

ASX : DNA

asx release



26 November 2015

Annual General Meeting – Chairman’s Address and Managing Director’s Presentation

In accordance with Listing Rule 3.13.3, Donaco International Limited lodges the attached Chairman’s address and Managing Director’s presentation, to be delivered at today’s Annual General Meeting of shareholders.

For further information:

Ben Reichel
Executive Director

(m) +61 412 060 281

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

**2015 Annual General Meeting of
Donaco International Limited
26 November 2015
Sydney**

CHAIRMAN'S ADDRESS

Good afternoon Fellow Shareholders, Ladies and Gentlemen,
Welcome to the third Annual General Meeting of Donaco International Limited. I am your Chairman, Stuart McGregor.

Thank you for being with us today. I confirm that the meeting is properly constituted, and that a quorum is present. I declare the meeting open for business.

I would like to begin by introducing our board of directors:

- Our Managing Director and CEO, Mr Joey Lim,
 - Executive Director and Company Secretary, Mr Ben Reichel;
- Non-executive directors,
- Mr Benjamin Lim,
 - Mr Rob Hines;

And joining us for their first AGM, our two new Directors from Thailand:

- Mr Ham Techatut Sukjaroenkraisri,
- Mr Paul Porntat Amatavivadhana.

Also in attendance are the following members of senior management:

- Deputy CEO, Mr Richard Na,
- CFO, Mr Chong Kwong Yang.

We also welcome Ms Michele Nevill and Ms Sarah Hobden from the Company's auditors, William Buck.

The 2015 financial year has seen a dramatic increase in the size and scale of your Company. We now operate two leading leisure and entertainment businesses in Asia, servicing tourists from both China and Thailand.

With the completion of the Aristo International Hotel in November 2014, we operate the second-largest casino hotel in Vietnam, with a strategic location on the border with Yunnan province, China. And with the successful acquisition of the Star Vegas Resort and Club on 1 July 2015, we operate the second-largest casino hotel in Cambodia, which also has a strategic location, on the border with Thailand.

Both of these businesses have demonstrated strong growth in recent times. Our ownership of these two leading properties provides substantial diversification benefits for the Company. Both are located in special border economic zones, providing significant commercial benefits. Customers from each of the target markets can visit the properties without requiring a visa, and can use their home currency while in the property.

A further similarity between the two properties is that the key senior management of both are veterans from the Genting Group of companies. Thus, the operating procedures in place at both properties are well proven and effective.

With the expansion of our business and the integration of the Star Vegas Resort & Club, we also expanded and diversified our Board. I am pleased to welcome both Ham and Paul as Directors, and look forward to their ongoing valuable contribution to our Board discussions.

I am also pleased to welcome the high quality management team at Star Vegas, who have provided complementary skills to our existing team, and given us greater capacity to work on growth opportunities.

In future your Board will need to decide on the best application of the strong cash flows generated by our businesses. While we have a priority to pay down our debt, the current level of debt is comfortable for a business of our size and scale. We will also continue to consider future expansion opportunities, provided they are consistent with our strategy and provide strong returns to shareholders.

However, while keeping these factors in mind, we will also consider how best to reward our loyal shareholders. This will include serious consideration of capital management initiatives, including share buy-backs and dividends.

We look forward to a year of consolidation and further growth, and we remain confident of the positive outlook for the Company. Our trading results for the year to date show that our business has very good momentum. We are delivering increased profitability and cash flows, and remain in a solid financial position.

Further, the difficulties experienced by other gaming jurisdictions, notably Macau, do not have a negative impact on us. In fact they continue to open up opportunities for us, including increased interest from junket operators.

I would now like to hand over to our Managing Director, Joey Lim, who will provide an update on the Company's recent performance.

MANAGING DIRECTOR'S ADDRESS

Thank you Chairman, and good afternoon fellow shareholders.

I would like to begin with our largest business, the Star Vegas Resort and Club. This is a substantial and high quality casino and hotel, with an enviable market position servicing the Thai tourist market. The business posted massive growth last year, with revenue up 86% and net profit up 57%.

I am pleased to confirm that the Star Vegas continues to grow, and in the four months to the end of October, is performing well ahead of the same period last year.

I would first like to recap our September quarter trading update, which showed VIP rolling chip turnover increasing by 43% compared to the same period last year. The VIP gross win rate was a very healthy 3.39% of rolling chip turnover, above the theoretical level of 2.85%, which is the standard theoretical win rate used by listed gaming operators in Asia.

The business demonstrated its diversified revenue streams during the quarter, with AUD14.5m in revenue from VIP gaming, AUD6.15m from main hall table games, and AUD10.35m from slot machines, plus an additional AUD0.63m in non-gaming revenue.

Earnings before interest, tax, depreciation and amortisation at the Star Vegas property increased by 29% compared to the September 2014 quarter.

Very few casino gaming business, whether listed in Australia or in Asia, are able to show such strong growth rates in the current market.

These strong growth trends have continued, and indeed accelerated, into the October month. Rolling chip turnover of AUD528m for the month brought the total year to date turnover to AUD1.827 billion, which has almost doubled from the same period last year.

Revenue has also grown very strongly in the October 2015 year to date, with net revenue from table games up 79%, and net revenue from slot machines up 50%. Total actual net revenue was AUD41.42 million, an increase of 66%. EBITDA reached AUD32.64 million, an increase of 67%.

The photos here are of our successful baccarat tournament in late October, with 200 VIP players competing. Similar marketing activities are planned for the remainder of the financial year, mostly planned around public holidays in Thailand.

Investors should note that the figures outlined above do not include the new VIP gaming room, operated under our contract with Heng Sheng. This business is in its infancy, having launched on 20 September, but is currently meeting expectations, with revenue for the Company in its first full month of AUD941,000.

Turning now to our flagship property, the Aristo International Hotel in northern Vietnam. This is a five-star hotel with 400 rooms, and additional non-gaming facilities including multiple restaurants, shopping, sports and recreational venues. As the only five-star hotel in the local area, the Aristo has proven very popular with Vietnamese locals for weddings, conferences, and other major events.

The gaming business at the Aristo has improved significantly in the current financial year to date. Casino visitation has continued to grow, reaching record levels in recent months. The business has historically been very heavily dependent on VIP players, which can cause significant volatility in win rates. If a VIP player has a big win, they can take their winnings away – effectively “hit and run” – and the Aristo does not currently have the volume of smaller players around them to win back all of those losses.

Accordingly our marketing strategies for the Aristo are focussed on bringing in larger volumes of smaller players. In the September

quarter, this meant that turnover was flat compared to last year, but actual revenue was significantly higher.

The October month again saw a continuation of these trends, with a new record level of casino visitation, reaching 10,908 players for the month. Hotel occupancy also reached a very healthy level of 82%. This was driven by the marketing strategies I mentioned earlier, two of which are outlined on this slide. In addition, the Golden Week holiday in China during October provided a strong boost to our visitation levels.

As a result, total gaming turnover grew strongly, increasing by 30% compared to October 2014. However the net gaming revenues suffered by comparison with last October, due to the VIP gross win rate of 1.64%, which was well below last year's above-theoretical level of 4.01%. This illustrates the volatility of VIP gaming operations that I referred to earlier.

Despite this, total revenue at the Aristo for the October year to date is up by 41% compared to last year.

Ladies and gentlemen, I will conclude my remarks by reiterating that your Company has one of the fastest growing gaming business listed on the ASX, or indeed operating anywhere in Asia. We are confident that that this will eventually be recognised by the market, as our superior results continue to accrue, and investors come to understand that we should not be treated like other Asian gaming operators, which are currently struggling to generate growth.

I will now hand you back to the Chairman to conduct the formal business of the meeting.



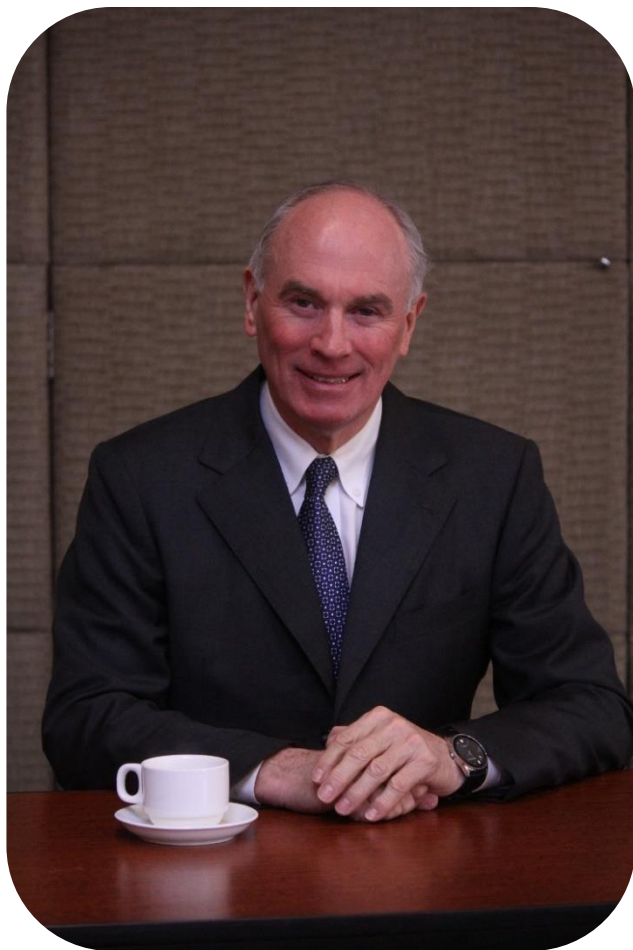
donaco

INTERNATIONAL

Annual General Meeting

26 November 2015

Chairman's Address and Managing Director's Presentation



➤ Mr Stuart McGregor
Chairman



➤ Mr Joey Lim
Managing Director and
Chief Executive Officer

Background on Donaco

- Founded in 2001 by MD Joey Lim Keong Yew and his late grandfather, Tan Sri Lim Goh Tong (founder and chairman of the Genting Group)
- Listed on the ASX in February 2013 (ASX:DNA)
- Pioneer of the Vietnamese gaming industry, with 14 years of successful operation. Joint venture with the Vietnamese Government (5%)
- Flagship business is the Aristo International Hotel, located in Lao Cai, Vietnam, on the border with Yunnan Province, China
- Major business is the Star Vegas Resort & Club, located in Poipet, Cambodia, on the border with Thailand
- Casino management at both properties are veterans from the Genting Group

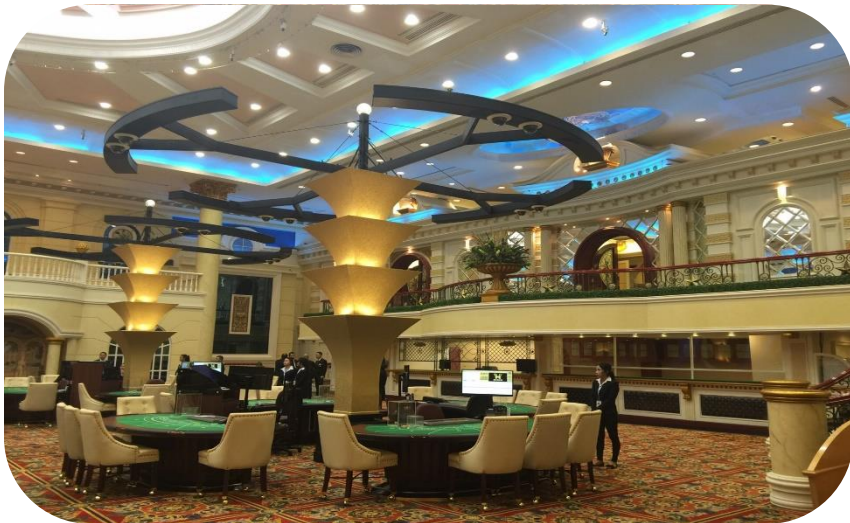


Star Vegas Resort & Club – Overview & Facilities



- Established in 1999, Star Vegas is the highest quality and most luxurious of the Poipet casino hotels
 - Resort consists of 4 hotels with 385 rooms in total
 - Sports bar with wagering licence (sports and racing)
 - Multiple restaurants, shops, health spa, nightclub, swimming pool
- Impressive casino facilities
 - Over 5,000 casino visitors per day
 - 139 gaming tables, predominantly baccarat
 - Comprehensive records on 3,500 premium rated players
 - 1,485 Electronic Gaming Machines (EGMs), of which 288 are owned outright and 1,197 under profit share deals
 - VIP bet sizes minimum THB10,000 (A\$390), up to THB800,000+ (A\$31,000+)
- Scalable operations
 - Available equipment and space for an additional 105 gaming tables
 - Online gaming licence
- Highly professional, well-run business
 - Key casino management are ex-Genting
 - 1,448 staff with 64% Cambodian and 33% Thai nationals
 - Sophisticated CCTV system with 700+ cameras

Star Vegas – September Quarter Trading Update



- Rolling chip turnover in Sep 2015 quarter reached AUD1,296.53 million – up **43%** compared to Sep 2014 quarter
- VIP gross win rate was 3.39%, compared to 3.15% in Sep 2014 quarter
- Actual net revenue from table games AUD20.65 million, with AUD14.5m from VIP table games, and AUD6.15m from main hall table games
- Actual net revenue from slot machines AUD10.35 million
- Non-gaming revenue of AUD0.63m
- Total actual net revenue for Sep 2015 quarter was AUD31.63 million – up **28%** from Sep 2014 quarter
- Actual EBITDA of AUD24.99 million – up **29%** compared to Sep 2014 quarter
- Growth achieved despite postponement of marketing activities, with baccarat tournament for 200 VIP players moved to late October. This was due to management focus on the successful launch of the Heng Sheng VIP gaming room in late September

Star Vegas – October Month Trading Update



- Strong growth trends seen in September quarter have continued into October month
- Rolling chip turnover of AUD528m for Oct 2015 month. Oct year to date turnover of AUD1.827 billion, up **99%**
- VIP gross win rate for October year to date of 3.72%
- Table games net revenue for Oct year to date of AUD26.77m, up **79%**
- Slot machines net revenue for Oct year to date of AUD13.76m, up **50%**
- Total actual net revenue for Oct year to date of AUD41.42m, up **66%**
- Property level EBITDA for Oct year to date of AUD32.64m, up **67%**
- Figures above do **not** include Heng Sheng VIP room, which opened on 20 September 2015. This business is on track, with revenue of AUD941k in its first month of operations

Aristo International Hotel – Overview & Facilities



- Construction completed in November 2014
- 400 guest rooms, with four room types from standard to executive suite
- Additional 28 rooms fitted out for recreational facilities (health spa and nightclub)
- Five restaurants, including fine dining, theatre restaurant and VIP lounge
- Swimming pool, gym, sauna, spa, tennis courts, and children's play area
- Very popular with local residents for weddings, conferences etc
- Retail shop leases for hair salon, souvenir store, ticketing agency, convenience store
- Video arcade and food court recently opened; driving range under consideration
- 45 minute drive to Sapa, a major tourist destination

Aristo International Hotel – September Quarter Trading Update



- Casino visitation continues to grow strongly
 - August 9,764 players (up 79% from Aug 2014)
 - Sept 8,635 players (up 61% from Sept 2014)
- Hotel occupancy for Sep quarter of 73%. Average room rate AUD85 per night
- VIP gross win rate has improved from last year, but still below theoretical rate of 2.85%
 - August 1.58%, September 1.15%
 - Sept 15 qtr 1.76% - Sept 14 qtr was 1.29%
- Marketing strategies to bring in more smaller players are working, and will help to smooth out volatility and reduce exposure to VIP luck factor
- Turnover flat compared to Sep 2014 quarter, but actual net gaming revenue much higher
- Total actual net revenue for Sep 2015 quarter was AUD4.66m, which is **168%** higher than Sep 2014 quarter

Aristo International Hotel – October Month Trading Update



FLIGHT SUBSIDY PROMOTIONS

Free Entitlement

- Flight subsidy RMB 1'500/-
- Free Slot & Baccarat match play voucher
- Free transportations from & to both Hanoi / Kunming
- Complimentary 3 days 2 nights hotel room & Meal
(Breakfast at Fortune Cafe, Lunch & Dinner at Goodluck Cafe)

Term & Conditions

- Buy in RMB 20'000/-
(Promotions chip, Table game only)
- Pre-Register with Office
- Subject with boarding pass
- Only applicable to foreign passport holder (Over 18 years old)
- Other expenses such as VISA, Health Declarations & etc are on own responsibility
- Company reserves the right to terminate / alter the promotion / term & conditions at any time without prior notice

飞机票补助优惠活动

免费待遇

- 飞机票补助人民币1'500/-
- 河内或昆明往返接送
- 免费老虎机和百家乐搭配下注卷
- 3天2夜酒店住宿和餐票
(早餐在聚福餐厅, 中餐和晚餐在好运咖啡馆)

条款或条件

- 买码人民币贰万元 (优惠码, 只适用于桌面游戏)
- 提前向销售部登记
- 须提供个人登机牌
- 只适合于外国护照顾客 (满18岁以上)
- 其他费用, 如签证费, 健康证或其他费用等等须由个人自己承担
- 本公司有权在不预先通知的情况下修改/取消此优惠



ARISTO INTERNATIONAL HOTEL
航源国际大酒店

LAO CAI
FREE & EASY PROGRAMS

老街
自由行优惠活动

Free Entitlement

- Free Slot & Baccarat match play voucher
- Free transportations from & to Hanoi / Lao Cai
- Complimentary 3 days 2 nights hotel room & Meal
(Breakfast at Fortune Cafe, Lunch & Dinner at Goodluck Cafe)

Term & Conditions

- Buy in RMB 10'000/-
(Promotions chip, Table game only)
- Pre-Register with Office
- Only applicable to foreign passport holder (Over 18 years old)
- Company reserves the right to terminate / alter the promotion / term & conditions at any time without prior notice

免费待遇

- 免费老虎机和百家乐搭配下注卷
- 河内老街往返接送
- 3天2夜酒店住宿和餐票
(早餐在聚福餐厅, 中餐和晚餐在好运咖啡馆)

条款或条件

- 买码人民币壹万元 (优惠码, 只适用于桌面游戏)
- 提前向销售部登记
- 只适合于外国护照顾客 (满18岁以上)
- 本公司有权在不预先通知的情况下修改/取消此优惠

Aristo International Hotel
28 Yet Kieu, Kim Tan ward, Lao Cai city, Lao Cai province, VN.
+84 (0)20 3826 668 - [F] - +84 (0)20 3826 768
@aristohotel.com.vn - [W] - www.aristohotel.com.vn

Hanoi Sale Representative Office
6 Floor, Charm Vlt Building, 117 Tran Duy Hung Street,
Trung Hoa Ward, Cau Gay District, Hanoi City, Vietnam
[T]: +84 (0)43 858 8111 - [F] - +84 (0)43 858 8111

- Again, the trends seen in the September quarter continued into the October month
- Casino visitation reached a new monthly record level of 10,908 players, up 76% from October 2014
- Hotel occupancy for Oct month of 82%, with average room rate AUD85 per night
- Strong visitation and occupancy driven by Golden Week holiday in China, and marketing promotions aimed at smaller players (examples at left)
- Total gaming turnover of AUD174.21m, up 30% compared to Oct 2014
- VIP gross win rate of 1.64% for the month, whereas Oct 2014 was well above theoretical at 4.01%
- Total actual net revenue for Oct 2015 year to date of AUD6.54m, which is **41%** higher than previous corresponding period



donaco

INTERNATIONAL

2015 AGM



OFFICIAL CASINO
RESORT PARTNER

Important notice and disclaimer

The following disclaimer applies to this presentation and any information provided in this presentation (the **Information**). You are advised to read this disclaimer carefully before reading or making any other use of this presentation or any Information.

Except as required by law, no representation or warranty, express or implied, is made as to the fairness, accuracy, completeness, reliability or correctness of the Information, opinions and conclusions, or as to the reasonableness of any assumption contained in this document. By receiving this document and to the extent permitted by law, you release Donaco International Limited (**Donaco**), and its officers, employees, agents and associates from any liability (including in respect of direct, indirect or consequential loss or damage or loss or damage arising by negligence) arising as a result of the reliance by you or any other person on anything contained in or omitted from this document.

The Information has been prepared based on information available to Donaco at the time of preparation. Statements contained in this material, particularly those regarding the possible or assumed future performance, costs, dividends, returns, prices, reserves, potential business growth, industry growth or other trend projections, and any estimated company earnings or other performance measures for Donaco, are or may be forward looking statements. Such statements relate to future events and expectations and as such involve known and unknown risks and uncertainties, many of which are outside the control of, and are unknown to, Donaco and its officers, employees, agents or associates. Actual results, performance or achievement may vary materially from any forward looking statements and the assumptions on which those statements are based, and such variations are both normal and to be expected.

The Information also assumes the success of Donaco's business strategies. The success of the strategies is subject to uncertainties and contingencies beyond Donaco's control, and no assurance can be given that the anticipated benefits from the strategies will be realised in the periods for which forecasts have been prepared or otherwise. Given these uncertainties, you are cautioned to not place undue reliance on any such forward looking statements. The Information may be changed at any time in Donaco's absolute discretion and without notice to you. Donaco undertakes no obligation to revise the forward looking statements included in this presentation to reflect any future events or circumstances.

In addition, Donaco's results are reported under International Financial Reporting Standards, or IFRS. This presentation may include references to EBITDA, EBITA, EBIT and NPAT. These references should not be viewed in isolation or considered as an indication of, or as an alternative to, measures reported in accordance with IFRS or as an indicator of operating performance or as an alternative to cash flow as a measure of liquidity.

The distribution of this Information in jurisdictions outside Australia may be restricted by law and you should observe any such restrictions. This Information does not constitute investment, legal, accounting, regulatory, taxation or other advice and the Information does not take into account your investment objectives or legal, accounting, regulatory, taxation or financial situation or particular needs. You are solely responsible for forming your own opinions and conclusions on such matters and the market and for making your own independent assessment of the Information. You are solely responsible for seeking independent professional advice in relation to the Information and any action taken on the basis of the Information. No responsibility or liability is accepted by Donaco or any of its officers, employees, agents or associates, nor any other person, for any of the Information or for any action taken by you or any of your officers, employees, agents or associates on the basis of the Information.

October 2015 month and year to date figures converted to AUD at the average exchange rate during each period. October 2014: USD1 = AUD1.401 ; October 2014: USD1 = AUD1.104.

Normalised results adjust the revenue received from the VIP table games business, by applying a theoretical win rate of 2.85% to VIP rolling chip turnover. This provides a more accurate guide to the underlying operating performance of the VIP table games business, which can experience significant volatility over shorter periods. This is consistent with the practice of Asian listed gaming operators.