

6 November 2014

Mr Andrew Weaver
Advisor, Listings Compliance (Sydney)
ASX Compliance Pty Ltd
Level 6, 20 Bridge Street
Sydney NSW 2000

By email

Dear Andy

ASX Price Query

Thank you for your letter dated 6 November 2014.

Donaco International Limited (ASX:DNA) provides the following responses to your queries:

“1. Is the Entity aware of any information concerning it that has not been announced to the market which, if known by some in the market, could explain the recent trading in its securities?”

No.

“2. If the answer to question 1 is “yes”:

a) Is the Entity relying on Listing Rule 3.1A not to announce that information under Listing Rule 3.1?

Please note that the recent trading in the Entity’s securities would suggest to ASX that such information may have ceased to be confidential and therefore the Entity may no longer be able to rely on Listing Rule 3.1A. Accordingly, if the answer to this question is “yes”, you need to contact us immediately to discuss the situation.

b) Can an announcement be made immediately?

Please note, if the answer to this question is “no”, you need to contact us immediately to discuss requesting a trading halt (see below).

c) If an announcement cannot be made immediately, why not and when is it expected that an announcement will be made?”

Not applicable.

Donaco International Limited

Suite 2.02, 55 Miller Street
Pymont, NSW, 2009 Australia

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“3. If the answer to question 1 is “no”, is there any other explanation that the Entity may have for the recent trading in its securities?”

Donaco is aware of speculation in the market that there might be changes to gaming taxes in Vietnam. This speculation appears to be misinformed.

As previously reported to the market, the Vietnamese Government is considering a package of gaming reforms, centred around a proposal to allow Vietnamese citizens to enter casinos. A draft decree has been prepared, and feedback has been sought from industry participants.

Since local gambling is a sensitive issue internally, the Government has also floated a proposal to adjust tax rates. The proposal is that the current personal income tax on casino winnings be abolished, and the headline rate for gaming tax increased from 30% to 35% of gross gaming revenue. Gaming tax consists of a combination of special sales tax and value added tax (that is, there is no additional VAT payable).

The Company is able to deduct junket commissions and other marketing costs from gross gaming revenue, prior to paying gaming tax, which means that the effective rate of tax paid is substantially lower (just under 14% in FY2014).

While the progress and outcome of these proposals is still to be resolved, it is expected that any changes to tax rates would only apply to those casino properties where locals are permitted to gamble. If the Aristo International Hotel became one of the properties allowed to admit locals, it would be highly beneficial to the Company, even if tax rates were increased.

As part of an economy-wide initiative, the corporate tax rate in Vietnam was reduced from 25% to 22% on 1 January 2014, and will be reduced further to 20% on 1 January 2016.

Donaco also confirms that recent trading at the Aristo International Hotel has shown good growth. A full trading update will be provided in the near future.

“4. Please confirm that the Entity is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.”

Confirmed.

Please do not hesitate to contact me if you have any queries.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Ben Reichel', written in a cursive style.

Ben Reichel
Company Secretary



6 November 2014

Ben Reichel
Company Secretary
Donaco International Limited
578 Harris Street
Ultimo
NSW 2007

Dear Mr Reichel

PRICE QUERY – Donaco International Limited (the “Entity”)

We have noted a change in the price of the Entity's securities from a high of \$0.905 at the close of trading on Thursday 30 October 2014, to a low of \$0.775 at the time of writing today, Thursday, 6 November 2014.

In light of the price decrease, ASX asks you to respond separately to each of the following questions:

1. Is the Entity aware of any information concerning it that has not been announced to the market which, if known by some in the market, could explain the recent trading in its securities?
2. If the answer to question 1 is “yes”:
 - a) Is the Entity relying on Listing Rule 3.1A not to announce that information under Listing Rule 3.1?

Please note that the recent trading in the Entity's securities would suggest to ASX that such information may have ceased to be confidential and therefore the Entity may no longer be able to rely on Listing Rule 3.1A. Accordingly, if the answer to this question is “yes”, you need to contact us immediately to discuss the situation.
 - b) Can an announcement be made immediately?

Please note, if the answer to this question is “no”, you need to contact us immediately to discuss requesting a trading halt (see below).
 - c) If an announcement cannot be made immediately, why not and when is it expected that an announcement will be made?
3. If the answer to question 1 is “no”, is there any other explanation that the Entity may have for the recent trading in its securities?
4. Please confirm that the Entity is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than 2.00 p.m. AEDT today, Thursday, 6 November 2014. If we do not have your response by then, ASX will have no choice but to consider suspending trading in the Entity's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, the Entity's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

The obligation of the Entity to disclose information under Listing Rules 3.1 and 3.1A is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

In responding to this letter, you should have regard to the Entity's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

Trading halt

If you are unable to respond to this letter by the time specified above, or if the answer to question 1 is "yes" and an announcement cannot be made immediately, you should discuss with us whether it is appropriate to request a trading halt in the Entity's securities under Listing Rule 17.1.

If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'A Weaver', written over a light blue horizontal line.

Andrew Weaver

Senior Adviser, Listings Compliance (Sydney)