot be accurately forecast at this time.

Donaco intends to release its preliminary full year results on 29 August 2017.

For further information:

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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
