

ASX : DNA

asx release



17 April 2020

Update on progress of Star Vegas Settlement

Donaco International Limited (“**Donaco**” or “the **Company**”) is pleased to provide an update on the progress of the settlement of litigation over the Company’s Star Vegas business in Cambodia. All parties to the litigation agreed to a settlement as announced to the ASX on 3 March 2020¹ and updated on 27 March 2020².

Donaco, DNA Star Vegas Co Ltd and Donaco Hong Kong Limited are parties to a Facility Agreement with Mega International Commercial Bank Co Ltd (**Mega Bank**). Provisions of the Facility Agreement require the Company to obtain Mega Bank’s consent to fulfil parts of the settlement agreement. Donaco has been in discussions with Mega Bank seeking the required consents and remains confident that Mega Bank will support the agreed settlement.

The Company advises that all the settlement parties have agreed to defer the settlement payments and additional lease payment whilst awaiting Mega Bank’s consent. This significantly reduces uncertainty around the settlement during this process.

As previously advised, no net change to the cash position of the Company will eventuate from the settlement. Furthermore, the settlement retires over 80% of Donaco’s current liabilities (as at 31 December 2019) and preserves the Star Vegas business, which is the Company’s primary cash and profit generating asset.

Commenting on the settlement progress, Chairman Mel Ashton, said: “We are pleased to have reached a variation with DNA Star Vegas Co and Donaco Hong Kong that provides more certainty around settlement while we continue to pursue the required consents from Mega Bank. Settlement payments will be withheld until consent from Mega Bank is received and will subsequently be offset at such time.”

“We are also pleased that the parties agreed to also defer the additional lease payment of US\$20m as a part of the settlement variation. We thank the parties for their cooperation. The economic interests of all the parties are aligned and these actions remove uncertainty around the settlement and lease as we work to finalise bank consent.”

¹ “Conclusion of negotiations and settlement with Thai Vendor and DNA Star Vegas lessor”, 3 March 2020

² “Update on progress of Settlement with Thai vendor and DNA Star Vegas Lessor”, 27 March 2020

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“Our focus remains on preserving shareholder value, strengthening the balance sheet and securing agreeable lease terms to maintain a profitable business. We remain confident in receiving approval from Mega Bank to support the settlement reached with the Thai vendors and for the ultimate continuation of the Star Vegas Casino.”

Settlement Details

The parties have agreed to:

- a. amend the Settlement such that the payments below will only be due and payable by the relevant parties after Donaco has received consent from Mega Bank.
 - i. the payment of a net sum of USD \$38 million payable by Somboon Sukcharoenkraisri (“SS”) and Lee Bug Tong (“LBT”) to Donaco, Donaco Hong Kong and DNA Star Vegas to remove the non-competition and non-solicitation clauses in the Share Sale Agreement; and
 - ii. the payment of USD \$18 million payable by Donaco, Donaco Hong Kong and DNA Star Vegas to SS and LBT in respect of the unpaid management fees plus interest;
- b. the payment of USD \$18 million payable by Donaco, Donaco Hong Kong and DNA Star Vegas to SS and LBT shall, following receipt by Donaco of the Mega Bank Consent, be offset against the payment of USD \$38 million owed and payable by SS and LBT to Donaco, Donaco Hong Kong and DNA Star Vegas; and
- c. the balance of USD \$20 million payable by SS and LBT to Donaco, Donaco Hong Kong and DNA Star Vegas will be paid to Lee Hoe Property Co Ltd in discharge of DNA Star Vegas’s obligations under the Settlement Agreement for the Perpetual Lease Agreement for the Star Vegas Casino.

The Perpetual Lease Agreement for the Star Vegas Casino has been amended so that the additional lease payment of USD \$20 million to Lee Hoe Property will only be made after:

1. the Mega Bank Consent is received by Donaco; and
2. Donaco receives written confirmation from SS and LBH that they have paid the USD \$38 million and offset the USD \$18 million as required by the Litigation Settlement Agreement.

[ENDS]

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Authorised for release by the Board.

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