

ASX RELEASE**24 February 2015****Shareholder Booklet and Independent Expert's Report**

Donaco International Limited lodges the attached Shareholder Booklet and Independent Expert's Report in relation to the proposed acquisition of Star Vegas Resort & Club in Cambodia.

The Shareholder Booklet includes notice of an Extraordinary General Meeting to be held in Sydney on 27 March 2015. At the EGM, shareholders will be asked to approve the proposed acquisition.

These documents, together with a personalized proxy form, are being dispatched to shareholders today.

For further information:

Ben Reichel
Executive Director
Phone: + 61 412 060 281

ABOUT DONACO INTERNATIONAL LIMITED (ASX: DNA)

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

Our flagship business is the Aristo International Hotel, a successful boutique casino in northern Vietnam. Donaco operates the business and owns a 95% interest, in a joint venture with the Government of Vietnam.

Donaco is a pioneer casino operator in 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.

To learn more about Donaco visit www.donacointernational.com



Shareholder Booklet

Extraordinary General Meeting

Acquisition and issue of Consideration Shares

A notice of meeting is included in Appendix 1 to this Booklet. A Proxy Form for the meeting accompanies this Booklet.

The Independent Expert has concluded that the Acquisition, including the issue of Consideration Shares for the Acquisition, is fair and reasonable.

Your vote is important in determining whether the Acquisition and the issue of Consideration Shares proceeds. This is an important document and requires your urgent attention.

If you are in any doubt as to how to deal with this Booklet, please consult your legal, financial, taxation or other professional adviser immediately.

If you have recently sold all of your Shares, please disregard all enclosed documents.

Important notices

General

You should read this Booklet in its entirety before making a decision on how to vote on the resolutions to be considered at the General Meeting. The notice convening the General Meeting is contained in Appendix 1. A Proxy Form for the meeting is enclosed.

Purpose of this Booklet

The purpose of this Booklet is to:

- explain the terms and effect of the Resolutions to Shareholders; and
- provide such information as is prescribed by the Listing Rules.

ASX

A copy of this Booklet has been lodged with ASX. None of ASX nor any of its respective officers takes any responsibility for the contents of this Booklet.

Investment decisions

This Booklet does not take into account the investment objectives, financial situation, tax position and requirements of any particular person. This Booklet should not be relied on as the sole basis for any investment decision in relation to Shares. Independent financial and taxation advice should be sought before making any decision to invest in the Company. It is important that you read the entire Explanatory Memorandum before making any voting or investment decision. In particular, it is important that Shareholders consider the possible disadvantages of the Resolutions and the risk factors identified in Sections 2.3 and 5.

Shareholders should carefully consider these factors in light of their particular investment objectives, financial situation, tax position and requirements. If Shareholders are in any doubt on these matters, they should consult their legal, financial, taxation or other professional adviser before deciding how to vote on the proposed issue of Consideration Shares. Past performance is no indication of future performance.

Forward looking statements

This Booklet includes certain forward looking statements which have been based on current expectations about future events. **The forward looking statements are, however, subject to risks, uncertainties and assumptions that could cause actual results to differ materially from the expectations described in such forward looking statements.** The assumptions on which forward looking statements are based may prove to be incorrect or may be affected by matters not currently known to, or considered material by, the Company. Past performance is no indication of future performance.

Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and deviations are both normal and to be expected. You are cautioned not to place undue reliance on those statements.

The forward looking statements in this Booklet reflect views held only as at the date of this Booklet.

Defined terms

Capitalised terms in this Booklet are defined either in the Glossary in Section 8 of this Booklet or where the relevant term is first used.

Currency

References to **dollars** or **\$** are references to the lawful currency of Australia.

Important dates and times

| | |
|--|---------------------------------------|
| Date of this Booklet | 24 February 2015 |
| Last time and date by which the Proxy Form for the General Meeting can be lodged | 3:00pm (Sydney time) on 25 March 2015 |
| General Meeting* to vote on the issue of Consideration Shares | 3.00pm (Sydney time) on 27 March 2015 |

* The General Meeting will be held on **27 March 2015** at the QT Screening Room, 49 Market Street, Sydney NSW 2000 Sydney at **3.00pm** with registration commencing at **2.30 pm** (Sydney time).

You should consult your legal, financial, taxation or other professional adviser concerning the impact your decision may have on your own circumstances.

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Chairman's letter

24 February 2015

Dear Shareholder

It is my pleasure to invite you to attend and vote at a general meeting of the Company (**General Meeting**). The General Meeting will commence at 3.00pm (Sydney time) on 27 March 2015, at the QT Screening Room, 49 Market Street, Sydney NSW 2000 (**Venue**).

The Company's wholly owned subsidiary is acquiring all of the shares in DNA Star Limited which owns (or will own) the Star Vegas Resort & Club hotel and casino business located in Poipet, Cambodia for US\$360,000,000 (**Acquisition**). The purchase price will be financed through a combination of cash and Shares. The Company is proposing to issue 147,199,529 Shares to the Vendors (**Consideration Shares**).

The Company has undertaken an underwritten 10 Shares for 21 Shares entitlement offer to raise up to A\$132,001,778 (**Entitlement Offer**). The funds raised from the Entitlement Offer will be used to partly fund the Acquisition. The remaining purchase price will be funded from cash reserves and a new debt facility (see Section 4.6).

After the completion of the Acquisition, the Vendors are likely to control up to 18% of the Company and existing shareholders will hold approximately 82%, assuming that 220,002,963 Shares are issued under the Entitlement Offer and all of the Shareholders take up their rights (see Section 4.5 for further details).

During the General Meeting, approval will be sought for the issue of the Consideration Shares.

If the Acquisition proceeds no guarantee can be given in respect of the future earnings of the Group or the earnings and capital appreciation of the Group. Shareholders should consider the risks detailed in Section 5 carefully when assessing the issue of the Consideration Shares.

This Booklet

This Booklet comprises a Notice of Meeting at Appendix 1, a detailed Explanatory Memorandum, an Independent Expert's Report and a personalised Proxy Form.

What you need to do

All Shareholders should carefully read the Booklet in full, and decide how to vote on the resolutions contained in the Notice of Meeting.

Your vote is important. If you would like to vote, you may either attend the General Meeting in person or alternatively appoint a proxy to vote for you at the General Meeting by using the attached Proxy Form or voting online. If you intend to appoint a proxy, please complete the Proxy Form and return it to us in accordance with the directions on the reverse side of the form by 3.00pm (Sydney time) on 25 March 2015.

Attendance

If you wish to attend the General Meeting, please bring your Proxy Form with you to assist us to process your registration efficiently.

Your Directors look forward to welcoming you to the General Meeting.

Yours sincerely



Stuart McGregor
Chairman
Donaco International Limited

1. Summary of the Acquisition

1.1. Summary

On 23 January 2015, the Company entered into a conditional agreement (**Sale Agreement**) with Somboon Sukjaroenkraisi and Lee Bug Tong (**Vendors**) under which the Vendors agreed to sell and the Company agreed to purchase, the Vendors' entire shareholding in the capital of a company to be incorporated (DNA Star Limited), on the conditions that the:

- Vendors incorporate DNA Star;
- DNA Star enters into a business transfer agreement with Star Vegas Resort & Club Co. Limited (**Star Vegas**); and
- Star Vegas transfers the Star Vegas Resort & Club hotel casino business located in Poipet, Cambodia (**Business**) to DNA Star.

It is proposed that the transfer of the Business from Star Vegas to DNA Star and the transfer of all of the shares in DNA Star from the Vendors to the Company will occur simultaneously.

The consideration for the acquisition of all the DNA Star shares is US\$360,000,000 which will be made up as follows:

- 147,199,529 Shares in the Company;
- US\$40,000,000 from existing cash reserves;
- US\$100,000,000 from a new bank facility (see Section 4.6); and
- US\$100,000,000 from the proceeds of the Entitlement Offer.

See Section 3 for information about the Business. The Sale Agreement is summarised in Section 6.

Completion of the Sale Agreement is subject to a number of conditions. See Section 1.6 and Section 5 for further details.

At completion of the Sale Agreement:

- (a) the Vendors (or their nominees) will be issued 147,199,529 Shares in the Company, in the respective proportions in which they (or their nominees) hold their shares in DNA Star (**Consideration Shares**);
- (b) the Vendors will be paid US\$240,000,000 in cash; and
- (c) the Company will acquire 100% of the issued share capital in DNA Star.

The cash component of the purchase price will be financed through a combination of existing cash reserves, the new bank debt facility and the proceeds of the Entitlement Offer.

As part of the proposed completion arrangements with respect to the Acquisition, the Consideration Shares will first be issued to Donaco's wholly owned subsidiary Donaco Hong Kong Limited to be held on trust for the Vendors pending Completion. Issue of the Consideration Shares in this manner is required to meet the financing requirements of the New Facility (which is summarised in Section 4.6 of the Booklet). In the event that the Acquisition proceeds and Completion occurs, the legal right in those Shares will vest in the Vendors. In circumstances where the Acquisition does not proceed for any reason, then any Shares that have been issued to Donaco Hong Kong to be held on trust will be bought back in accordance with the terms of the Act.

As part of the Acquisition, the Company will also enter into a Management Agreement under which the Vendors (or their nominees) will be appointed to manage and operate the day-to-day business of the Casino. See Section 6.3 for details.

Immediately after the issue of the Consideration Shares and completion of the Entitlement Offer, the Vendors' voting power in the Company will increase from 0% to approximately 18% (assuming 202,002,963 Shares are issued under the Entitlement Offer).

Directors recommendation

Your Directors believe that the Acquisition will, if it proceeds, provide enhanced scale and diversification for the Group's business, as well as meaningful and immediate earnings per share accretion. For these reasons, your Directors unanimously recommend that all Shareholders vote in favour of the Resolutions.

1.2. Shareholder approvals required for issue of the Consideration Shares

For the Acquisition and the issue of the Consideration Shares to proceed, Shareholder approval is required under Listing Rule 7.1 for issues exceeding 15% of capital (Resolution 1).

ASX has indicated to the Company that approval is not required for the purposes of ASX Listing Rule 11.1.2 or 11.1.3.

Under Section 606(1)(c)(i) of the Act a person is prohibited from acquiring a relevant interest in a voting share in a listed company, if because of that transaction that person's voting power increases from 20% or below to above 20%. Shareholder approval is not required under Section 601 Item 7 of the Corporations Act, as the acquisition by the Vendors collectively represent less than 20% of the Shares.

Notwithstanding that Shareholder approval is not required under the Corporations Act or ASX Listing Rule 11.12 or 11.13, the Directors have obtained the Independent Expert Report set out in Section 9. The Directors suggest Shareholders read the Independent Expert's Report carefully and take the contents of the Report into account when deciding whether to approve the issue of the Consideration Shares in Resolution 1 (see Section 7.3 for further details).

1.3. What approvals are required?

Resolutions 1, 2 and 3 require approval by a simple majority of votes (50% or more) cast by eligible Shareholders entitled to vote at the General Meeting.

For the full explanation of the nature, purpose and effect of the Resolutions and the voting restrictions applying to them, please refer to Section 7 of this Booklet.

1.4. Inter-conditional Resolutions

The Resolutions are inter-conditional. This means that each of these Resolutions needs to be passed for the approval to be effective.

1.5. Director recommendations

The Directors consider that the Acquisition and the issue of the Consideration Shares are in the best interests of the Company and unanimously recommend that Shareholders vote in favour of the Resolutions.

Proxy appointments in favour of the Chairman of the meeting, the Company Secretary or any Director which do not contain a direction will be voted in support of Resolutions.

1.6. Key conditions to completion of the Sale Agreement

For the Acquisition to proceed:

- (a) the conditions to completion of the Sale Agreement must be satisfied (see Section 6.1 for further details); and
- (b) the Resolutions must be approved at the General Meeting.

The Acquisition will only proceed if Shareholders approve the issue of the Consideration Shares.

As at the date of this Booklet, the Company has no reason to believe that the conditions to implementation of the Acquisition will not be satisfied.

1.7. Completion of the Sale Agreement

If the Resolutions are approved at the General Meeting and the other conditions listed in Section 6.1 are satisfied, the Acquisition will be implemented and the Consideration Shares will be issued to the Vendors.

1.8. Implementation timetable

It is expected the Acquisition will be implemented as follows:

| Action | Date |
|--|------------------|
| Company issues Entitlement Offer under Section 708AA(2)(f) of the Corporations Act 2001 (Cth) (as modified by ASIC Class Order 08/35) and the Retail Offer Booklet | 30 January 2015 |
| Institutional Entitlement Offer opens | 30 January 2015 |
| Institutional Entitlement Offer closes | 30 January 2015 |
| Retail Entitlement Offer opens | 9 February 2015 |
| Issue of shares under the Institutional Entitlement Offer | 11 February 2015 |
| Retail Entitlement Offer closes | 23 February 2015 |
| Date of Booklet | 24 February 2015 |
| Issue of shares under the Retail Entitlement Offer | 2 March 2015 |
| General Meeting | 27 March 2015 |
| Completion of the Sale Agreement and Consideration Shares are issued* | 1 April 2015 |

**subject to Resolutions being passed at the General Meeting*

The above dates are subject to change and are indicative only.

1.9. Independent Expert's Report

The Company engaged the Independent Expert to prepare an Independent Expert's Report expressing an opinion on whether or not the Acquisition is fair and reasonable to Shareholders.

As noted in Section 1.2, although an Independent Expert's Report is not technically required, given the scale of the Acquisition the Directors thought it prudent to provide a report of this nature to Shareholders with this Booklet.

The Independent Expert concludes that:

"...the assessed value of the Purchase Consideration is within our assessed fair market value range of Star Vegas and therefore the proposed Acquisition is fair.

The proposed Star Vegas Acquisition is fair, therefore it is reasonable."

A copy of the Independent Expert's Report is enclosed with this Booklet and you should read it as part of your assessment of the Acquisition.

2. Rationale for the Acquisition

2.1. Introduction

The purpose of this Section is to identify significant issues for Shareholders to consider in relation to the Acquisition and the issue of the Consideration Shares.

Before deciding how to vote at the General Meeting, Shareholders should carefully consider the factors discussed below, as well as the other information contained in this Booklet.

2.2. Rationale for the Acquisition

The Company's rationale for proceeding with the Acquisition can be summarised as follows:

- **Growth** - The Directors consider that the acquisition of DNA Star will have a positive transformational impact on the size and scale of the Company. Scale benefits are expected to be experienced in the areas of procurement (for example, gaming equipment), recruitment and retention. It should be noted that no guarantee can be given in respect of the future earnings of DNA Star or the earnings and capital appreciation of the Company's investments.
- **Well established business** – The Business is a well established and successful business. The business also has solid growth prospects as the area of Poipet, Cambodia continues to develop.
- **Diversification** – The Thailand-facing target market of the Star Vegas is distinct from the Company's current business, which is the China-facing target market serviced by the Aristo International Hotel. This reduces geopolitical and economic risk.

Each Director of the Company intends to vote all Shares they own or control in favour of all Resolutions (in the absence of a superior proposal).

2.3. Why you may vote against the Acquisition and the issue of the Consideration Shares

Shareholders may decline to approve the Acquisition and the issue of the Consideration Shares for a number of reasons. These may include the following:

- **Control** – Immediately after the issue of the Consideration Shares and the completion of the Entitlement Offer (assuming that 220,002,963 Shares are issued under the Entitlement Offer), the Vendors' combined voting power in the Company will increase from 0% to approximately 18%. The current and future intentions of the Vendors in respect of the Company may not align with the expectations of Shareholders.
- **Disagree with the Independent Expert** – The Independent Expert has concluded that the Acquisition and the issue of Consideration Shares to the Vendors is fair and reasonable to Shareholders. You may not agree with that conclusion.
- **Dilution** – If the Resolutions are approved and the Consideration Shares are issued to the Vendors, Shareholders' interests in the Company will be significantly diluted. Shareholders have however been given an opportunity to participate in the Entitlement Offer.
- **Reducing the attractiveness of the Company as a takeover target** – Following the issue of the Consideration Shares and completion of the Entitlement Offer, the Vendors will acquire voting power of up to 18%. The voting power held by the Vendors may reduce the attractiveness of the Company to potential acquirers as it may make a hostile takeover of the Company more difficult. In this regard it should be noted that interests associated with the Managing Director of the Company will continue to control more than 30% of the Company if the Acquisition proceeds.
- **Risks associated with DNA Star** – The future earnings of the Business and the value of Business could be affected by:
 - the general economic climate, political movements, currency movements, interest rates and other factors beyond the control of the Group;

- the industry in which the group operates is subject to domestic and global competition. While the Group will undertake all reasonable diligence in its business decisions and operations, the Group will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Group's business;
- DNA Star's business is based in Cambodia, and is therefore subject to different requirements than Australia. Sovereign risk may arise in the event that there are changes to any regulatory requirements in Cambodia and Thailand. In particular, relevant changes relating to ownership of shares in companies in Cambodia or relating to the operation of businesses in the casino and gaming industries in Cambodia and/or Thailand create different potential risks;
- changes in legislation or government policy in Cambodia, Thailand, Australia and Internationally could materially affect the operating results of the Business.

As a result, if the Acquisition proceeds no guarantee can be given in respect of the future earnings of DNA Star or the earnings and capital appreciation of the Company's investments.

2.4. Key implications if the Resolutions are not approved

If the Resolutions are not approved by Shareholders or another key condition to completion of the Acquisition is not satisfied or waived:

- the Acquisition will not proceed;
- the Shareholders will retain their current interest in the Company (after any adjustment resulting from the issue of Shares under the Entitlement Offer) and there will be no change to the Board of the Company;
- the Company will have spent substantial Board and management time and resources pursuing the Acquisition, without realising any benefits of the Acquisition;
- the Company would lose an opportunity to advance its business with a substantial acquisition that is designed to create increased revenues and earnings per share; and
- the Company is likely to expend resources in searching for other investments.

3. Star Vegas Resort & Club

3.1. Profile of the Business

The Business consists of the Star Vegas Resort & Club and includes the casino and gaming business, the hotel and hospitality business and the food and beverage business in the casino, conducted by Star Vegas in the city of Poipet, Cambodia.

The Star Vegas Resort & Club was established in 1999 and is a high quality, luxurious casino hotel located on the border of Thailand and Cambodia. Its primary clientele are Thai nationals. Features of the resort include:

- 4 hotels with 385 rooms in total;
- sports bar with wagering licence (sports and racing) plus lotto licence;
- 109 gaming tables (predominantly baccarat) and 1,264 electronic gaming machines (of which 288 are owned outright and 976 are subject to profit share agreements);
- multiple restaurants, shops, health spa, nightclub, swimming pool;
- a fleet of buses and vans; and
- casino facilities with over 5,000 visitors to its casino per day (on average) and comprehensive records on 3,500 premium rated players.

The Vendors have indicated that the casino gaming business at the Star Vegas Resort & Club has:

- the ability to double table capacity with relatively short notice;
- available equipment and space for an additional 105 gaming tables;
- an online gaming licence;
- an experienced management team;
- 1,448 staff; and
- sophisticated CCTV systems (with 700 cameras for the casino alone).

Near-term opportunities for the Star Vegas Resort & Club include:

- proposed highway and rail infrastructure upgrades on both sides of the Cambodian-Thailand border, promoting tourism to Angkor Wat; and
- extension of the Cambodian-Thailand border operation time to 24 hours. Operational hours have recently been extended from 8pm to 10pm – this has boosted day tripper numbers into Poipet. The proposed extension to the Cambodian-Thailand border operation time to 24 hours in the future is expected to significantly increase visitor numbers.

Further details of the Business are set out in Section 5 of the Independent Expert's Report.

3.2. Cambodian Gaming Market

Cambodian demographic information

Cambodia has:

- a population of approximately 15 million people;
- GDP per capita of US\$1,007 in 2013; and

- GPD growth forecasts for 2014 - 2015 are 7.0%-7.3%, according to the World Bank and the Asian Development Bank.

Casinos in Cambodia

There are more than 50 licensed casinos in Cambodia. Most of these are located on the Thailand border or the Vietnamese border, as Cambodians are not permitted to enter casinos in Cambodia. The largest Cambodian casino is NagaWorld, located in Phnom Penh and owned by NagaCorp Ltd, which is listed on the Hong Kong Stock Exchange (SEHK:3918). NagaCorp has a market capitalisation as at 9 February 2015 of approximately US\$1.35Bn.

Tourism to Cambodia

Visitor numbers show compound annual growth rate of 18% from 2000-2013, with 4.7 million tourists expected in 2014.

Chinese visitor numbers to Cambodia grew 22% in the eleven months to November 2014.

Taxes in Cambodia

Casinos in Cambodia enjoy concessional tax arrangements including:

- no gaming tax or corporate tax payable;
- low fixed monthly royalties payable.

3.3. Gaming Market in Thailand and Poipet, Cambodia

Casinos in Thailand

Casinos are illegal in Thailand and as a result, Poipet services the many casino gamblers based in greater Bangkok. Bangkok metropolitan area has a population of approximately 15 million people. In recent times, the Thailand military government has cracked down on illegal gambling in Thailand, leading to strong growth at Poipet casinos. Poipet is a 3-hour drive from Bangkok and the gateway from Bangkok to the primary Cambodian tourist destination, Angkor Wat.

Casinos in Poipet

There are 9 casinos in Poipet with an aggregate of approximately:

- 2,200 hotel rooms;
- 3,874 electronic gaming machines; and
- 768 gaming tables.

Casinos are located in a special economic zone. Thai nationals do not need a Cambodian visa to enter the casinos in Poipet, which accept bets and pay winnings in Thai Baht.

3.4. Key Management of DNA Star

The managers of DNA Star have extensive experience in the casino gaming and hospitality sectors. Set out below are summaries of the managers' experience.

Ham Techatut Sukjaroenkaisri

BSc Chemical Engineering, Chulangkorn University

Mr Sukjaroenkaisri is Vice President, Casino at Star Vegas Resort & Club Co, Ltd. He has more than eight years' experience in gaming and casino management. In his role at Star Vegas, one of Cambodia's largest and most successful casino resorts, Mr Sukjaroenkaisri has been responsible for developing the model for the slot machine business. This has become one of the most successful and profitable businesses for Star Vegas, and has helped to put Star Vegas into its current leadership position in the Cambodian gaming market.

A summary of the proposed management agreement for the Business following Completion is set out in section 2.3 of the Independent Expert's Report.

3.5. Business' Historical Financial Performance

The following table is a historical summary of the financial performance of the Business.

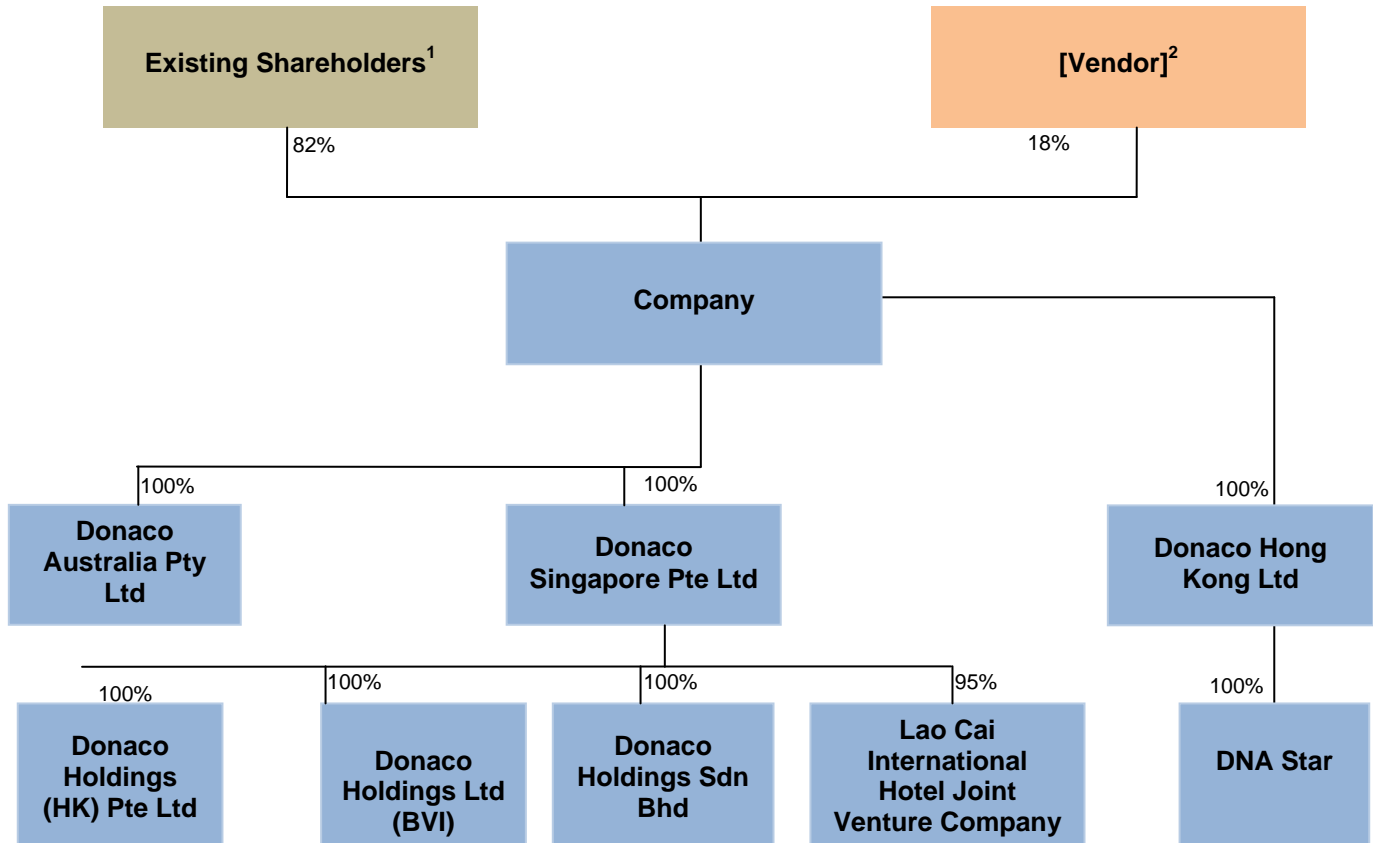
| (USD1,000) | CY2012 | CY2013 | CY2014 |
|-----------------------------|---------------|---------------|---------------|
| Gross Revenue | \$143,942 | \$127,563 | \$147,277 |
| EBITDA | \$60,513 | \$49,103 | \$60,646 |
| Net Profit After Tax | \$57,540 | \$45,592 | \$56,770 |

Note: CY2014 figures are based on audited accounts for the six months to 30 June 2014, and unaudited management accounts (currently undergoing audit review) for the six months to 31 December 2014.

4. Impact of the Acquisition

4.1. Structure of the Group

Immediately after completion of the Sale Agreement, DNA Star will be 100% owned by the Company through its wholly owned Hong Kong based subsidiary, Donaco Hong Kong Limited. Set out below is the structure of the Group immediately after the issue of the Consideration Shares and completion of the Entitlement Offer.



Notes:

- Existing Shareholders post Entitlement Offer and the issue of the Consideration Shares (assuming 220,002,963 Shares are issued under the Entitlement Offer).
- Immediately after the issue of the Consideration Shares, the Vendors' voting power in the Company will increase from 0% to 18% (assuming 220,002,963 Shares are issued under the Entitlement Offer).

4.2. Company's business model post Acquisition

The Group currently intends to continue operating both casino businesses in substantially the same manner as they are currently operating following completion of the Acquisition.

4.3. Illustrative pro forma balance sheet for Donaco post the Star Vegas Acquisition

A pro forma balance sheet for Donaco post the Star Vegas Acquisition is set out in section 7.5 of the Independent Expert's Report.

4.4. Impact on the Company's capital structure

Pro forma capital structure

This Section provides details on the impact the issue of Consideration Shares and Entitlement Offer is expected to have on the Company's capital structure.

| Point in time | Number of Securities in the Company | |
|---|-------------------------------------|------------|
| | Shares | Options |
| As at the date of this Booklet (prior to Entitlement Offer) | 463,271,139 | 23,297,578 |
| Step 1: Entitlement Offer | | |
| Following the Entitlement Offer | 683,274,102 | 23,297,578 |
| Step 2: Post Acquisition | | |
| Immediately after the Issue of the Consideration Shares | 830,473,631 | 23,297,578 |

Notes:

1. Assumes the maximum number of Shares is issued under the Entitlement Offer.
2. The total number of Shares on issue post-Entitlement Offer and issue of the Consideration Shares (assuming maximum number of Shares are issued under the Entitlement Offer) is expected to be 830,473,631.

4.5. Impact on control of the Company

Control as at the date of the Booklet

The Company currently has 2 substantial shareholders: Managing Director Lim Keong Yew and his associates (with voting power of 42.99%), and Perpetual Limited and subsidiaries (with voting power of 11.58%).

Control after completion of the issue of the Consideration Shares and the Entitlement Offer

Immediately after completion of the issue of the Consideration Shares and the Entitlement Offer, assuming that 220,002,963 of the Shares are issued under the Entitlement Offer and all of the Shareholders participate in the Entitlement Offer, the Company is likely to have the following substantial shareholders, being:

- Lim Keong Yew and his associates, whose voting power will equal approximately 31.8%; and
- the Vendors, whose voting power will equal approximately 17.7%.

4.6. Associated Debt Funding

Details about the funding for the Acquisition are set out in Section 7.1.

It is proposed that the Mega International Commercial Bank (**Lender**) will offer a US\$100 million term loan facility to Donaco's 100% owned subsidiary Donaco Hong Kong Limited (an entity incorporated in Hong Kong) (**Borrower**) (**New Facility**). Each of the Company and DNA Star will be guarantors to the New Facility. The purpose of the New Facility is to partly finance the proposed Acquisition and associated related taxes, fees and expenses.

The New Facility may be syndicated by the Lender with security agents located in Cambodia including the Lender's associated entity Mega International Commercial Bank Phnom Penh branch. The New Facility will need to be drawn down in one tranche and will be made available only for the purposes of the proposed Acquisition.

The New Facility will:

- have a three year maturity date (with repayment to be made in six semi-annual instalments beginning sixth months from the date of draw down, being 10% on the first instalment, 15% on the second to fifth instalment inclusive, and 30% on the sixth and final instalment);
- have a base interest rate payable of LIBOR plus 6.75% per annum;
- be secured (to include a pledge over a long term lease hold rights of the land, and all licences of the Business (if permitted under applicable law), a charge over of all the assets DNA Star, a pledge over the existing and future shares in DNA Star and the Borrower, an assignment of all the Borrower's and guarantors rights under the terms of the sale and purchase agreement with respect to Acquisition, and a charge over the debt service reserve account;
- include certain covenants and conditions precedent that would be consistent with these arrangements on commercial arms-length terms, including financial covenants with respect to interest coverage, cash holdings and debt to equity arrangements; and
- be subject to Hong Kong Laws.

4.7. Vendors' Intentions

This Section sets out the intentions of the Vendors in relation to:

- the continuation of the business of the Company;
- any major changes to be made to the business of the Company, including redeployment of the fixed assets of the Company and significant changes to financial or dividend distribution policies; and
- the future employment of the present employees of the Company.

The intentions set out in this Section 4.7 have been confirmed by the Vendors based on the facts and information concerning the Company and the general business environment which is known to the Vendors as at the date of this Booklet and based on publicly available information and information that the Company has made available to the Vendors.

Final decisions will only be made by the Vendors in light of all material facts and circumstances at the relevant time and after conducting a detailed review of the Company's business. Accordingly, the statements set out in this Section are statements of the Vendors' present intention only, which may change as new information becomes available.

- **Head office** – no change expected. It is intended that the registered office of the Company will remain in Sydney, New South Wales Australia.
- **Directors** – the Board following completion of the Acquisition will comprise:
 - Stuart James McGregor
 - Joey Lim Keong Yew
 - Benedict Paul Reichel
 - Benjamin Lim Keong Hoe
 - Robert Andrew Hines
 - Ham Techatut Sukjaroenkraisri
 - Paul Porntat Amatavivadhana
- **Business continuity** – the Vendors will support the Company's intentions to focus on the business currently operated by the Company.
- **Employees** – other than the changes to the Board, there are no current plans to change the Company's management team or to make any changes to the employees as a result of and following successful implementation of the Acquisition. Under clause 5.1 of the Business

Transfer Agreement the employees of Star Vegas shall be transferred to DNA Star together with the Business.

- **Future capital injections** – the Vendors have no current intention to apply for additional Shares but will consider injecting further capital into the Company as and when the opportunities arise.
- **Financial policies** – No changes currently expected.
- **Company assets** – No changes currently expected.

4.8. Vendors

The Consideration Shares are expected to be issued to the Vendor's nominees, being Lee Bug Tong and Lee Bug Hui.

The Consideration Shares will be subject to a two-year lockup period in which the Vendors cannot dispose of more than:

- 34% of the Consideration Shares in the first year; and
- 67% of the Consideration Shares in the second year.

4.9. Nominee Directors – summary of experience

As part of the Acquisition, the New Directors will be appointed as directors of the Company. This Section summarises the experience of each New Director.

Porntat Paul Amatavivadhana

MSc Management Science, Boston University; BA Finance and Banking, Thammasat University

Mr Amatavivadhana is a founding principal and the CEO of Infinite Capital, a successful boutique corporate advisory firm based in Bangkok. He has considerable experience in Mergers & Acquisitions, Corporate Restructuring and Capital Raisings. Mr Amatavivadhana is currently an independent director at Sansiri Plc., one of the largest real estate developers in Thailand, which is listed on the Stock Exchange of Thailand. His previous roles include senior positions at Ayudhya Securities Plc (Managing Director); Ploenchit Advisory Co Ltd (Assistant Managing Director); UOB KayHian Securities (Thailand) Ltd; BNP Paribas Peregrine Securities (Thailand) Ltd and Securities One Plc.

Ham Techatut Sukjaroenkaisri

BSc Chemical Engineering, Chulangkorn University

Mr Sukjaroenkaisri is Vice President, Casino at Star Vegas Resort & Club Co, Ltd. He has more than eight years' experience in gaming and casino management. In his role at Star Vegas, one of Cambodia's largest and most successful casino resorts, Mr Sukjaroenkaisri has been responsible for developing the model for the slot machine business. This has become one of the most successful and profitable businesses for Star Vegas, and has helped to put Star Vegas into its current leadership position in the Cambodian gaming market.

4.10. Plans for the Company if the Resolutions are not approved

If the Acquisition does not proceed, for any reason, the funds raised under the Entitlement Offer will be used for working capital purposes of the Company and to repay existing debt.

4.11. The Company is a Disclosing Entity

As a company listed on the ASX and a "disclosing entity" under the Act, the Company is subject to regular reporting and disclosure obligations which require it to announce price sensitive information as soon as it becomes aware of that information. The Company's most recent announcements are available from its website.

Further announcements concerning the Company will continue to be made available on the website after the date of this Booklet.

ASX maintains files containing publicly available information about entities listed on its exchange. The Company's files are available for inspection from ASX during normal business hours and are available on the website at www.asx.com.au.

The Company is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by the Company may be obtained, or inspected at, ASIC offices.

The following documents are available for inspection free of charge prior to the General Meeting during normal business hours at the Company's registered address:

- the Constitution;
- the Company's annual reports for the financial years;
- the Company's interim reports for the 6 month periods;
- the Company's public announcements.

The annual and interim reports and public announcements are also available at on the ASX website.

5. Risk factors

5.1. Overview

There are a number of factors, both specific to DNA Star and of a general nature, which may affect the future operating and financial performance of the Group and the outcome of an investment in the Company following the Acquisition. There can be no guarantee that the Group will achieve its stated objectives, that forecasts will be met or that forward looking statements will be realised.

This Section 5 describes certain, but not all, risks associated with an investment in the Company.

This is not an exhaustive list and it should be considered in conjunction with other information disclosed in this Booklet or other information that you are otherwise aware. You should have regard to your own investment objectives and financial circumstances, and seek professional guidance from your stockbroker, solicitor, accountant or other independent professional adviser before deciding whether to invest.

5.2. Risks associated with the Acquisition

- **Emerging market** – Cambodia is an emerging market. Gaming regulations in Cambodia are not as sophisticated as the Western markets. However, the Government of Cambodia is exploring a revision of the gaming laws to attract additional foreign investment. Any adverse changes will likely impact on the Business.
- **Relationship with the Governments of Cambodia and Thailand** – Any breakdown of the relationship between the Vendors, management of the Business and DNA Star and the Governments of Cambodia and Thailand could adversely affect the Business of DNA Star. To minimise this risk, the Vendors will be entering into a two year management contract with the Vendors (or their nominees).
- **Government** – Changes in legislation and government policy in Cambodia, Thailand and Australia and internationally (including taxation and monetary policies and corporation laws) could materially affect the operating results of the Company.
- **Economic conditions** – The general economic climate, political movements, currency movements, interest rates and other factors beyond the control of DNA Star may affect future earnings of DNA Star and the value of the business of DNA Star.
- **Laws and regulations** – The laws and regulations in Cambodia and Thailand differ to those that exist in Australia. Laws may unexpectedly change, and could have an impact on the operational activities of the Group in Cambodia.
- **Jurisdictional risk** - The assets the Group will hold after completion of the transfer of Assets by Star Vegas to DNA Star will be located in Vietnam and Cambodia and are therefore subject to different regulatory requirements than Australia. Sovereign risk may arise in the event that there are changes to any Vietnamese, Chinese, Cambodian or Thai regulatory requirements, particularly relating to ownership of shares in Vietnamese or Cambodian companies or relating to the operation of businesses in the casino and gaming and hotel and hospitality sectors in Vietnam, China, Cambodia and/or Thailand.
- **Competition** – The industry in which the Group is involved is subject to domestic and global competition. While the Group will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or the actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Group's business.
- **Geopolitical** - DNA Star will be subject to the risks associated with operating in Cambodia. Such risks can include economic, social or political instability or change, hyperinflation, currency non-convertibility and instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, exchange control, repatriation of income or return of capital, environmental protection, and labour relations.

- **General economic conditions** - A variety of general economic and business conditions may affect the price at which Shares trade on ASX, including the level of inflation, interest rates and government fiscal, monetary and regulatory policies. Prolonged deterioration in general economic conditions, including an increase in interest rates, could also have an adverse effect on the Group.
- **Taxation risks** - A change to the current taxation regime in Australia, Vietnam or Cambodia may affect the Group and its Shareholders. The Business will operate in Vietnam and Cambodia, and will be subject to the taxation laws that apply to transactions with foreign entities and the interaction of tax laws and allocation of taxes between Australia, Vietnam and Cambodia.
- **Personal tax liabilities** - Are the responsibility of each Shareholder. The Company is not responsible for taxation or penalties incurred by Shareholders.
- **Unforeseen risks** - There may be other risks which the Directors are unaware of at the time of issuing this Booklet which may impact on the Company and its operations, and on the valuation and performance of the Company's Shares.
- **Currency risk** - DNA Star will conduct its business using Thai baht. Any conversion and payment of profits to Australian dollars will be subject to currency exchange rate fluctuations. The Group does not currently intend to hedge these currency risks.
- **Financing** – Completion of the Acquisition is subject to financing and regulatory approvals.

5.3. Risks Associated with Holding Shares

Shareholders will continue to be exposed to certain risks through holding Shares. These include the following:

- **Investment risk** - There are several types of investment risk that may affect your investment in the Company, including a decline in the market price of the Shares (the initial capital value may decrease especially if you are investing for the short term), the amount you receive as income may vary over time or the value of your investment may not keep pace with inflation. This includes the possibility that the Group may not be able to achieve the medium to long term capital growth objectives.
- **Economic conditions** - The operating and financial performance of the Company is influenced by a variety of general economic and business conditions including the level of inflation, international share markets, interest rates and exchange rates, government fiscal, monetary and regulatory policies. A prolonged deterioration in general economic conditions, including an increase in interest rates, may have a material adverse impact on the Company's business or financial situation.
- **Government** - Changes in government, monetary policies, taxation and other laws can have a significant influence on the outlook for companies and investor returns.

6. Summary of Acquisition Documents

This Section includes a summary of the material documents required to implement the Acquisition.

6.1. Share Sale Agreement

General

The Company entered into the Sale Agreement with the Vendors under which:

- (a) the Vendors must cause a new company (**DNA Star**) to be incorporated solely for the purpose of entering into a business transfer agreement with Star Vegas Resort & Club Co. Limited (**Star Vegas**) where Star Vegas agrees to transfer the Business, being the casino and gaming business, hotel/hospitality business and the food and beverage business in the casino, conducted by Star Vegas in Poipet, Cambodia as at the date of the Sale Agreement including the certain assets and contracts in respect of the Business;
- (b) the Vendors (or their nominees) will be the beneficial owners of the shares issued in the DNA Star; and
- (c) the Vendors agree to sell and the Company agrees to purchase, the Vendors' entire shareholding in the capital of DNA Star.

The consideration for the acquisition of all the DNA Star Shares is US\$360,000,000.

Conditions Precedent

Completion of sale under the Sale Agreement is subject to a number of conditions precedent. These conditions must be waived or satisfied prior to the cut off date being 16 March 2015 (or such other date agreed between the parties). These conditions include:

- (i) Completion of the business transfer agreement for the transfer of the Business to DNA Star between Star Vegas and DNA Star;
- (ii) The Company, and its financiers, being satisfied in all respects with the results of the Company's due diligence inquiries into the financial, legal, regulatory compliance, tax, and other aspects of the Business, and with the results of the report prepared by the Auditors and other advisers in respect of the Business, for the period ending 31 December 2014;
- (iii) Auditors Crowe Horwath AF providing unqualified audited accounts for the Business in respect of Financial Year 2013 and the first half of the Financial Year 2014;
- (iv) Auditors Crowe Horwath AF completing a limited review of the accounts of the Business for the Financial Year Ending December 2014;
- (v) All condition precedents to drawdown of funds for the financing required to consummate the transactions contemplated by the Sale Agreement having been satisfied or waived;
- (vi) The Company obtaining shareholder approval at the General Meeting to proceed with the Acquisition and to issue the Consideration Shares; and
- (vii) The Vendors issuing a letter to the Purchaser confirming that:
 - (A) there being no change in circumstances whether financial, legal or otherwise in the period between the date of the Sale Agreement and completion of the Sale Agreement which would have an adverse effect on the Business, being an event or series of events (whether related or not), which in the opinion of the Company results in or is likely to result in a reduction in the revenue of the Business of ten (10) per cent or more in the period of twelve (12) months after such event compared with the period of twelve (12) months prior thereto; and

- (B) all representations, undertakings and warranties of the Vendors under the Sale Agreement being complied with, true, accurate and correct as at the date of completion of the Sale Agreement.

Termination

The Sale Agreement may be terminated in the event that the conditions to completion under the Sale Agreement are not satisfied or waived by 1 April 2015.

Warranties and Indemnities

The Sale Agreement includes warranties by the Vendors for the benefit of the Company, primarily relating to title, capacity, conduct of Business, assets of the Business, properties, licences and other guarantees in respect of the Business, including that:

- (i) the EBITDA in respect of the Business for the period commencing on the first day of the subsequent month after the Payment Date (as defined) must be at least US\$60,000,000 for the first 12 months, and USD60,000,000 for the subsequent 12 months.

Completion

Completion under the Sale Agreement is required to take place, provided all other conditions precedent have been satisfied or waived, on 1 April 2015.

Issue of Consideration Shares – process

As part of the proposed completion arrangements with respect to the Acquisition the Consideration Shares will first be issued to Donaco's wholly owned subsidiary Donaco Hong Kong Limited to be held on trust for the Vendors pending Completion. Issue of the Consideration Shares in this manner is required to meet the financing requirements of the New Facility (which is summarised in Section 4.6 of the Booklet. In the event that the Acquisition proceeds and Completion occurs, the legal right in those Shares will vest in the Vendors. In circumstances where the Acquisition does not proceed for any reason than any Shares that have been issued to Donaco Hong Kong to be held on trust will be bought back in accordance with the terms of the Act.

6.2. Business Transfer Agreement

General

The Company will enter into the Business Transfer Agreement annexed to the Sale Agreement as Appendix C, under which Star Vegas agreed to sell, assign and transfer to DNA Star and DNA Star agreed to purchase, acquire and assume from Star Vegas:

- (i) the Business as a going concern;
- (ii) the relevant sale assets (being all of the casino equipment, inventory, motor vehicles, other equipment, plant and machinery each as at 31 December 2014 as set out in the accounts of Star Vegas), together with all of the Business IP, the goodwill and the properties;
- (iii) the relevant licences (being all licences, consents, authorisations, permissions, approvals and authorities, in respect of conducting the activities of gaming, hotel and duty free business, shooting range, dog racing, horse racing and online gaming business); and
- (iv) the third party deposits (being security and other deposits received by Star Vegas).

Consideration

The consideration for the sale of the Business and the Sale Assets to DNA Star shall be an amount equivalent to the net book value of the Sale Assets as at 31 December 2014 and as set out in the accounts of Star Vegas.

Completion

Completion under the Business Transfer Agreement is required to take place on 16 March, 2015.

6.3. Management Contract

On completion of the Acquisition, the Company will enter into a Management Contract with the Vendors or their nominees (**the Operator**) for 2 years from completion of the Sale Agreement. The primary executive responsible for management will be Ham Techatut Sukjaroenkraisri. Under the Management Agreement, the Operator will manage and operate the day-to-day business of the Casino.

The Operator will be provided with an estimated monthly expense budget in the amount as may be determined by a committee, to be appointed by the Company and the Operator. Under the Agreement, the Operator guarantees to the Company that the EBITDA of the Casino will be at least US\$60,000,000 per year for the first two years.

The Agreement provides that in the event that the Operator fails to achieve the Guaranteed Sum, the Operator agrees to indemnify the Company and must pay the Company the shortfall amount between the Guaranteed Sum and the actual EBITDA of the Casino's business at the expiry of the Guaranteed Period.

There are no fees payable to the Operator in consideration for the provision of the management services. However, if the Operator achieves the Guaranteed Sum, the Company must pay the sum amounting to 25% of the accumulative net profit after tax of the Casino's business as a bonus payment to the Operator.

7. Additional information

7.1. Introduction

This Section 7 includes additional information that the Company considers is material to the decision on how to vote with respect to the Resolutions.

7.2. Resolutions inter-conditional

The Resolutions are inter-conditional. This means that each of the Resolutions needs to be passed for the approval sought to be effective.

7.3. Regulatory requirements

This Section 7.3 summarises the requirements of the Listing Rules and the Act which are relevant to the Acquisition and the issue of the Consideration Shares.

Listing Rule 7.1

Listing Rule 7.1 provides that the Company must not issue more than 15% of its issued capital in any 12 month period without shareholder approval.

Shareholder approval under Listing Rule 7.1 is being sought for the proposed issue of Consideration Shares.

Listing Rule 11.1

Listing Rule 11.1 requires that if an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must, if directed by ASX, get approval of holders of ordinary securities for the change to the nature or scale of its activities. ASX has indicated to the Company that it does not require the Company to obtain the approval of its Shareholders under Listing Rule 11.1.

Item 7 Section 611 of the Act

Part 6.1 of the Act contains provisions known as the takeover provisions. These provisions prohibit any transaction that involves the acquisition of voting shares, or a relevant interest in voting shares, of a listed public company, if that acquisition results in a person's voting power in the company increasing to more than 20% (**Control Transaction**).

Pursuant to Item 7 of Section 611 of the Act, a company can approve a Control Transaction, which would normally be prohibited under Section 606 of the Act, provided the Shareholders of the company whose shares are being acquired (in this case, the Company) approve of the acquisition by resolution at a general meeting (**Control Approval**). In this instance, the acquisition of the Consideration Shares by the Vendors will equal approximately 18% of the issued Shares and thus is not considered to be a Control Transaction and Shareholder approval is therefore not required.

7.4. Information required for the purposes of Listing Rule 7.1 – Resolution 1

The following information is provided in relation to this share issue, in accordance with the requirements of Listing Rules 7.4 and 7.5.

| | |
|---------------------------------------|---|
| Number of shares issued | 147,199,529 |
| Price at which the shares were issued | US\$0.90 |
| Terms of the securities | Ordinary fully paid shares in the same class and ranking equally with existing fully paid ordinary shares on issue in all respects. |
| Allottees | Lee Bug Tong and Lee Bug Hui |

| | |
|----------------------------------|--|
| Intended use of the funds raised | To be issued to the Vendors (or their nominees) in part satisfaction for the Acquisition |
| Voting exclusion statement | Refer to Clause 3 of Appendix 1 (Notice of Meeting) |

7.5. Information required for the purpose of Item 7, Section 611 of the Act

The information set out below is required to be provided to Shareholders in respect to obtaining approvals under Item 7, Section 611 of the Act. This information is provided to Shareholders even though approval is not sought (or required) under that Section of the Act:

- The persons proposing to make the acquisition is the Vendors.
- The maximum extent to which voting power of the Vendors will increase is set out in Section 4.5.
- See Section 4.6 for a statement of intention by the Vendors and Section 7.6 for relevant voting exclusions.
- The Independent Expert's Report concludes that **the Star Vegas Acquisition is fair and reasonable**.
- Each Director of the Company intends to vote all Shares he owns or controls in favour of the Resolution, in the absence of a superior proposal.

7.6. Voting Restrictions

The following voting exclusions apply pursuant to the Act and the Listing Rules.

The Company will disregard any votes cast on Resolutions 1 by the Vendors and their associates.

However, the Company need not disregard any of the above mentioned votes if the vote is cast by a person as proxy for a person entitled to vote, in accordance with the directions on the Proxy Form; or is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

7.7. Independent Advice

Shareholders should consult their legal, financial, taxation or other professional adviser if they have any queries regarding:

- the Acquisition;
- the taxation implications for them if the Acquisition is implemented;
- any other aspects of this Booklet.

7.8. Other Material Information

The Company will issue a supplementary document to this Booklet if it becomes aware of any of the following between the date of despatch of this Booklet and the date of the General Meeting:

- a material statement in this Booklet is false or misleading in a material respect;
- a material omission from this Booklet;
- a significant change affecting a matter included in this Booklet; or
- a significant new matter has arisen and it would have the effect of any of the above.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, the Company may circulate and publish any supplementary document by:

- making an announcement to ASX; and/or
- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia; and/or
- posting the supplementary document to Shareholders at their registered address as shown in the Company Register; and/or
- posting a statement on the Company's corporate website, as the Company in its absolute discretion considers appropriate.

8. Glossary

The following terms used in this Booklet (including the Notice of Meeting in Appendix 1 to this Booklet) have the meanings given to them below, unless the context otherwise requires.

| | |
|------------------------------------|--|
| Acquisition | acquisition of 100% of the issued share capital in DNA Star from the Vendor for US\$360,000,000 following completion of the transfer of the Business to DNA Star by the Vendors |
| Act | Corporations Act 2001 |
| ASIC | Australian Securities & Investment Commission |
| Associate | has the same meaning as in the Listing Rules |
| ASX | ASX Limited (ACN 008 624 691) or, as the context requires, the financial market conduct by it |
| Board | board of directors of the Company |
| Booklet | this Shareholder Booklet |
| Business | the casino and gaming business, hotel/hospitality business and the food and beverage business in the casino, conducted by Star Vegas in Poipet, Cambodia |
| Casino | the casino business located in the Star Vegas Resort & Club located in Poipet, Cambodia |
| Company | Donaco International Limited (ACN 007 424 777) |
| Consideration Shares | means 147,199,529 Shares to be issued to the Vendors at completion of the Sale Agreement |
| Constitution | the constitution of the Company |
| Directors | the directors of the Company |
| DNA Star | the company that owns (or will own) all of the assets of the Business |
| Eligible Institutional Shareholder | an Institutional Shareholder who as at the relevant record date had a registered address on Donaco's share register in Australia, New Zealand, Hong Kong, Malaysia, Finland, Singapore or Vietnam and was invited by the Company to participate in the Institutional Entitlement Offer |
| Eligible Retail Shareholder | a Shareholder who meets the requirements set out in Section 1.6 of the Retail Offer Booklet |
| Eligible Shareholder | a person who is an Eligible Institutional Shareholder or an Eligible Retail Shareholder |
| Entitlement Offer | the accelerated non-renounceable rights issue offering Eligible Shareholders the opportunity to subscribe for 10 New Shares for every 21 Shares |
| Explanatory Memorandum | this explanatory memorandum forming part of this Booklet dated 24 February 2015 in relation to the General Meeting |

| | |
|---------------------------------|---|
| General Meeting | General Meeting of the Company to be convened in respect of the issue of the Consideration Shares on 27 March 2015 at 3.00pm. The notice convening the General Meeting is contained in Appendix 1 of this Booklet |
| Group | means the Company and all of its controlled entities from time to time, which from Completion includes DNA Star. |
| Independent Expert | Crowe Horwath Corporate Finance (Aust) Ltd |
| Independent Expert's Report | the report of the Independent Expert expressing an opinion on whether the Acquisition is fair and reasonable to the shareholders of Donaco. A copy of the Independent Expert's Report is enclosed with this Booklet |
| Institutional Entitlement Offer | the offer of New Shares to Eligible Institutional Shareholders under the Entitlement Offer |
| Institutional Shareholder | a Shareholder who is an "exempt investor" for the purposes of Section 9A of the Corporations Act (as modified by ASIC CO 08/35) |
| Listing Rules | the listing rules of ASX |
| New Director | each of Ham Techatut Sukjaroenkraisri and Paul Porntat Amatavivadhana, being the person(s) who will be appointed to act as Directors at completion of the Acquisition |
| New Share | a new Share |
| Notice of Meeting | the notice for the General Meeting dated 24 February 2015, as set out in Appendix 1 of this Booklet |
| Proxy Form | the Proxy Form enclosed with this Booklet |
| Registry | Boardroom Pty Ltd (ACN 003 209 836) |
| Purchase Consideration | The consideration of US\$360 million for the purchase of the DNA Star shares in accordance with the Sale Agreement. The consideration will be financed through a combination of cash and shares including issue of the Consideration Shares |
| Resolutions | the resolutions set out in the Notice of Meeting |
| Retail Entitlement Offer | the offer of New Shares to Eligible Retail Shareholders under the Entitlement Offer |
| Retail Offer Booklet | the offer booklet dated 2 February 2015, in relation to the Retail Entitlement Offer |
| Sale Agreement | the share sale agreement between the Company and Somboon Sukjaroenkraisri and Lee Bug Tong dated 23 January 2015 pursuant to which the Company will acquire all of the shares in DNA Star |
| Shares | ordinary shares in the capital of the Company |
| Shareholder | a registered holder of Shares |
| Star Vegas Acquisition | The proposed acquisition of the gaming and hospitality business of Star Vegas Resort and Club Co Ltd |

| | |
|---------|---|
| Vendors | Somboon Sukjaroenkraisri and Lee Bug Tong |
|---------|---|

9. Independent Expert's Report

Donaco International Ltd

Independent Expert's Report

19 February 2015

Prepared for: Donaco International Ltd

Prepared by: Crowe Horwath Corporate Finance (Aust) Ltd

Financial Services Guide

What is the purpose of this Financial Services Guide?

This Financial Services Guide is designed to help retail clients make a decision as to their use of the relevant general financial product advice; to ensure that we comply with our obligations as a financial services licensee; and to provide you with information on:

- how we and our associates are paid;
- any potential conflict of interest we may have; and
- our internal and external dispute resolution procedures and how you can access them.

Crowe Horwath Corporate Finance (Aust) Ltd ACN 001 508 363 has been engaged to issue general financial product advice in the form of an Independent Expert Report (the **Report**) for inclusion in Notice of Meeting to be sent to shareholders.

What type of advice is being provided to me?

In the Report we provide general financial product advice, not personal financial product advice, because the advice has been prepared without taking into account your personal objectives, financial situation or needs. You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs.

Who is responsible for the financial services provided to me?

Crowe Horwath Corporate Finance (Aust) Ltd holds an Australian Financial Services Licence No. 239170 and is responsible for the financial services provided by it and its Authorised Representatives, including authorising the distribution of this Financial Services Guide. Crowe Horwath Corporate Finance (Aust) Ltd is wholly owned by Crowe Horwath Australasia Ltd and operates as part of the business advisory and professional accounting practice operating as Crowe Horwath.

What kinds of financial services are you authorised to provide to me?

We are authorised to provide advice on, and deal in, the following classes of financial products to wholesale and retail clients:

- financial product advice for derivatives and securities;
- deal in a financial product by issuing, applying for, acquiring, varying or disposing of a financial product in respect of derivatives; and
- deal in a financial product by applying for, acquiring, varying or disposing of a financial product on behalf of another person in respect of derivatives and securities.

What is the financial service being provided to me?

We are providing financial product advice by issuing an Independent Expert Report in connection with a financial product of another person or entity.

Our Report includes a description of the circumstances of our engagement and identifies the person or entity who has engaged us. You have not engaged us directly but you will be provided with a copy of the Report due to your connection to the matters in respect of which we have been engaged to report. Any Report we provide is provided on our own behalf as an Australian Financial Services Licensee authorised to provide the financial product advice contained in the Report.

Do you have any relationships or associations with financial product issuers?

Crowe Horwath Corporate Finance (Aust) Ltd and any of its associated entities may at any time provide professional or financial services to financial product issuers in the ordinary course of our business.

How is Crowe Horwath Corporate Finance (Aust) Ltd paid to produce the Report?

We will charge a fee in the vicinity of \$50,000 excluding GST for providing this Report. This fee will be paid by the person or entity which engages us to provide the Report. The fee has not affected the opinion we have expressed in the Report. Except for this fee, neither Crowe Horwath Corporate Finance (Aust) Ltd, nor any of its principals, employees or related entities, receives any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the Report.

Does Crowe Horwath Corporate Finance (Aust) Ltd get paid for referring clients to invest in the products associated with your Independent Expert Report?

We do not pay commissions or provide any other benefits to any person for referring clients to us in connection with the Report that we are engaged to provide. We do not receive commissions or any other benefits for referring clients in connection with the underlying financial product and/or financial service that is the subject of the Report we are engaged to provide.

Who can I complain to if I have a complaint about the financial services provided?

If you have any complaint about the service provided to you, you should take the following steps:

- Contact us and tell us about your complaint.
- If your complaint is not satisfactorily resolved within three business days, please contact the Complaints Officer on (03) 9522 0888, or put your complaint in writing and send it to us at compliance@crowehorwath.com.au or to:

The Complaints Officer
Crowe Horwath Corporate Finance (Aust) Ltd
Level 9, 473 Bourke Street
Melbourne VIC 3000

If you still do not get a satisfactory outcome you can contact the Financial Ombudsman Service (FOS) of which Crowe Horwath Corporate Finance (Aust) Ltd is a member. FOS can be contacted on 1300 780 808 or you can write to them at GPO Box 3, Melbourne, Victoria 3001.

The Australian Securities & Investments Commission has a freecall information line on 1300 300 630 which you may also use to make a complaint or obtain information about your rights.

If you have any further questions about the financial services Crowe Horwath Corporate Finance (Aust) Ltd provides, please contact our office on (07) 3233 3555

Dated 19 February 2015

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19 February 2015

The Directors
Donaco International Ltd
Suite 202, 55 Miller Street
PYRMONT NSW 2009

Dear Directors

INDEPENDENT EXPERT'S REPORT FOR THE PROPOSED ACQUISITION OF STAR VEGAS

1. Introduction

1.1 Background

On 3 November 2014, Donaco International Ltd (**Donaco**) made its initial announcement to the market regarding the proposed material acquisition of a significant gaming and hospitality business in Cambodia. Subsequently on 30 January 2015, Donaco announced the execution of a share sale agreement (**Sale Agreement**) with Mr Somboon Sukjaroenkraisri and Mr Lee Bug Tong (**Vendors**) for the acquisition of the Star Vegas Resort & Club Co Ltd gaming and hospitality business (**Star Vegas**).

As part of the Star Vegas acquisition (the **Acquisition**), the Vendors will incorporate a new company (**DNA Star**) for the sole purpose of entering into a business transfer agreement whereby the Star Vegas business is transferred to DNA Star. As the beneficial owner of the whole of the issued share capital in DNA Star, the Vendors will sell all of its DNA Star shares to a wholly owned subsidiary of Donaco (**Sale Shares**) subject to the terms and conditions of the Sale Agreement.

Donaco's consideration for the purchase of the Sale Shares will be US\$360 million (A\$463m¹) (**Purchase Consideration**). The Purchase Consideration will be financed through a combination of cash and shares as follows:

- US\$120m Donaco shares to the Vendors (or their nominees), representing the issue of 147,199,529 ordinary shares in Donaco (**Consideration Shares**);
- US\$100m new debt facility from Mega International Commercial Bank Co Ltd;
- US\$40m cash on hand; and
- US\$100m secondary raising via a fully underwritten '10 for 21' non-renounceable rights issue at an offer price of A\$0.60 per share (the **Entitlement Offer**). A total of 220,002,963 new shares will be issued under the Entitlement Offer.

1.2 Purpose of the Report

Crowe Horwath Corporate Finance (Aust) Ltd (**Crowe Horwath**) has been appointed by the Directors of Donaco to prepare an Independent Expert's Report (**IER** / the **Report**) to express an opinion on whether the Star Vegas Acquisition is fair and reasonable to the shareholders of Donaco (**Shareholders**). If approved, the Star Vegas Acquisition will result in the Vendors acquiring a relevant interest in Donaco of up to 18% in Donaco. While there is no legal requirement to do so, the Directors of Donaco have thought fit to voluntarily commission this IER for Shareholders' information.

A Shareholder's decision in relation to the Star Vegas Acquisition may be influenced by his or her particular circumstances. We have considered the Star Vegas Acquisition generally and have not taken into account the objectives, financial situation or needs of individual Donaco Shareholders. Due to particular circumstances, individual Shareholders may place different emphasis on various aspects of the Star Vegas Acquisition from the one adopted in our Report. Accordingly, individual Shareholders may reach different conclusions as to whether to approve the Star Vegas Acquisition.

The IER will accompany the shareholder booklet to be forwarded to Donaco Shareholders for their consideration in determining whether to approve the Star Vegas Acquisition. The IER should be read in full together with the Shareholder Booklet and any other information provided to Donaco Shareholders to assist them in their decision.

¹ USD/1.28860 AUD spot rate at 30 January 2015.

1.3 Basis of Assessment

In determining whether the Star Vegas Acquisition is fair and reasonable, we had regard to ASIC's Regulatory Guide 111 (**RG 111**) in relation to the content of independent expert's reports.

RG 111 distinguishes "fair" from "reasonable" and considers:

- an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer
- an offer is 'reasonable' if it is fair. An offer might also be reasonable if, despite being 'not fair', the expert believes that there are sufficient reasons for shareholders to accept the offer in the absence of any higher bid before the close of the offer.

RG 111 provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions. RG 111 suggests an expert, in deciding on the appropriate form of analysis for a report, should focus on the purpose and outcome of the transaction, that is, the substance of the transaction.

RG111.58 provides guidance with regard to asset acquisitions and outlines that the asset acquisition will be fair if the value of the consideration being offered is equal to or less than the value of the assets being acquired. We consider the proposed Star Vegas Acquisition is essentially an asset acquisition.

Accordingly, we have assessed the fairness of the Star Vegas Acquisition by comparing our assessed fair market value of Star Vegas to our assessed value of the Purchase Consideration.

To assess the reasonableness of the Star Vegas Acquisition, we considered the following significant factors in addition to determining whether the Star Vegas Acquisition is fair:

- The conditions of the Star Vegas acquisition.
- The likely impact on the control of Donaco.
- The extent to which existing Donaco Shareholders may be diluted.
- Other advantages and disadvantages for Donaco Shareholders in approving or rejecting the Star Vegas Acquisition.

1.4 Summary of Opinion

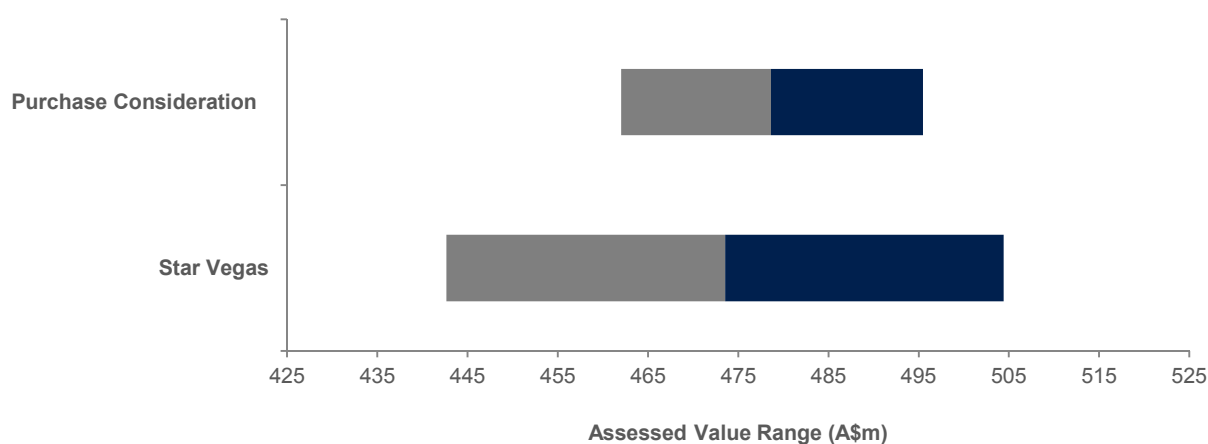
In our opinion, the proposed transaction is fair and reasonable to Donaco Shareholders. This opinion should be read in conjunction with the remainder of this IER in its entirety.

The offer is fair to Donaco Shareholders as our assessed value of the Purchase Consideration is within our assessed fair market value range of Star Vegas.

| Comparison of the Valuation of Star Vegas to the Purchase Consideration | | | | |
|---|------------------|-----|-----|------|
| (A\$m) | Report Reference | Low | Mid | High |
| Star Vegas | Section 9.3 | 443 | 474 | 504 |
| Purchase Consideration | Section 11.1 | 462 | 479 | 495 |

Source: Crowe Horwath analysis

We set out below a graphical representation of our comparison of the assessed value of the Purchase Consideration to the assessed fair market value of Star Vegas.



Source: Crowe Horwath analysis

Our detailed assessment of value can be found in Sections 9, 10, 11 and 12.

The offer is fair therefore it is reasonable. We have identified the following advantages and disadvantages of the offer to Donaco Shareholders as set out below.

| Assessment of Reasonableness | |
|---|--|
| Advantages | Disadvantages |
| <ul style="list-style-type: none"> The Star Vegas Acquisition will deliver diversification. The Star Vegas Acquisition will deliver enhanced scale. Attractive tax regime for casinos in Cambodia. The Directors of Donaco unanimously recommend Shareholders vote in favour of the resolution. | <ul style="list-style-type: none"> Shareholders' interests will be diluted. Donaco will have higher gearing levels post the Acquisition. Exposure to Cambodia and Thailand. |

Source: Crowe Horwath analysis

A more detailed discussion of the advantages and disadvantages of the proposed transaction can be found in Section 12.2.

1.5 Other Matters

This letter is a summary of our analysis and opinion and does not constitute a substitute for a reading of the entire Report.

Capitalised terms and certain abbreviations used in the Report are defined in the Glossary at Appendix A. The sources of information which we have relied upon in the preparation of this Report are listed in Appendix B.

For the avoidance of doubt, references to “we”, “our” or similar terms refer to Crowe Horwath unless the context requires otherwise.

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in the Report are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in the Report.

All currency is presented in Australian dollars or US dollars as indicated. The foreign exchange rates adopted in this Report are summarised in Appendix F.

Should you have any questions regarding our Report, please don't hesitate to contact us.

Yours sincerely



CROWE HORWATH CORPORATE FINANCE (AUST) LTD

ABN 95 001 508 363
AFSL 239170

Crowe Horwath Corporate Finance (Aust) Ltd is a member of Crowe Horwath International, a Swiss verein. Each member of Crowe Horwath is a separate and independent legal entity.

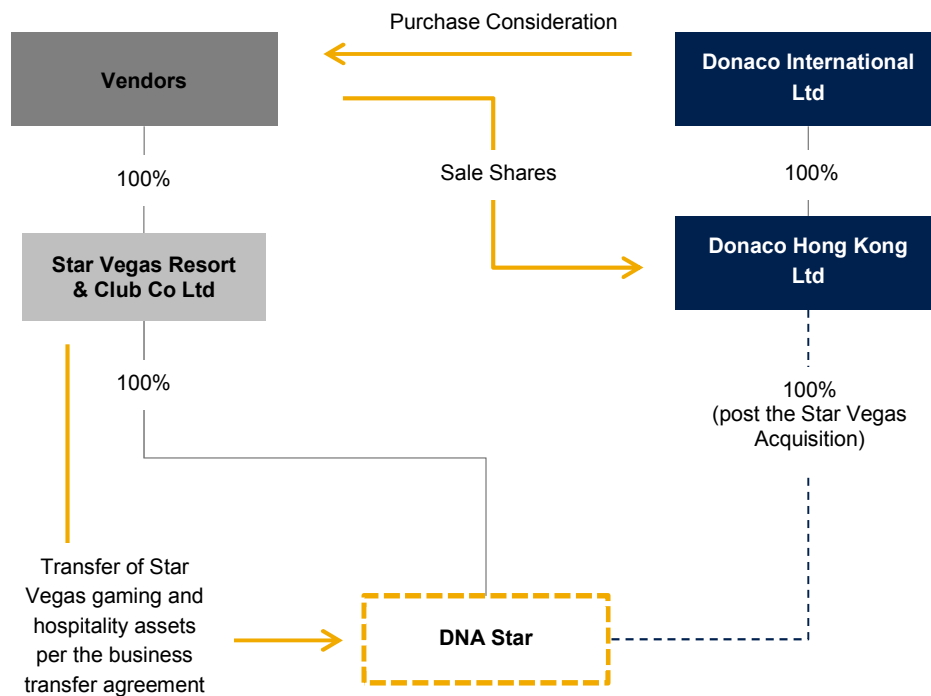
2. The Proposed Acquisition

2.1 Overview

On 3 November 2014, Donaco made its initial announcement to the market regarding the proposed material acquisition of a significant gaming and hospitality business in Cambodia. Subsequently on 30 January 2015, Donaco announced the execution of a Sale Agreement with the Vendors for the proposed acquisition of Star Vegas.

As part of the Star Vegas Acquisition the Vendors will incorporate a new company, DNA Star for the sole purpose of entering into a business transfer agreement whereby the Star Vegas business is transferred to DNA Star. As the beneficial owner of the whole of the issued share capital in DNA Star, the Vendors will sell all of its DNA Star shares to a wholly owned subsidiary of Donaco subject to the terms and conditions of the Sale Agreement.

An overview of the Star Vegas Acquisition is set out below.



Source: Crowe Horwath analysis

Donaco's Purchase Consideration for the Sale Shares will be US\$360 million (A\$463m²). The Purchase Consideration will be financed through a combination of cash and shares as follows:

- US\$120m Consideration Shares to the Vendors (or their nominees), representing the issue of 147,199,529 ordinary shares in Donaco;
- US\$100m new debt facility from Mega;
- US\$40m cash on hand; and
- US\$100m secondary raising via a fully underwritten '10 for 21' non-renounceable rights issue at an offer price of A\$0.60 per share. A total of 220,002,963 new shares will be issued under the Entitlement Offer.

2.2 Transaction Rationale

The Directors of Donaco have stated that the Star Vegas acquisition will:

- be earnings accretive;
- provide enhanced scale in terms of gaming equipment procurement, staff recruitment and staff retention;
- provide diversification benefits given the Thai-facing target market of Star Vegas as distinct from the China-facing target market of the Aristo International Hotel and Casino; and
- is consistent with Donaco's strategy of acquiring boutique gaming businesses to expand existing operations.

2.3 Key Terms of the Share Sale Agreement

Conditions Precedent

Completion of the Star Vegas Acquisition is conditional upon the fulfilment of a number of conditions precedent including:

- completion of a business transfer agreement in which the Vendors agree to transfer to DNA Star the business of Star Vegas as a going concern, including certain assets and third party deposits. Under the Sale Agreement, Donaco will then purchase the whole of the issued capital in DNA Star and DNA Star will become a wholly owned operating subsidiary of Donaco;
- completion of satisfactory due diligence;

² USD/1.28860 AUD spot rate at 30 January 2015.

- unqualified audit opinions in respect of Star Vegas' audited accounts for the fiscal year ended 31 December 2013 and the six month period to 30 June 2014.
- auditor review of Star Vegas' accounts for the fiscal year ended 31 December 2014.
- satisfaction or waiver of conditions precedent for the drawdown of funds under the bank debt facility;
- ASX approval for the admission of the Consideration Shares on the official list of ASX;
- approval by Donaco Shareholders to purchase the entire paid up capital in DNA Star and issuance of the Consideration Shares; and
- delivery by the Vendors of the construction permit as well as confirmation of certain representations, warranties and undertakings.

Purchase Consideration and Deposit

The Sale Agreement sets out the Purchase Consideration of US\$360m comprising US\$120m Donaco shares and the balance paid in such manner as agreed by the parties.

A refundable deposit of US\$5m has been paid by Donaco towards the Purchase Consideration.

The Consideration Shares are subject to a two-year lock-up period in which the Vendors cannot dispose more than:

- 34% of the Consideration Shares in the first year; and
- 67% of the Consideration Shares in the second year.

Non-compete and Right of First Offer

The Sale Agreement includes a non-compete clause and right of first offer clause in respect of competing casino and gaming businesses in Poipet, Cambodia.

Business Transfer Agreement

Under the business transfer agreement, the Vendors agree to transfer to DNA Star the gaming and hospitality business of Star Vegas as a going concern including all necessary assets, licences and third party deposits. The purchase price for the business will be the net book value of the assets as at 31 December 2014 per the auditor reviewed accounts of Star Vegas.

Management Agreement

As part of the Vendor's completion obligations, a Management Agreement will be executed appointing the Vendors (or their nominees) to manage the day to day business of Star Vegas for a period of two years. Under the Sale Agreement, the Vendors have provided a guarantee an EBITDA of at least:

- US\$60M will be achieved in the first year (**Initial Guarantee**); and
- a further US\$60M will be achieved in the second year (**Final Guarantee**).

The Management Agreement sets out the terms and conditions of the Vendors' appointment as the Operators, including:

- the formation of a joint executive committee comprising 3 members nominated by DNA Star and 2 members nominated by the Operators;
- joint executive committee responsibility for, amongst other items, the casino operating budget, standards, policies and procedures;
- the appointment of a financial controller by DNA Star to manage, operate and make decisions in respect of all financial related matters of the casino and reporting directly to the Board of DNA Star;
- the Operators' obligation to indemnify DNA Star for any shortfall amount in respect of the Initial Guarantee and Final Guarantee; and
- conversely, DNA Star's obligation to pay 25% of the accumulative net profit after tax of the casino's business as a bonus payment to the Operators where the Initial Guarantee or Final Guarantee is achieved.

2.4 Debt Facility

Mega has provided a term sheet detailing the commercial loan of US\$100m. Mega will act as mandated lead arranger, underwriter and facility agent. The ultimate lender(s) may comprise a syndicate of participating financial institutions.

Key indicative terms of the term loan facility are set out below:

- Three-year maturity date.
- Repayments in six semi-annual instalments.
- The interest is calculated quarterly on the 6 month US dollar LIBOR rate plus 675 basis points (currently, an estimated annual interest charge of 7% - 11%).
- The loan is secured by way of a floating charge over DNA Star's assets and various pledges and assignment of rights.
- Financial covenants tested annually:
 - interest coverage ratio (EBITDA / gross interest expenses)
 - debt ratio (total borrowings less cash / EBITDA).
- Financial covenants tested semi-annually:
 - cash and cash equivalents of no less than A\$30m
 - debt to equity ratio (total borrowings / equity) of no more than 90%.

- Final terms will be subject to satisfactory documentation, completion of due diligence and other items.

2.5 Entitlement Offer

Part of the Purchase Consideration will be funded via a fully underwritten pro rata accelerated non-renounceable rights offer. Key terms of the Entitlement Offer are set out below:

- 10 new shares for every 21 existing shares held by eligible Shareholders;
- record date of 7pm (AEST), 4 February 2014;
- to raise US\$100m; and
- offer price per share of A\$0.60.

The Entitlement Offer is fully underwritten by Canaccord Genuity (Australia) Ltd (**Canaccord**). The institutional entitlement offer took place on 30 January 2015 and the retail entitlement offer opened on 9 February 2015 and closes on 23 February 2015, unless otherwise extended.

2.6 Pro Forma Shareholdings and Board

The pro forma major shareholders pre and post the Acquisition is set out below.

| Donaco Shareholdings Pre & Post Acquisition | | | | |
|---|---|-------------|---------------------------------------|-------------|
| Shareholder | Number of Shares Pre Acquisition at 22-Jan-2015 (m) | % | Number of Shares Post Acquisition (m) | % |
| Lim Family | 207 | 45% | 264 | 32% |
| Vendors (or their nominees) | nil | nil | 147 | 18% |
| Balance shareholders | 254 | 55% | 419 | 50% |
| Total | 461 | 100% | 830 | 100% |

Source: Donaco

The above table assumes all Donaco Shareholders, apart from the Lim Family, will fully participate in the Entitlement Offer. The total shareholding of the Lim Family post the Star Vegas Acquisition will be approximately 264m shares. Post the Star Vegas acquisition, the Vendors are likely to control up to 18% of the issued shares in Donaco. Ultimately, the major shareholders in Donaco will vary depending on general ASX trading of Donaco shares and the level of take up under the Entitlement Offer which does not close until after the issue of our Report. We understand Perpetual Ltd has signed a sub-underwriting agreement with the underwriter to the Entitlement Offer, Canaccord. As at 18 February 2015, Perpetual Ltd and its associates (**Perpetual**) controlled 12% of the issued shares in Donaco.

Following completion of the Star Vegas Acquisition, Mr Ham Techatut Sukjaroenkraisri and Mr Paul Pomtat Amatavivadhana will become Directors of Donaco. Set out below is the proposed Donaco Board composition post the Star Vegas Acquisition.

| Donaco Board Post Acquisition | |
|-------------------------------|-------------------------|
| Board Member | Position |
| Stuart James McGregor | Chairman |
| Joey Lim Keong Yew | Managing Director & CEO |
| Benedict Paul Reichel | Executive Director |
| Benjamin Lim Keong Hoe | Non-Executive Director |
| Robert Andrew Hines | Non-Executive Director |
| Ham Techatut Sukjaroenkraisri | Executive Director |
| Paul Pomtat Amatavivadhana | Non-Executive Director |

Source: Donaco

2.7 Anticipated Timetable

The timetable set out below represents Donaco's best estimates and is subject to change.

| Anticipated Timeline | |
|--|-----------|
| Event | Date |
| Acquisition of Star Vegas announced | 30-Jan-15 |
| Institutional Entitlement Offer opens and closes | 30-Jan-15 |
| Institutional Entitlement Offer results announced; existing Donaco shares commence trading | 03-Feb-15 |
| Record date for Entitlement Offer (7pm AEST time) | 04-Feb-15 |
| Retail Entitlement Offer opens | 09-Feb-15 |
| Settlement of Institutional Entitlement Offer | 10-Feb-15 |
| Allotment and quotation of new shares issued under the Institutional Entitlement Offer | 11-Feb-15 |
| Retail Entitlement Offer closes, unless extended (7pm AEST time) | 23-Feb-15 |
| Notice of Extraordinary General Meeting | 27-Feb-15 |
| Allotment of new shares issued under the Retail Entitlement Offer | 02-Mar-15 |
| New shares under the Retail Entitlement Offer commence trading | 03-Mar-15 |
| Despatch of holding statements | 04-Mar-15 |
| Extraordinary General Meeting held | 27-Mar-15 |
| Star Vegas expected acquisition completion | 1-Apr-15 |

Source: Donaco

3. Scope of the Report

3.1 Purpose of the Report

Crowe Horwath has been appointed by the Directors of Donaco to prepare an IER to express an opinion on whether the Star Vegas Acquisition is fair and reasonable to Donaco Shareholders. If approved, the Star Vegas Acquisition will result in the Vendors acquiring a relevant interest in Donaco of up to 18% in Donaco. While there is no legal requirement to do so, the Directors of Donaco have thought fit to voluntarily commission this IER for Shareholders' information.

A Shareholder's decision in relation to the Star Vegas Acquisition may be influenced by his or her particular circumstances. We have considered the Star Vegas Acquisition generally and have not taken into account the objectives, financial situation or needs of individual Donaco Shareholders. Due to particular circumstances, individual Shareholders may place different emphasis on various aspects of the Star Vegas Acquisition from the one adopted in our Report. Accordingly, individual Shareholders may reach different conclusions as to whether to approve the Star Vegas Acquisition.

The IER will accompany the shareholder booklet to be forwarded to Donaco Shareholders for their consideration in determining whether to approve the Star Vegas Acquisition. The IER should be read in full together with the Shareholder Booklet and any other information provided to Donaco Shareholders to assist them in their decision.

3.2 Basis of Assessment

In determining whether the Star Vegas Acquisition is fair and reasonable, we had regard to ASIC's RG 111 in relation to the content of independent expert's reports.

RG 111 distinguishes "fair" from "reasonable" and considers:

- an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer
- an offer is 'reasonable' if it is fair. An offer might also be reasonable if, despite being 'not fair', the expert believes that there are sufficient reasons for shareholders to accept the offer in the absence of any higher bid before the close of the offer.

RG 111 provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions. RG 111 suggests that an expert, in deciding on the appropriate form of analysis for a report, should focus on the purpose and outcome of the transaction, that is, the substance of the transaction.

RG111.58 provides guidance with regard to asset acquisitions and outlines that the asset acquisition will be fair if the value of the consideration being offered is equal to or less than the value of the assets being acquired. We consider the proposed Star Vegas Acquisition is essentially an asset acquisition.

Accordingly, we have assessed the fairness of the Star Vegas Acquisition by comparing our assessed fair market value of Star Vegas to our assessed value of the Purchase Consideration.

To assess the reasonableness of the Star Vegas Acquisition, we considered the following significant factors in addition to determining whether the Star Vegas Acquisition is fair:

- The conditions of the Star Vegas acquisition.
- The likely impact on the control of Donaco.
- The extent to which existing Donaco Shareholders may be diluted.
- Other advantages and disadvantages for Donaco Shareholders in approving or rejecting the Star Vegas Acquisition.

3.3 Limitations and Reliance on Opinion

Our opinion is based on economic, share market, business and trading conditions prevailing at the date of this Report. These conditions can change significantly over relatively short periods. If they did change materially, the valuation and our opinion could vary significantly. Should we become aware of any factors that alter our assumptions as given, we reserve the right to alter our Report.

This Report is based upon financial and non-financial information provided by Donaco, Star Vegas, the Vendors and their respective advisers. We have used and relied on this information for the purpose of our analyses. We have considered and relied upon the information provided by Donaco, Star Vegas and the Vendors and have no reason to believe that any material facts have been withheld. The information provided to us has been evaluated through analysis, inquiry and review for the purposes of forming an opinion as to whether the Star Vegas Acquisition is fair and reasonable to Donaco Shareholders. We do not warrant that its inquiries have identified or verified all of the matters that an audit, extensive examination or due diligence investigation might disclose.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, continuous disclosure rules, regulations, and policies, we:

- assume no responsibility and offers no legal opinion or interpretation on any issue; and
- have generally assumed that matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no legal proceedings, other than as publicly disclosed.

4. Industry Profile

4.1 Global Casinos and Online Gambling Industry

Donaco and Star Vegas operate in the casino and online gambling industry within the South East Asian region. The main activities of this industry are the operation of licensed casino gaming facilities and the operation of online gaming facilities.³

4.2 South East Asian Markets

Star Vegas Resort & Club is located in Cambodia, while Donaco's Aristo International Hotel and Casino is located in Vietnam. Both casinos are located in South East Asia.



³ IBISWorld, Industry Report – Global Casinos & Online Gambling, July 2014.

An overview of the casino industry in this region is set out below.

| South East Region Casino Overview | | | |
|-----------------------------------|--------------------------------|--------------|--------------|
| Country | Casinos (including slot clubs) | Tables | Slots |
| Cambodia | 26 | 1,164 | 4,260 |
| Vietnam | 27 | 190 | 1,510 |
| Myanmar | 4 | 71 | 325 |
| Laos | 3 | 140 | 650 |
| Total | 60 | 1,565 | 6,745 |

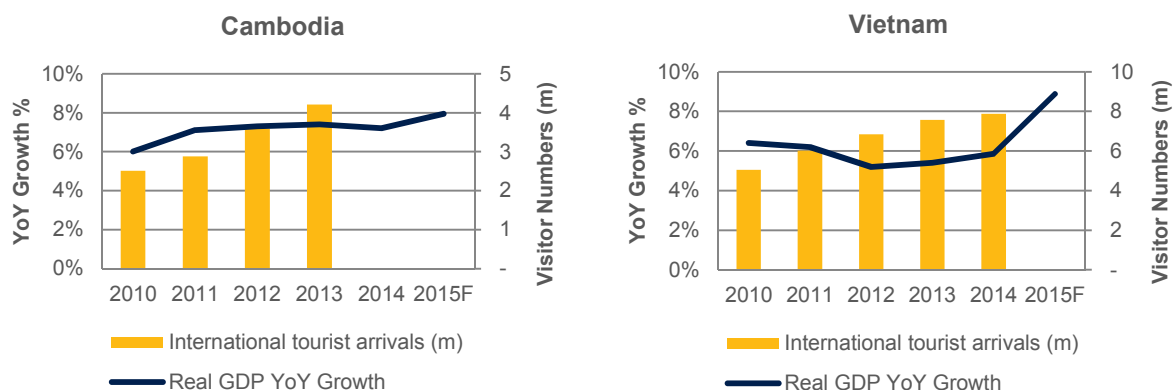
Source: World Casino Directory

A snapshot of key country statistics for this region is set out below.

| South East Region Selected Country Statistics | | | | | |
|---|------------|----------------------------|----------------------------------|-------------------------------|---|
| Country | Population | GDP per capita 2013 (US\$) | Real GDP Growth 2013 (% chg yoy) | Inbound Tourist Arrivals 2013 | Inbound Tourist Arrivals 2013 (% chg yoy) |
| Cambodia | 15.1m | 1,104 | 7.4% | 4.2m | 17.5% |
| Vietnam | 89.7m | 1,902 | 5.4% | 7.6m | 10.6% |
| Myanmar | 51.0m | 1,113 | 8.3% | 2.0m | 93.0% |
| Laos | 6.8m | 1,477 | 8.2% | 3.8m | 13.5% |
| Thailand | 68.2m | 5,676 | 2.9% | 26.5m | 18.8% |

Source: Department of Foreign Affairs & Trade, Tourism Cambodia, Vietnam Tourism, Myanmar Tourism, Tourism Laos, Tourism Thailand

We note economic trends and tourism remain key drivers of South East Asia casinos.



Source: World Bank, Vietnam Tourism, Tourism Cambodia.

Cambodia

Cambodia is a constitutional monarchy. The Prime Minister is appointed by the King from the representatives of the party holding the majority in the National Assembly.⁴ In 1996 a law was passed making gambling illegal for residents however it is reported that this is loosely enforced. Currently, only foreigners are allowed to gamble in the country's local casinos.⁵

The first casino license was granted to NagaWorld (owned by NagaCorp Ltd which is listed on the Stock Exchange of Hong Kong) in 1994 for a period of 70 years. NagaWorld is the country's largest casino with over 75,000 square feet of gambling space holding about 1,000 gaming machines and nearly 200 table games.

There are roughly 26 casinos operating in Cambodia with frequent upstarts and closures making that number fluid. Casinos in Cambodia benefit from concessional tax arrangements. Gambling is illegal in the neighbouring countries of Vietnam and Thailand, with no legal casinos in operation in Thailand.

| Cambodia | | | |
|---------------------|-----------|--------------|--------------|
| Region | Casinos | Tables | Slots |
| Asmech/Surin Border | 1 | | |
| Bavet | 3 | | |
| Chrey Thom | 1 | | |
| Kampot | 2 | | |
| Khum Nor | 1 | | |
| Koh Kong | 1 | | |
| O'Smach | 1 | | |
| Pailin | 2 | | |
| Poipet (Paôy Pêt) | 9 | | |
| Phom Penh | 1 | | |
| Sihanoukville | 4 | | |
| Total | 26 | 1,164 | 4,260 |

Source: World Casino Directory

The urban centres of Poipet (near the Thai border) and Bavet (near the Vietnamese border), are home to a number of casinos. Poipet is the most popular casino strip in Cambodia with nine casinos in operation, including Star Vegas Resort & Club. Located three-hour's drive from Cambodia's primary tourist destination, Angkor Wat, Poipet casinos service the Bangkok market.

Casinos located on the Thai/Cambodia and Vietnamese/Cambodia borders, such as O'Smach, have special border crossings to allow non-residents to enter the country to gamble. The casinos in Sihanoukville and the sea resort location of Koh Kong are also popular, being high tourist traffic areas.

In September 2014 it was reported the government of Cambodia was considering a lifting of the gambling ban on local residents within Cambodia borders. An official from Cambodia's Ministry of Economy and Finance has reportedly stated that regulated gambling is now a global industry with neighbouring Vietnam considering a draft decree allowing its citizens to enter casinos.⁶

⁴ <http://www.dfat.gov.au/geo/cambodia/cambodia_brief.html> accessed 10 Dec 2014.

⁵ <<http://www.worldcasinodirectory.com/cambodia>> accessed 8 Dec 2014.

⁶ <<http://www.pokernews.com/news/2014/09/cambodia-to-allow-locals-in-casinos-19284.htm>> accessed 8 Dec 2014.

Vietnam

Vietnam currently forbids its citizens from gambling. The latest proposal to lift the ban is that locals may enter casinos in Vietnam if they possess an APEC Business Travel Card, rather than a minimum level of monthly income. In its draft form, the proposed law on casinos would require foreign gaming companies with a minimum of 10 years' experience in the industry to commit to investment of no less than \$4 billion.⁷

There are seven casino licenses in the country as well as approximately 40 "gaming clubs". Casinos are allowed to host Las Vegas or Macau style table games, while gaming clubs, mostly located next to the lobbies of 4 to 5 star hotels, have "entertainment devices" such as slots, video poker, electronic blackjack, roulette, and baccarat.

| Vietnam | | | |
|---------------|-----------|------------|--------------|
| Region | Casinos | Tables | Slots |
| Haiphong City | 1 | | |
| Hanoi | 6 | | |
| Ho Chi Minh | 10 | | |
| Hue | 1 | | |
| Ha Long | 1 | | |
| Lao Cai | 1 | | |
| Nha Trang | 1 | | |
| Phan Thiet | 1 | | |
| Vung Tau | 2 | | |
| Da Nang | 2 | | |
| Not specified | 1 | | |
| Total | 27 | 190 | 1,510 |

Source: World Casino Directory

Opened in mid-2013, the Grand Ho Tram on the beach near Vung Tau is the largest casino in Vietnam by far. Although the foreigners-only market presents its challenges, the US\$500 million mega-resort has seen a further recent investment of US\$50 million by hedge fund tycoon, Phil Falcone. The Grand Ho Tram has 100,000 square feet of gambling space holding 90 table games and 614 gaming and video poker machines. In joint venture with the Vietnamese government, Donaco International Ltd opened the redeveloped Aristo International Hotel and Casino in May 2014. Donaco is headed up by the nephews of Mr Tan Sri Lim Kok Thay who is the Chairman and Chief Executive of the Genting Group.

Boston Consulting Group estimates that between 2012 and 2020, the Vietnamese middle and affluent class will rise from 12 million to 33 million, making it the fastest growing middle and affluent class in the South East Asia region.⁸ In the meantime, Vietnam continues to be in a state of flux and growth as the government attempts to balance its ideological issues of gambling with the potential financial benefits of increased tourism and tax revenue.⁹

⁷ <<http://www.casino.org/news/vietnamese-gamblers-allowed-to-play-in-one-local-casino>> accessed 1 Dec 2014.

⁸ <https://www.bcgperspectives.com/content/articles/consumer_insight_growth_vietnam_myanmar_southeast_asia_new_growth_frontier/> accessed 8 Dec 2014.

⁹ <<http://www.worldcasinodirectory.com/Vietnam>> accessed 8 Dec 2014, <<http://www.reuters.com/article/2014/02/12/us-vietnam-gaming-idUSBREA1B24T20140212>> accessed 1 Dec 2014.

Myanmar

Myanmar, known as Burma until 1989, has four mainstream casinos offering resort-like amenities and attracting foreign visitors. It is not known the true number of casinos currently in operation. Gambling is legal in Myanmar, however most casino customers come from neighbouring Thailand and China where gambling is prohibited.

| Myanmar | | | |
|--------------|----------|-----------|------------|
| Region | Casinos | Tables | Slots |
| Tachileik | 2 | | |
| Thahtay Kyun | 1 | | |
| Pulo | 1 | | |
| Total | 4 | 71 | 325 |

Source: World Casino Directory

Myanmar is a country in transition and while it has significant potential as an emerging market, modernising the economy will inevitably be a complex and long-term process.¹⁰ With per capita income of around US\$1,000 per year, Myanmar casino customers generally comprise newly wealthy Chinese and "middle class" Thais.

The most popular casino for junkets is the Andaman Club Resort & Casino which has sole concession on the 1,800 acre Thahtay Kyun Island. Treasure Island Resort & Casino is located on Pulo Island off the Southern coast between Kawthaung (Myanmar) and Ranong (Thailand). Both casinos are less than half an hour by boat from either pier. There are also two casinos on the Thai border town of Tachilek. Although ideally located between the two high-roller generating countries of China and India, along with the fact it is a tropical paradise, the potential growth of casinos in Myanmar is tempered by its troubled history and by economic and political factors.¹¹

Laos

Laos is a Marxist-Leninist state ruled by the Lao People's Revolutionary Party and is the only land-locked country in South-East Asia. The World Bank forecasts economic growth of 7.2 per cent for 2014. Per capita average annual income was around US\$1,260 in 2012.¹²

| Laos | | | |
|--------------|----------|------------|------------|
| Region | Casinos | Tables | Slots |
| Savannakhet | 2 | | |
| Vientiane | 1 | | |
| Total | 3 | 140 | 650 |

Source: World Casino Directory

¹⁰ <http://www.dfat.gov.au/geo/burma/burma_brief.html> accessed 10 Dec 2014.

¹¹ <<http://www.worldcasinodirectory.com/myanmar>> accessed 8 Dec 2014.

¹² <https://www.dfat.gov.au/geo/laos/laos_brief.html> accessed 10 Dec 2014

There are only three casinos in Laos. The Dansavanh Nam Ngum Resort Casino is located about 60 km north of Vientiane in the Buffalo Mountain range on Dansavanh Lake. The casino floor is 6,500 square feet with 60 table games and 150 slot machines.

The Kings Romans Casino is located in the Golden Triangle Special Economic Zone in the Ton Pheung District, Bokeo Province. All businesses in the zone are owned by Chinese investors who hold a 99 year lease on the properties they develop and pay no taxes. Upon the expiration of the leases, all properties in the zone will be handed over to the Laotian government. It is not anticipated that there will be any new casino development in the near future in Laos.¹³

4.3 In Summary

Government Policy

A critical success factor for casino operators in Asia is government policy. In a number of Asian countries, gambling is restricted to foreigners within licensed premises, and in Thailand for example, there are no licensed casinos. Some governments such as Cambodia and Vietnam are considering a change in policy to allow locals to gamble. Residents in countries which prohibit gambling cross borders to neighbouring countries or use junket operators to access legal gambling facilities. For casinos in Cambodia near the Vietnam border, for example, the potential impact of regulatory change allowing Vietnamese locals to gamble is likely to have a greater effect compared to those casinos near the Thai border.

One argument for legalisation is that governments will be able access revenue which is currently being lost to illegal gambling activities. For casino operators in South East Asia, lifting the ban on gambling for residents could immediately open up local mass markets and potentially turn around revenues which have been impacted by the slowing VIP market.

Infrastructure

Infrastructure development is another critical success factor. Infrastructure is linked with a country's development goals and good infrastructure is critical for casino operators in Asia.

In Vietnam, a new highway from Hanoi which opened in September 2014 has reduced driving time to the Aristo International Hotel and Casino in Lao Cai to three hours. Another example is the express highway project from Kunming in Yunnan in China which has cut driving time to Lao Cai in Vietnam from seven hours to almost three hours. With the trend in Cambodia of border and destination casinos, appropriate infrastructure is essential to bring in international tourists.

¹³ <<http://www.worldcasinodirectory.com/laos>> accessed 8 Dec 2014.

Major Risks

The major risk factors for casino operators in Asia are:

- In Vietnam, the government is accountable to the National Assembly which in recent years has become increasingly active and influential in setting national priorities.¹⁴ The Vietnamese government grants investment certificates for hotels or large scale recreation facilities which may allow an “entertainment centre with bonus games for foreigners”. There is a risk that an investment certificate could be overturned for any number of reasons. In 2011, for example, the Vietnamese government revoked a US\$9.8 billion license for a steel project by Malaysia’s Lion Group and shipbuilder Vinashin.
- Potential changes to gaming taxes could affect profitability for casino operators. There is currently no gaming tax in Cambodia although a flat payment per property is imposed.
- Regulation is an ongoing concern with a University of Macau professor reporting that conservatively, US\$202 billion in proceeds of crime is channelled to Macau from China annually by junket operators.¹⁵
- South East Asian currencies can be volatile although this can be mitigated to some extent by conducting casino operations in foreign currencies.
- There are a number of casino developments in the Asia pipeline however it is not known how many are viable and if and when market saturation might occur.
- Industry competition has increased for international high rollers and tourists as Macau-based operators suffer from falling prices and the effect of China’s corruption crackdown.¹⁶
- The disruptive effect of online technologies pose a real threat to land-based casinos, although most key players in the global casino industry now have an online offering. The online gambling operating model is a lower cost structure and thus able to offer better returns to gamblers.
- Economic growth trends remain the main driver of casino revenues through their impact on job growth and disposable income. A downturn in consumer sentiment is likely to have an adverse impact on discretionary spending and therefore gaming revenues.

Political uncertainty

Government regulation

Currency fluctuations

Competition

Online gambling

Economic trends

¹⁴ <http://www.dfat.gov.au/geo/vietnam/vietnam_brief.html> accessed 10 Dec 2014.

¹⁵ ‘Casinos Under Pressure To Improve Compliance’, GRC Professional, Edition 4, 2014.

¹⁶ ‘Casinos Under Pressure To Improve Compliance’, GRC Professional, Edition 4, 2014.

5. Profile of Star Vegas

5.1 Overview

Star Vegas is principally engaged in the resort and casino business in Poipet, Cambodia. Established in 1999, Star Vegas is located on the border of Thailand with its primary clientele being Thai nationals. Star Vegas currently operates 109 gaming tables and 1,264 slot machines with available equipment and space for an additional 105 gaming tables. The registered office of Star Vegas is No.292, Mao Tse Tung Blvd, Sangkat Tumnob Toek, Khan Chamkarmorn, Phnom Penh. Star Vegas employs over 1,400 staff in total, including head office staff in the Bangkok office.

The historical key performance statistics for Star Vegas is set out below.

| Star Vegas Historical Performance Summary | | | |
|---|-----------------|-----------------|-------------------|
| (US\$m) | CY12 Audited | CY13 Audited | 1HY14 Reviewed |
| Total revenue | 144 | 128 | 67 |
| Gross profit | 77 | 66 | 37 |
| Gross profit margin % | 53% | 52% | 55% |
| EBITDA | 61 | 49 | 28 |
| EBITDA margin % | 42% | 38% | 42% |
| NPAT | 58 | 46 | 26 |
| NPAT margin % | 40% | 36% | 39% |

Source: Donaco

5.2 Products, Customers and Location

Star Vegas features

- 4 hotels with 385 guest rooms in total;
- 109 gaming tables, predominantly VIP baccarat tables;
- 1,264 slot machines as 30 June 2014, of which 288 are owned outright and 976 are subject to profit share agreements;

- VIP minimum wager of THB10,000 (A\$390¹⁷) up to THB800,000 (approximately A\$31,224¹⁸);
- sophisticated CCTV system with 700 cameras for the casino alone;
- sports bar; and
- multiple restaurants, shops, health spa, nightclub, swimming pools.

Star Vegas' address is Phum Kbal Spean, Khum Poipet, O-chraov District, Bantean Mean Chey Province, Kingdom of Cambodia. The property is located approximately 320km east of Bangkok, approximately 150km west of Siem Reap and approximately 400km north-west of Phnom Penh.



¹⁷ THB/0.03903 AUD spot rate at 30 January 2015.

¹⁸ THB/0.03903 AUD spot rate at 30 January 2015.

Travel by car from Bangkok is approximately 3 hours but can be considerably longer from Phnom Penh due to poor road conditions. Access across the Thai border is available each day between 6:00am and 10:00pm (recently extended closing time from 8:00pm). Visas are not required for Thai nationals although other nationals have to apply for a visa to visit Poipet. Star Vegas management expects that a move to 24-hour border operating times and infrastructure upgrades will increase visitor numbers in the near-term.

The Star Vegas property has been continually developed over the last 15 years to provide a purpose built casino and entertainment complex, duty-free shop, restaurants, hotel rooms, staff accommodation, back of houses and other supporting buildings. The first phase of the property was completed around 2000 and the second phase was completed around 2003. The buildings have an estimated gross floor area of approximately 57,000 square metres and is understood to have mains electricity connected to both the Cambodian and Thai mains supplies. The site has its own diesel powered generator system and water treatment plant which also provides bottled drinking water sold to the area.

The property is situated on 12.6 hectares of leasehold land with 55 years remaining on the lease. The property is located within the Special Zone allocated by the Cambodian Government for gaming purposes, a predominantly commercial area comprising hotels and restaurants and popular with gamblers and tourists. We understand there is no cap on the number of gaming tables for casinos in Cambodia.

5.3 Capital Structure and Shareholders

Star Vegas Resort & Club Co Ltd is a single member private company limited by shares under the Statute of Law in the Kingdom of Cambodia. The company was incorporated in 1999 and has issued and paid up capital of US\$7,000. Mr Lee Bug Tong is a Cambodian national and the sole member and Director of the company with 1,000 shares held. We understand Star Vegas Resort & Club Co Ltd has other businesses other than the gaming and hospitality business of Star Vegas, which do not form part of the proposed transaction with Donaco.

5.4 Key Management

Mr Ham Techatut Sukjaroenkaisri is the Vice-President of Star Vegas. He has more than eight years' experience in gaming and casino management and was responsible for developing the model for the slot machine business in Star Vegas. He holds a BSc Chemical Engineering degree from Chulalongkorn University.

5.5 Financials

Star Vegas' financial statements for the years ended 31 December 2012 (**CY12**), 31 December 2013 (**CY13**) and the six month period to 30 June 2014 (**1HY14**) have been prepared to IFRS. The financials for Star Vegas presented below were given unqualified audit opinions. We note the accounts for Star Vegas are prepared in US dollars.

5.5.1 Income Statements

| Star Vegas Income Statements (US\$'000s) | | | | |
|---|-------|----------------|----------------|---------------|
| | Notes | CY12 | CY13 | 1HY14 |
| Gaming - tables, baccarat insurance and star lotto | 2 | 105,498 | 88,355 | 47,121 |
| Gaming - slot machines | 3 | 36,704 | 37,007 | 18,878 |
| Non-gaming | 4 | 1,740 | 2,201 | 1,021 |
| Total revenue | 1 | 143,942 | 127,563 | 67,020 |
| Cost of sales - tables, baccarat insurance and star lotto | | 62,292 | 58,016 | 28,356 |
| Cost of sales - slot machines | | 5,037 | 3,639 | 1,796 |
| Total cost of sales | 5 | 67,329 | 61,655 | 30,152 |
| Gross profit | | 76,613 | 65,908 | 36,868 |
| <i>Gross profit margin</i> | 6 | 53% | 52% | 55% |
| Employee benefits expenses | 7 | 6,147 | 6,577 | 3,301 |
| Utility expenses | 8 | 2,747 | 2,757 | 1,412 |
| Food and beverage expenses | 9 | 1,802 | 2,247 | 1,222 |
| Tour group expenses | 10 | 1,883 | 1,879 | 887 |
| Rental expenses | 11 | 439 | 442 | 245 |
| Other administrative expenses | 12 | 3,082 | 2,903 | 1,445 |
| Total operating expenses | | 16,100 | 16,805 | 8,512 |
| EBITDA | | 60,513 | 49,103 | 28,356 |
| <i>EBITDA margin</i> | | 42% | 38% | 42% |
| Depreciation | | 1,172 | 1,786 | 1,053 |
| EBIT | | 59,341 | 47,317 | 27,303 |
| <i>EBIT margin</i> | | 41% | 37% | 41% |
| Net interest income | | - | - | - |
| NPBT | | 59,341 | 47,317 | 27,303 |
| <i>NPBT margin</i> | | 41% | 37% | 41% |
| Income tax expense | 13 | 1,801 | 1,725 | 890 |
| NPAT | | 57,540 | 45,592 | 26,413 |
| <i>NPAT margin</i> | 14 | 40% | 36% | 39% |

Source: Star Vegas, Crowe Horwath analysis

Notes to Star Vegas Income Statements

- Revenue is comprised of gaming and non-gaming revenue. Net wins / (losses) from gaming and slot machines contributed to over 98% of revenue over the reported periods. The revenue split between gaming and slot machines is approximately 70/30.

Revenue at the playing tables is recognised upon the differences between chips at the closing and chips at the opening of each table plus chips transferred from the playing table to the cage, less chips transferred from the cage to the playing table. Revenue from slot machines represents the amount received over the exchange counter less the amount returned to customers.

Revenue decreased in CY13 mainly due to flooding in Poipet (Cambodia) and Sa Kaeo (Thailand) and the general prohibition on gambling in Thailand. The crackdown on illegal gambling operations in Thailand in May-June 2014 led to an increase in revenue in 1HY14. Management expects to achieve similar, if not better financial results for CY14 comparable to CY12.

- Star Vegas has one Main Hall and seven VIP Halls. Gaming revenue for tables, baccarat insurance and star lotto detail is set out below:

| Gaming (tables, baccarat insurance and star lotto) Revenue Detail (US\$'000s) | | | |
|---|----------------|---------------|---------------|
| | CY12 | CY13 | 1HY14 |
| Main Hall | 13,102 | 14,108 | 7,564 |
| VIP Halls | 90,415 | 73,019 | 38,389 |
| Baccarat insurance | 1,930 | 1,167 | 1,125 |
| Star Lotto | 51 | 61 | 43 |
| Total | 105,498 | 88,355 | 47,121 |

Source: Star Vegas, Crowe Horwath analysis

Baccarat insurance is a side bet that players can make during the play of a hand of baccarat. Star Lotto is the lotto game held by Star Vegas.

Baccarat is the most popular game with 64 baccarat tables representing almost 80% of total tables in action at 30 June 2014. Other table games include Roulette, Blackjack, Casino War, Fan Tan, Pok Deang and Tai Sai.

- Over 50% of revenue from slot machines is derived from slot machines owned by Star Vegas in joint venture with Herman, Golden Tree, Weike FBM and EAFT. The remainder are slot machines owned by either joint ventures with RGB or joint ventures with Santoni.

Slot machine key metrics for the reported period are set out below:

| Key Metrics | | | |
|--|--------|--------|--------|
| Gaming (slot machines) | CY12 | CY13 | 1HY14 |
| Win rate (as reported) | 13.9% | 12.2% | 11.6% |
| Revenue (US\$'000s) | 36,704 | 37,007 | 18,878 |
| Number of machines at year end | 906 | 1,280 | 1,296 |
| Average monthly w in per unit (US\$000s) | 3.4 | 2.4 | 2.4 |

The win rate is calculated as revenue (net of payout) divided by total amount received. We understand the win-rate for slots represents the theoretical win rate to the casino over the long term. Theoretical win-rates for gaming tables are lower in comparison, around 2.5% – 3.0%, however they tend to deal with larger volumes.

4. Non-gaming revenue consists of hotel room rental, food and beverage and other hotel related services. Star Vegas owns three hotels, namely, Star Ploy (113 rooms), Star Tab Tim (100 rooms) and Star Yoke (97 rooms). Since 6 July 2013 Star Vegas has added another 72 rooms bringing the total to 382 rooms. Room rack rates for the hotel range from 1,000 to 2,500 Thai baht per night.
5. Gaming expenses for tables mainly consist of VIP rolling commission and profit/loss sharing with junkets. Slot machine expenses mainly consist of profit sharing with slot machines joint venture partners and promotional expenses.
6. Gaming (tables, baccarat insurance and star lotto) generated gross profit margins of 39% to 45% while gaming (slot machine) generated gross profit margins of 78% to 80%.

Overall gross profit margin ranged from 52% to 55%.

7. At 30 June 2014 Star Vegas employed more than 1,400 staff. Employee benefits expense comprise basic salaries, overtime, allowances and other benefits. At 30 June 2014, over 97% of staff were Thai or Cambodian nationals.
8. Utility expense is predominantly electricity costs (over 98%) with the remainder comprised of telephone expenses. Electricity costs are mainly incurred for the casino and hotel.
9. Star Vegas incurred cost for food and beverage for food court, restaurants, coffee corner, lounge and casino.

| Food and Beverage Expenses Detail (US\$'000s) | | | |
|--|--------------|--------------|--------------|
| | CY12 | CY13 | 1HY14 |
| Food | 1,642 | 1,971 | 1,051 |
| Beverage - non-alcoholic | 60 | 70 | 62 |
| Beverage - alcoholic | 83 | 185 | 94 |
| Cigarettes | 17 | 21 | 15 |
| Total | 1,802 | 2,247 | 1,222 |

10. Tour group expenses relate to commissions paid to tour agents for bringing customers to Star Vegas.
11. Rental expenses comprises 504,160 square metres of land in Poipet Commune, O'Chrov District, Banteay Meanche Province, Cambodia. The land lease period is 70 years from January 2000.

| Rental Expenses Detail (US\$'000s) | | | |
|---|-------------|-------------|--------------|
| | CY12 | CY13 | 1HY14 |
| Land lease | 355 | 349 | 172 |
| Rental of motor vehicles | 76 | 87 | 64 |
| Others | 8 | 6 | 9 |
| Total | 439 | 442 | 245 |

Rental of motor vehicles relates to transfer of guests to and from the casino.

12. Other administrative expenses detail is set out below:

| Other Administrative Expenses Detail (US\$'000s) | | | |
|---|--------------|--------------|--------------|
| | CY12 | CY13 | 1HY14 |
| Travelling and petrol | 617 | 557 | 375 |
| Border clearing and facilitation | 630 | 692 | 278 |
| Repair and maintenance | 467 | 504 | 250 |
| Hotel and casino supplies | 380 | 450 | 241 |
| Bank charges and service fees | 198 | 198 | 97 |
| Insurance | 242 | 221 | 54 |
| Entertainment | 118 | 70 | 31 |
| Tools expense | 34 | 44 | 52 |
| Permit fees | 30 | 30 | - |
| Online casino licence | 200 | - | - |
| Other expenses | 166 | 137 | 67 |
| Total | 3,082 | 2,903 | 1,445 |

13. Cambodia has an attractive tax regime with Star Vegas paying an effective tax rate of under 4% in CY14.

Income tax represents monthly gaming and non-gaming obligatory payments to the Ministry of Economy and Finance by Star Vegas. The monthly gaming and non-gaming obligatory payments are reviewed and determined between the Ministry and Star Vegas every financial year.

Management have advised that the gaming obligatory payments exempt Star Vegas from all categories of taxes on gaming activities including advance profit tax, minimum tax, value added tax and advance tax on distribution of dividends. Non-gaming obligatory payments are considered as a composite of various other taxes such as salary tax, fringe benefit tax, withholding tax, value added tax, patent tax, tax on rental of moveable and unmoveable assets, minimum tax, advanced profit tax, advertising tax, and specific tax on entertainment services

14. Net profit after tax margin improved in 1HY14 as compared to CY13, with some fluctuation during the analysis period.

5.5.2 Balance Sheets

| Star Vegas Balance Sheets (US\$'000s) | | | | |
|--|--------------|------------------|------------------|------------------|
| | Notes | 30-Dec-12 | 30-Dec-13 | 30-Jun-14 |
| Assets | | | | |
| Inventories | 1 | 160 | 150 | 157 |
| Trade and other receivables | 2 | 3,549 | 3,946 | 4,704 |
| Amount owing by a director | 3 | 143,773 | 177,305 | 204,160 |
| Cash and cash equivalents | 4 | 14,088 | 9,516 | 10,836 |
| Total current assets | | 161,570 | 190,917 | 219,857 |
| Property, plant and equipment | 5 | 37,182 | 36,572 | 36,654 |
| Intangible assets | 6 | 3,692 | 3,433 | 3,478 |
| Total non-current assets | | 40,874 | 40,005 | 40,132 |
| Total assets | | 202,444 | 230,922 | 259,989 |
| Liabilities | | | | |
| Trade and other payables | 7 | 5,641 | 5,271 | 4,857 |
| Total current liabilities | | 5,641 | 5,271 | 4,857 |
| Total liabilities | | 5,641 | 5,271 | 4,857 |
| NET ASSETS | | 196,803 | 225,651 | 255,132 |
| Equity | | | | |
| Share capital | 8 | 7 | 7 | 7 |
| Retained profits | | 197,287 | 242,879 | 269,292 |
| Translation reserve | | (491) | (17,235) | (14,167) |
| TOTAL EQUITY | | 196,803 | 225,651 | 255,132 |

Source: Star Vegas and Crowe Horwath analysis

Notes to Star Vegas Balance Sheets

1. Inventories consist of gold chains, bracelets and rings for promotion purposes and staff uniform. Food and beverages are not included in inventory but charged out to the profit or loss.
2. Trade and other receivables mainly consist of marker, i.e. credit issued to junkets and casino VIPs with 15 to 30 days credit terms. Markers are short-term, interest-free loans and are applied through casino credit department.

Trade and other receivables detail is set out below:

| Trade & Other Receivables Detail (US\$'000s) | 30-Dec-12 | 30-Dec-13 | 30-Jun-14 |
|---|--------------|--------------|--------------|
| Trade receivables | 3,019 | 3,489 | 4,240 |
| Other receivables | 9 | 8 | 8 |
| Deposits | 521 | 449 | 456 |
| Total | 3,549 | 3,946 | 4,704 |

Source: Star Vegas

Approximately 79% of total trade receivables as at 30 June 2014 have been fully recovered in the subsequent financial period.

3. Amount owing by the sole Director (who is also the sole shareholder) represents cash advances, unsecured, interest-free and repayable on demand. We understand that Star Vegas intends to declare a dividend as settlement to the amount owing by a Director.
4. Cash and cash equivalents comprised cash in hand and bank balances as follows:

| Cash & Cash Equivalents Detail (US\$'000s) | 30-Dec-12 | 30-Dec-13 | 30-Jun-14 |
|---|---------------|--------------|---------------|
| Cash in hand | 12,875 | 7,712 | 9,057 |
| Bank balances | 1,213 | 1,804 | 1,779 |
| Total | 14,088 | 9,516 | 10,836 |

Source: Star Vegas

Cash in hand is held predominantly for casino working capital. Cash counts are performed twice per day to ensure cash in hand agree to float reconciliation records.

5. Property, plant and equipment detail is set out below:

| Property, Plant & Equipment Detail (US\$'000s) | 30-Dec-12 | 30-Dec-13 | 30-Jun-14 |
|---|---------------|---------------|---------------|
| Building and structures | 33,049 | 31,014 | 31,499 |
| Motor vehicles | 749 | 1,030 | 1,479 |
| Slot machines | 3,869 | 4,341 | 4,398 |
| Equipment and tools | 7,327 | 8,072 | 8,264 |
| Furniture and fittings | 2,482 | 3,357 | 3,461 |
| Total cost | 47,476 | 47,814 | 49,101 |
| Accumulated depreciation | (10,294) | (11,242) | (12,447) |
| Net book value | 37,182 | 36,572 | 36,654 |

Source: Star Vegas

Over 80% of total property, plant and equipment relates to building and structures. Star Vegas owned 288 slot machines as at 30 June 2014.

The property, plant & equipment additions during the relevant periods are set out below:

| Property, Plant & Equipment Additions Detail (US\$'000s) | 30-Dec-12 | 30-Dec-13 | 30-Jun-14 |
|---|--------------|--------------|------------|
| Building and structures | 235 | 310 | 75 |
| Motor vehicles | 425 | 373 | 434 |
| Slot machines | 449 | 795 | - |
| Equipment and tools | 660 | 1,345 | 86 |
| Furniture and fittings | 642 | 1,121 | 60 |
| Total | 2,411 | 3,944 | 655 |

Source: Star Vegas

6. Intangible assets consist of cost of acquiring permits to operate hotel, casino, duty free shop, horse racing field, shooting court and golf field with an infinite useful life.

7. Trade and other payables details is set out below:

- Trade payables represent profits sharing payable to slot machine joint venture partners. Trade payables have credit terms ranging from 7 to 30 days.
- Slot machine deposits are for slot machine floats and are mutually agreed between Star Vegas and RGB/Santoni.
- Deposits received from junkets are for markers given to VIP rollers, sourced by the junkets. The junket deposit also comprised the outstanding profit sharing and rolling commission payable to the junkets.

- Floating chips are accrued as amounts owing to the players because the players have not utilised the chips. The amount is determined based on the difference between the chips-in-use and the actual chips counted. Chips are counted several times a day and accruals are based on month end closure of table and cage counting results. The percentage of floating chips over chips-in-use as at CY12, CY13 and 1HY14 were 0.5%, 0.4% and 0.3%, respectively.
 - Other payables represent staff deposits and uniform deposits.
 - Accruals relate to electricity payable and other accruals.
8. Mr Lee Bug Tong is the sole owner of 1,000 ordinary shares. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. Companies incorporated in the Kingdom of Cambodia are not required to have authorised share capital. All issues must be fully paid.

6. Profile of Donaco

6.1 Overview

Donaco is an ASX-listed company which operates in the casino and gaming industry with a focus on Asian markets. The company's flagship business is the Aristo International Hotel and Casino (the **Aristo**) located in Lao Cai in northern Vietnam. The company is the operator and 95% owner of the Aristo in a joint venture with the Vietnamese Government for 30 years under investment License No. 2268/GP dated 19 July 2002 (**JV**).

The Aristo was originally established in 2002 and was previously known as the Lao Cai International Hotel. The original hotel offered 34 complimentary rooms for casino guests, eight gaming tables and 36 electronic gaming machines. Today, the Aristo is a five-star resort complex with over 400 guest rooms, five restaurants, and a casino holding 40 gaming tables and 58 electronic gaming machines. The JV holds an investment certificate granted by the Ministry of Planning and Investment which includes a casino licence to expand the number of electronic gaming machines to 300.

A brief history of Donaco and the Aristo is set out below.



6.2 Products, Customers and Location

The Aristo features:

- 428 guest rooms;
- five restaurants including fine dining, theatre restaurant and VIP lounge;
- 40 gaming tables with a minimum wager of RMB 200 (A\$41¹⁹) and maximum wager of RMB 100,000 (A\$01,726²⁰), providing Baccarat and Sic Bo;
- 58 electronic gaming machines sourced from Aristocrat, Weiki, and IGT;
- amenities including swimming pool, gym, sauna, spa, tennis court and children's play area; and
- retail shop leases including a hair salon, souvenir store, ticketing agency and convenience store.

The Aristo employs 800 staff and senior management comprise of long-term staff from the Genting Group. It is estimated that approximately 80% of existing casino revenues are derived from high rollers, with a typical high roller checking in with upwards of A\$100,000.



Vietnam does not allow its citizens to gamble and the Aristo is almost wholly reliant on Chinese gamblers crossing the border. The opening of a new highway from Hanoi has reduced driving time from Hanoi airport to Lao Cai to almost three hours.

Gamblers are typically sourced through junket operators who arrange for customers to be booked into the hotel at the junket operator's expense in exchange for a commission on the customer's turnover. The Aristo currently has 33 approved junket operators.

Due to its target market and location near the border of Yunnan Province, the Aristo competes primarily with the casinos in Macau, roughly two hours flying time from Kunming, China. Lao Cai is separated from the Chinese border and the city of Hekou by a river. A bridge connects the two cities and is controlled by a border crossing station. Yunnan has an estimated population of 45.9 million, with 6.4 million residing in the capital, Kunming. An express highway project from Kunming was completed in 2014 and has cut driving time to the Aristo from seven hours to almost three hours. As infrastructure improvements progress, it is anticipated that ease of access will increase VIP numbers to the Aristo.

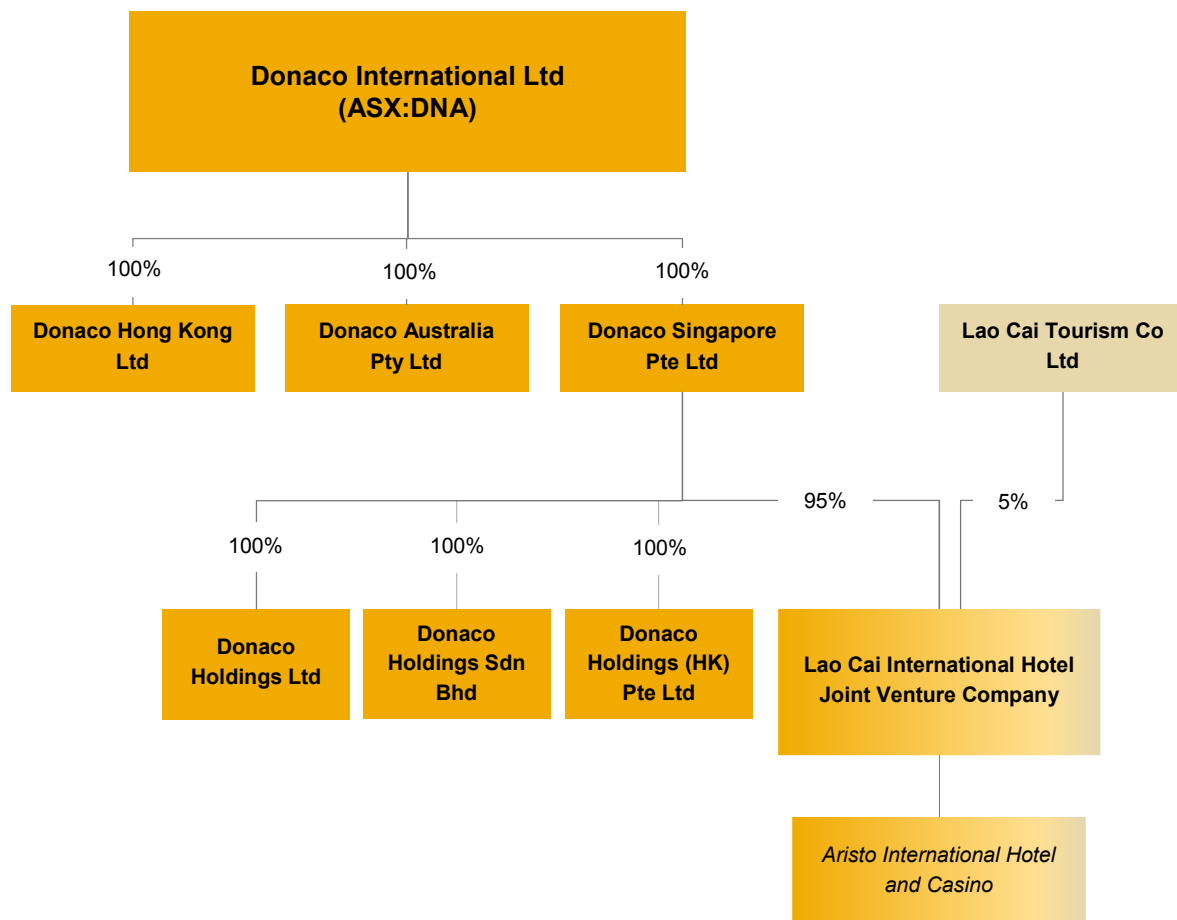
¹⁹ RMB/0.20726 AUD spot rate at 30 January 2015.

²⁰ RMB/0.20726 AUD spot rate at 30 January 2015.

6.3 Group Structure

Donaco is an Australian public company incorporated in 1990 and listed on the ASX since 2013. Donaco is controlled by the eldest grandson of Mr Tan Sri Lim Goh Tong, founder and chairman of the Genting group. The Lim Family controls approximately 43% of the issued shares in Donaco as at 18 February 2015.

Group Structure



Source: Donaco

Donaco Hong Kong Ltd is a new company recently incorporated for the purposes of the Star Vegas acquisition. Donaco Australia Pty Ltd is Donaco's remaining gaming technology operations which has now ceased operation as of January 2015.

Donaco Holdings Ltd is a British Virgin Island entity, Donaco Holdings Sdn Bhd is Malaysia-based and Donaco Holding (HK) is Hong Kong-based. These three wholly owned subsidiaries of Donaco Singapore Pte Ltd are head office cost centres. Donaco Singapore Pte Ltd is also the joint venture partner to the Lao Cai International Hotel Joint Venture Company which operates the Aristo International Hotel and Casino.

6.4 Capital Structure

As at 22 January 2015, Donaco had 460,505,113 shares on issue as set out below. We note that since that date a further 2,766,026 shares have been issued as a result of the conversion of options.

| Donaco Top 20 Shareholders | | | |
|----------------------------|--|--------------------|----------------|
| Shareholder | | No. Shares | Shareholding % |
| 1 | HSBC Custody Nominees (Australia) Ltd | 98,500,871 | 21.39% |
| 2 | Convent Fine Ltd | 48,083,818 | 10.44% |
| 3 | National Nominees Ltd | 44,991,245 | 9.77% |
| 4 | Slim Twinkle Ltd | 37,702,227 | 8.19% |
| 5 | Mr Keong Yew Lim | 31,540,155 | 6.85% |
| 6 | Citicorp Nominees Pty Ltd | 27,983,283 | 6.08% |
| 7 | RBC Investor Services Australia Nominees Pty Ltd | 22,652,948 | 4.92% |
| 8 | Convent Fine Ltd | 12,269,500 | 2.66% |
| 9 | J P Morgan Nominees Australia Ltd | 11,285,776 | 2.45% |
| 10 | BNP Paribas Noms Pty Ltd | 10,062,687 | 2.19% |
| 11 | HSBC Custody Nominees (Australia) Ltd | 6,226,169 | 1.35% |
| 12 | Slim Twinkle Ltd | 5,195,500 | 1.13% |
| 13 | Uob Kay Hian Private Ltd | 4,473,557 | 0.97% |
| 14 | Mr Gerald Nicholas Eng Hoe Tan | 3,691,250 | 0.80% |
| 15 | Chun Wee Na | 3,000,000 | 0.65% |
| 16 | Holdex Nominees Pty Ltd | 2,500,000 | 0.54% |
| 17 | UBS Nominees Pty Ltd | 2,343,378 | 0.51% |
| 18 | N2 Global (HK) Ltd | 2,300,000 | 0.50% |
| 19 | Malahon Securities Ltd | 2,213,000 | 0.48% |
| 20 | Citicorp Nominees Pty Ltd | 2,104,193 | 0.46% |
| Subtotal (top 20) | | 379,119,557 | 82.3% |
| Balance | | 81,385,556 | 17.7% |
| TOTAL | | 460,505,113 | 100.0% |

Source: Donaco, as at 22 January 2015

We understand the Lim Family held in aggregate 45% of total shares on issue as at 22 January 2015. The Lim Family shareholding is expected to fluctuate as new shares are issued progressively under the Entitlement Offer.

Donaco's capital structure as at 22 January 2015 is set out below.

| Donaco Issued Capital | | | | |
|-----------------------------------|-------------------------|---------------------|-----------------------------|--------------------|
| Securities Type | Class | No. on Issue | Exercise Price (A\$) | Expiry Date |
| Fully paid ordinary shares | Equity | 460,505,113 | - | - |
| Options over ordinary shares | Unquoted Options | 125,000 | 0.56 | 01-Mar-15 |
| Options over ordinary shares | Unquoted Options | 125,000 | 0.56 | 17-May-15 |
| Employee options FY 14 | Unquoted Options | 4,010,511 | 0.59 | 30-Jun-18 |
| Employee options FY 15 | Unquoted Options | 19,037,067 | 0.89 | 30-Jun-19 |
| Options exercised in Jan-Feb 2015 | | 2,766,026 | - | - |
| Total options | Unquoted Options | 26,063,604 | - | - |

Source: Donaco, as at 22 January 2015

We note 2,766,026 options were converted to shares on 30 January 2015 and 5 February 2015.

As at 4 February 2015 the company had 250,000 options on issue held by Main Ace Investments Ltd. There are a further 23,047,578 employee options on issue with 1,185,477 allocated to employees. The remaining 21,862,101 are unallocated at present, although employees have a right to be allocated some of the options under their employment contracts. The employee options expire progressively over a three year period with the latest expiration for the FY14 and FY15 options being 30 June 2018 and 2019, respectively.

6.5 Board and Key Management

Board of Directors

| | | |
|---|---|--|
| Stuart James McGregor <i>Non-executive Chairman</i> B.Com, LLB, MBA Mr McGregor has had a wide-ranging business career spanning 30 years with active involvement across the Australasian and Asian Region. In business, he has been Company Secretary of Carlton United Breweries, Managing Director of Cascade Brewery Company Ltd in Tasmania and Managing Director of San Miguel Brewery Hong Kong Ltd, a publicly listed Hong Kong based company with subsidiary businesses in China. In the public sector, he served as Chief of Staff to a Minister for Industry and commerce in the Federal Government and as Chief Executive of the Tasmanian Government’s economic development agency. Mr McGregor was formerly a Director of Primelife Ltd from 1 December 2001 to 31 March 2004, and is currently a Director of EBOS Group Ltd (ASX & NZX:EBO). | Joey Lim Keong Yew <i>Managing Director and Chief Executive Officer</i> B. Computer Science Mr J Lim is the Managing Director and Chief Executive Officer of Donaco International Ltd. He is also a director of Malahon Securities Ltd, a stock brokerage company founded in 1984, and is a member and participant of the Hong Kong Exchange. He is also the principal of the Slingshot Group of Companies, which are investment companies based in Hong Kong. | Benjamin Lim Keong Hoe <i>Non-executive Director</i> B. International Business Mr B Lim is a Director of Donaco Singapore Pte Ltd, and a major shareholder of Genting Development Sdn Bhd, a substantial property development business in Malaysia. He has a Bachelors Degree in International Business with Design Management from Regent Business School, United Kingdom. |
| Robert Andrew Hines <i>Non-executive Director</i> Mr Hines is one of Australia’s leading gaming and wagering executives. As CEO of Racing Victoria Ltd from 2008 to 2012, he led and managed the Victorian racing industry through a period of substantial change. Mr Hines also held CEO roles at Jupiters Ltd (2000 to 2004), which was acquired by Tabcorp; and AWA Ltd (1997 to 2000), which was acquired by Jupiters. From 2005 to 2008, he was CEO UK and Europe for Vecommerce Ltd, a natural language speech recognition company providing services to wagering operators. Mr Hines currently holds the positions of Non-Executive Director with Sportsbet Australia Pty Ltd; Group Chairman CEO Circle; and Advisory Board Member of the Sporting Chance Cancer Foundation. Mr Hines is Chair of the Audit & Risk Management Committee and Nominations, Remuneration & Corporate Governance Committee. | Benedict Paul Reichel <i>Executive Director, Group General Counsel, Company Secretary</i> BA, LLB (Hons), LLM (Hons) Mr Reichel is a company director and executive in the gaming, media, and technology sectors, with more than twenty years’ experience in major Australian listed public companies and law firms. Mr Reichel held the position of Chief Executive Officer and Managing Director of the Company (then called Two Way Ltd) from July 2007 to January 2012, and has remained on the Board since then. Previously, Mr Reichel was General Counsel of Tab Ltd, a \$2 billion ASX listed company with operations in wagering, gaming and media. Prior to that, he was General Counsel of racing broadcaster Sky Channel Pty Ltd, and held a number of executive positions at Publishing and Broadcasting Ltd. | |

Source: Donaco

Key Management of the Aristo

Richard Na Chun Wee

Chief Financial Officer

FCCA

- Previously Head of International Corporate Finance of Kenanga Investment Bank in Kuala Lumpur
- Prior to joining Kenanga, formerly the Investment Director of PrimePartners Asset Management Pte Ltd in Singapore and Vice President of Malaysia Venture Capital Sdn Bhd (a wholly owned subsidiary of the Ministry of Finance in Malaysia)

Kenny Goh Kwey Biaw

Deputy Chief Financial Officer

- 8 years working experience in Genting Group
- 24 years working experience in Lim Family private business
- Two terms as General Director of Lao Cai International Hotel Joint Venture Company
- Former CEO of Donaco Singapore

Kent Ang Teck Foo

Group Chief Operating Officer

- General Director of Lao Cai International Hotel Joint Venture Company
- Mr Ang has worked for Donaco since 1991, and has substantial experience in business development, corporate affairs and project management. His most recent role was successfully project managing the construction of the Aristo International Hotel and Casino.
- Originally from Singapore and fluent in four languages including Vietnamese

Chew Hock Seng

Deputy General Director (Operations)

- 35 years working experience in Genting Group casinos
- Worked as private secretary for the late Tan Sri Lim Goh Tong – Genting founder, retired from Genting and joined the Lao Cai International Hotel Joint Venture Company as Deputy General Director (Operations)

Michael Chow En Lai

Operations Manager

- Experience gained from numerous roles relating to casino operations with Genting Group Malaysia
- Previously Project Operation Manager involved in setting up the Royal Hotel & Casino in Cambodia

Source: Donaco

6.6 Timeline of Key Events

The graph below sets out Donaco's closing share price and volumes traded, together with annotated key events for the 24-month period to 22 January 2015.



| Donaco Annotated Key Events | | |
|-----------------------------|-------------------------------|---|
| Date | Type | Key Event |
| 24-Aug-12 | M&A Transaction Announcements | The Lao Cai International Hotel enters into a non-binding heads of agreement to acquire Two Way Ltd (ASX:TTV) in a reverse merger transaction. Two Way will issue 5.2 billion shares in exchange for 75% stake in The Lao Cai International Hotel. Two Way shareholders will also be issued with one option for every two ordinary shares held, at an exercise price of A\$0.015 (total of 142.6 million new options). As part of the transaction, Two Way will conduct a capital raising by way of a placement of 16.67 million shares to raise A\$0.25 million. |
| 01-Feb-13 | Executive/Board Changes | Donaco reinstated to ASX. Appointment of Mr Lim, Keong Yew (Joey Lim) as the company's new Managing Director. |
| 24-Feb-13 | Earnings Announcements | Unaudited consolidated earnings results released for the six months ended 31 Dec 2013. |
| 01-Mar-13 | Index Constituent Adds | Donaco added to S&P/ASX All Ordinaries Index |
| 03-Mar-13 | Executive/Board Changes | Mr Ben Reichel appointed as Company Secretary. Mr Richard Na Chun Wee appointed as Chief Financial Officer. |
| 28-Mar-13 | Private Placements | Binding commitments received from new institutional and sophisticated investors in Australia and overseas for a private placement of 71.4 million shares at A\$0.35 per share for gross proceeds of approximately A\$25 million. The oversubscribed transaction is issued in two tranches, 41.7 million shares on 5 April 2013 and 29.7 million shares following shareholder approval. |
| 15-Apr-13 | M&A Transaction Announcements | Binding agreement signed to acquire all of the issued capital in mobile services and online gaming business, iSentric Sdn Bhd for A\$8.3 million. Donaco will issue 22.37 million shares at A\$0.38 per share as part of the transaction. Transaction was completed on 1 June 2013. |
| 16-Apr-13 | Insider Sell | Managing Director, Mr Lim, Keong Yew disposed 13,157,895 shares. |

| Donaco Annotated Key Events | | |
|-----------------------------|-----------------------------------|---|
| Date | Type | Key Event |
| 01-Jul-13 | M&A Transaction Closings | Sale of TV wagering service, TAB Active, to Tabcorp Holdings Ltd (ASX:TAH) for A\$0.86 million. The transaction completed on 30 June 2013 and proceeds from the sale were received on 11 July 2013. |
| 24-Jul-13 | M&A Transaction Announcements | Non-binding agreement signed to acquire additional 20% stake in Lao Cai International Hotel Joint Venture Company from Sapa Petroleum tourism Joint Stock Company for A\$4.3 million. The remaining 5% interest will continue to be held by the Government of Vietnam. |
| 02-Sep-13 | Executive/Board Changes | Mr Rob Hines appointed to the Board. |
| 20-Nov-13 | Follow-on Equity Offerings | Binding commitments received from new institutional and sophisticated investors in Australia and overseas for a private placement of 29.3 million shares at A\$0.86 per share for gross proceeds of approximately A\$25.2 million. |
| 23-Dec-13 | Executive/Board Changes | Resignation of non-executive Director since 1 February 2013, Mr Mak Siew Wei. |
| 31-Dec-13 | Private Placements | Completed private placement of 29,300,000 common shares at A\$0.86 per share for gross proceeds of up to A\$25,198,000 |
| 04-Feb-14 | M&A Transaction Closings | Completion of additional 20% stake in Lao Cai International Hotel Joint Venture Company effective 1 January 2014. The remaining 5% stake in the JV was transferred from Petro Vietnam Sapa Tourism Joint Stock Company to Lao Cai Tourism Co Ltd, another entity owned by the Vietnamese Government. |
| 25-Mar-14 | Private Placements | Binding commitments received from new institutional and sophisticated investors in Australia and overseas for a private placement of 56.39m shares at A\$1.33 per share to raise A\$75 million. The company will issue shares in two tranches, 26.75 million shares in first tranche and 29.64 million shares in the second tranche, which is subject to shareholders approval. |
| 06-May-14 | Annual General Meeting | AGM held to consider the approval of previous issue of 29,320,000 Shares issued in November and December 2013; to consider the approval of previous issue of 26,748,343 shares issued on 1 April 2014; and to consider the approval of new issue of 29,642,635 shares. |
| 16-May-14 | Insider Buy | Mr Lim, Keong Yew acquired 488,000 shares |
| 19-May-14 | Insider Buy | Mr McGregor acquired 45,000 shares. Mr Hines acquired 25,000 shares. Mr Lim, Keong Yew acquired 62,000 shares |
| 22-Jul-14 | Buyback Transaction Announcements | On market share repurchase program announced under which the company will buy back up to 37,171,989 shares, representing 8.08% of its shares. Purchase price will be no more than 5% above the average closing price of Donaco's shares over the five prior trading days. The program will be valid for 12 months from 6 August 2014. |
| 22-Jul-14 | Spin-Off/Split-Off | Agreement to spin off iSentric Sdn. Bhd. Under the distribution, Donaco shareholders will receive approximately 0.13 shares in iSentric for every Donaco share held. The transaction is subject to Donaco receiving ATO ruling for tax relief, completion of acquisition by iSentric of OMI Holdings, and approval of Donaco shareholders. |
| 25-Aug-14 | Meetings | Extraordinary general meeting held to consider shareholder approvals to facilitate the proposed spin-off of iSentric Sdn Bhd; to consider the constitution amendment resolution; and to consider the capital return resolution. |
| 22-Sep-14 | Index Constituent Adds | Donaco International Ltd (ASX:DNA) added to S&P/ASX 300 Index and S&P/ASX Small Ordinaries Index. |
| 30-Sep-14 | Spin-Off/Split-Off | iSentric spin-off completed. |
| 31-Oct-14 | Divestment | Sale of Way2Bet completed. |

| Donaco Annotated Key Events | | |
|-----------------------------|--|--|
| Date | Type | Key Event |
| 03-Nov-14 | M&A Transaction Announcements | Proposed acquisition in Cambodia announced. |
| 22-Jan-15 | Trading Halt | Last trading date before announcement of Star Vegas acquisition. |
| 30-Jan-15 | M&A Transaction Announcements | Acquisition of Star Vegas for US\$360m is announced, including details of Entitlement Offer. |
| 03-Feb-15 | Rights Issue Transaction Announcements | Shares resume trading. Institutional Entitlement Offer closes. A total of A\$57.9 million was raised representing 96.4 million new shares. The remaining 57.6 million shares under the institutional offer will be allocated to the underwriter. |
| 09-Feb-15 | Rights Issue Transaction Announcements | Retail Entitlement Offer opens. |

Source: Donaco, ASX

6.7 Financials

Donaco has prepared audited financial statements to International Financial Reporting Standards (**IFRS**) for FY13 and FY14 as set out below. We note as of 2012, Donaco changed its year end from 31 December to 30 June. The auditor reviewed half year accounts to 31 Dec 2014 (**1HY15**) is yet to be released at the time of writing this Report.

The soft opening of the redeveloped Aristo did not occur until May 2014 and therefore the FY14 results for Donaco almost entirely reflect the operations of the original hotel. Construction of the Aristo completed in November 2014 and was marked by the award of its 5-star hotel certification. We note the accounts for the Lao Cai International Hotel Joint Venture Company are prepared in Vietnamese Dong while the accounts for Donaco International Ltd are prepared in Australian dollars.

6.7.1 Consolidated Income Statements

| Donaco | | | | |
|--|--------------|-------------------------|-------------------------|-------------------------|
| Income Statement | | | | |
| (A\$'000s) | Notes | FY12 Audited | FY13 Audited | FY14 Audited |
| Revenue from continuing operations | | | | |
| Casino operations | 1 | 11,121 | 14,665 | 19,471 |
| Gaming technology operations | 2 | - | 537 | 694 |
| Net foreign exchange gain / (loss) | 3 | 615 | 1,259 | 122 |
| Gain / (loss) on sale of assets | 4 | - | 863 | - |
| Total revenue | | 11,736 | 17,323 | 20,287 |
| Cost of sales | | 551 | 679 | 1,271 |
| Gross profit | | 11,185 | 16,644 | 19,016 |
| <i>Gross profit margin</i> | | 95% | 96% | 94% |
| Operating expenses | | | | |
| Employee benefits expense | 5 | 1,509 | 3,329 | 5,882 |
| Legal and compliance | | 0 | 238 | 452 |
| Marketing and promotions | | 63 | 238 | 511 |
| Professional and consulting fees | | 23 | 312 | 300 |
| Property costs | | 278 | 439 | 546 |
| Telecommunications and hosting | | 76 | 215 | 176 |
| Other expenses | | 458 | 913 | 2,232 |
| Total operating expenses | 6 | 2,407 | 5,684 | 10,099 |
| EBITDA | | 8,778 | 10,960 | 8,917 |
| <i>EBITDA margin</i> | | 75% | 63% | 44% |
| Depreciation and amortisation expense | | 211 | 190 | 270 |
| EBIT | | 8,566 | 10,770 | 8,647 |
| <i>EBIT margin</i> | | 73% | 62% | 43% |
| Interest income | | 361 | 875 | 946 |
| Interest expense | | - | - | 1 |
| Net interest income / (expense) | | 361 | 875 | 945 |
| NPBT | | 8,928 | 11,645 | 9,592 |
| <i>NPBT margin</i> | | 3% | 5% | 5% |
| Income tax expense | | 2,254 | 2,663 | 2,892 |
| NPAT from continuing operations | | 6,674 | 8,982 | 6,700 |
| NPAT from discontinued operations | 2 | - | 62 | 1,570 |
| NPAT | | 6,674 | 9,043 | 8,270 |
| <i>NPAT margin from continuing operations</i> | | 57% | 52% | 33% |
| <i>NPAT margin from operations</i> | | 57% | 52% | 41% |
| NPAT attributable to: | | | | |
| NPAT | | 6,674 | 9,043 | 8,270 |
| Non-controlling interest | | 1,673 | 2,017 | 1,477 |
| NPAT attributable to the owners of Donaco International Ltd | | 5,000 | 7,026 | 6,793 |
| NPAT attributable to: | | | | |
| NPAT from continuing operations | | 6,674 | 8,982 | 6,700 |
| Non-controlling interest | | 1,673 | 2,017 | 1,477 |
| NPAT attributable to the owners of Donaco International Ltd | | 5,000 | 6,965 | 5,223 |

Source: Donaco and Crowe Horwath analysis

Notes to Donaco Income Statements

- Casino revenue has increased over the period due primarily to an increase in patronage driven by increased marketing and driving relationships with junket operators. Revenue from VIP table games was the main driver of the revenue increase as shown in the following table:

| Casino Operations Revenue Detail (A\$'000s) | | | |
|--|---------------|---------------|---------------|
| | FY12 | FY13 | FY14 |
| Vistor numbers | 59,078 | 69,560 | 70,864 |
| Average daily revenue per table | 3,534 | 4,674 | 5,209 |
| VIP Table Games | | | |
| Gross w in % | 2.52% | 2.98% | 2.78% |
| Net w in after tax (\$) | 7,050 | 10,050 | 14,140 |
| Main Hall Table Games | | | |
| Gross w in % | 3.31% | 3.24% | 3.27% |
| Net w in after tax (\$) | 3,270 | 3,600 | 3,350 |
| Slot Machines | | | |
| Net w in after tax (\$) | 173 | 296 | 573 |
| Accommodation/Food and Beverage | | | |
| Revenue after tax | 582 | 720 | 1,410 |
| Total Casino Operations Revenue | 11,075 | 14,666 | 19,473 |

Source: ASX, Donaco FY13 and FY14 Results Presentations

- In FY13 and FY14, Donaco had two operating segments
 - Casino Operations – which comprised the Lao Cai International Hotel operations, including hotel accommodation, and gaming and leisure facilities in Vietnam.
 - Gaming Technology Operations – which comprised the operation and development of gaming technology, including mobile payment gateways and interactive media and gambling applications for deployment on television, mobile and internet.

Donaco's gaming technology business, iSentric Sdn Bhd, was acquired by the company on 1 June 2013. On 26 February 2014, Donaco announced that it would spin-off its mobile technology business which trades under the name iSentric, into a new company separately listed on the ASX. The transaction was completed on 23 September 2014 when iSentric Ltd listed on the ASX. Information on the financial performance of the discontinued operation during the year ended 30 June 2014 is set out below.

| Discontinued Operations (A\$'000s) | FY13 | FY14 |
|--|------------|--------------|
| Gaming technology operations | 471 | 8,128 |
| Interest | 0 | 6 |
| Total revenue | 471 | 8,134 |
| Cost of sales | 341 | 4,971 |
| Employee benefits expense | 26 | 716 |
| Depreciation and amortisation expense | 2 | 22 |
| Legal and compliance | 7 | 21 |
| Marketing and promotions | 14 | 254 |
| Professional and consulting fees | 7 | 135 |
| Property costs | 3 | 35 |
| Telecommunications and hosting | 1 | 15 |
| Other expenses | 3 | 385 |
| Total expenses | 405 | 6,553 |
| NPBT | 66 | 1,581 |
| Income tax expense | 4 | 11 |
| NPAT from discontinued operations | 62 | 1,570 |

Source: Donaco FY14 Annual Report

The remaining gaming technology revenue in FY13 and FY14 relates to the Way2Bet business which was sold in October 2014 and the TV games business in New Zealand which closed down as of January 2015.

3. Foreign exchange gains and losses comprise:

- the settlement of foreign currency transactions translated into Australian dollars using the exchange rates prevailing at the dates of the transactions; and
- the translation of year-end exchange rates of monetary assets and liabilities denominated in foreign currencies.

The significant foreign exchange gain in FY13 was from a one-off gain of A\$0.945m on conversion of a capital raising of A\$20m to US dollars.

- The gain on sale of assets in FY13 relates to the sale of the company's TV wagering service, TAB Active, to Tabcorp Holdings Ltd. (ASX:TAH) for A\$0.86m. The transaction completed on 30 June 2013.
- Employee benefits expense comprises of salaries and associated on costs. With staff numbers doubling, this expense has increased significantly over the period due to Donaco's revenue growth associated with the opening of the new Aristo.
- Total operating expenses increased due to the increased patronage and some non-recurring costs relating to pre-opening costs at Aristo (FY14: A\$0.601m) and corporate restructuring costs (FY14: A\$0.533m, FY13: A\$0.616m).

6.7.2 Consolidated Balance Sheets

| Donaco | | | | |
|---|--------------|------------------|------------------|------------------|
| Balance Sheet | | | | |
| (A\$'000s) | Notes | 30-Jun-12 | 30-Jun-13 | 30-Jun-14 |
| ASSETS | | | | |
| Cash and cash equivalents | 1 | 10,356 | 29,404 | 98,035 |
| Trade and other receivables | 2 | 671 | 3,180 | 771 |
| Inventories | 3 | 110 | 225 | 1,406 |
| Prepaid construction costs | 4 | - | 12,318 | 18,816 |
| Other current assets | 5 | 4,455 | 145 | 2,238 |
| | | 15,592 | 45,272 | 121,266 |
| Assets of disposal groups classified as held for sale | 6 | - | - | 5,707 |
| Total current assets | | 15,592 | 45,272 | 126,973 |
| Property, plant & equipment | 7 | 1,074 | 1,553 | 4,886 |
| Intangibles | 8 | - | 9,797 | 9,797 |
| Construction in progress | 4 | 3,039 | 12,336 | 39,152 |
| Other non-current assets | 9 | 224 | 215 | 1,061 |
| Total non-current assets | | 4,337 | 23,902 | 54,895 |
| Total assets | | 19,929 | 69,174 | 181,868 |
| LIABILITIES | | | | |
| Trade and other payables | 10 | 8,818 | 11,447 | 12,635 |
| Borrowings | 11 | - | - | 1,447 |
| Income tax | | 3,575 | 5,171 | 4,852 |
| Employee benefits | | 121 | 457 | 70 |
| Other current liabilities | | - | 63 | - |
| | | 12,513 | 17,139 | 19,004 |
| Liabilities directly associated with assets classified as held for sale | | - | - | 2,999 |
| Total current liabilities | | 12,513 | 17,139 | 22,003 |
| Borrowings (non-current portion) | 11 | - | - | 10,608 |
| Employee benefits (non-current portion) | 12 | - | 33 | 20 |
| Other non-current liabilities | | - | - | - |
| Total non-current liabilities | | - | 33 | 10,629 |
| Total liabilities | | 12,513 | 17,172 | 32,632 |
| NET ASSETS | | 7,416 | 52,002 | 149,236 |
| EQUITY | | | | |
| Issued capital | 13 | 2 | 34,693 | 129,965 |
| Reserves | 14 | (277) | 965 | (478) |
| Retained profits | | 5,708 | 12,746 | 18,691 |
| Equity attributable to owners | | 5,433 | 48,403 | 148,178 |
| Non-controlling interest | 15 | 1,983 | 3,599 | 1,059 |
| TOTAL EQUITY | | 7,416 | 52,002 | 149,236 |

Source: Donaco FY14 Annual Report, Crowe Horwath analysis

Notes to Donaco Balance Sheets

1. Cash comprises cash on hand, cash at bank and bank deposits with original maturities of less than 3 months. The high level of cash in FY14 is due to the A\$25m placement in December 2013 and the A\$75m placement in March 2014. Capital was raised for the purposes of making an acquisition and for casino development.
2. The high receivables in FY13 relate to the iSentric business which was spun off in September 2014. The receivables for that business in FY14 was included in assets of disposal groups classified as held for sale. The remaining trade receivables predominantly relates to food and beverage consumables.
3. Inventories include consumable stores, food and beverages carried at cost which increased in FY14 due to the development of Aristo and the soft opening in May 2014.
4. Amounts recognised as prepaid construction costs relate to tranche payments made to third party developers in connection with the construction of the Aristo International Hotel and Casino in Lao Cai, Vietnam. Once associated works have been completed an amount equal to the tranche payment is transferred to construction in progress. Once ready for its intended use an amount equal to the cost of the completed assets will be transferred to property, plant & equipment. Construction of the Aristo completed in November 2014.
5. Other current assets primarily comprises of tax receivable and other debtors.
6. Assets of disposal groups classified as held for sale in relation to iSentric and Way2Bet is set out below.

| Assets of disposal groups classified as held for sale (A\$'000s) | 30-Jun-13 | 30-Jun-14 |
|---|-----------|--------------|
| Cash and cash equivalents | - | 1,461 |
| Trade and other receivables | - | 4,003 |
| Inventories | - | 22 |
| Property, plant & equipment | - | 25 |
| Other non-current assets | - | 196 |
| Total | - | 5,707 |

Source: Donaco FY14 Annual Report

7. The increase in property, plant and equipment in FY14 primarily comprises of increases in machinery and equipment and office equipment related to the redevelopment of the Aristo. Other assets included in this balance are leasehold buildings and structures and motor vehicles.
8. Intangibles represent goodwill which is tested annually for impairment. Goodwill is allocated by reportable cash generating segments as set out below.

| Goodwill Detail (A\$'000s) | 30-Jun-13 | 30-Jun-14 |
|-------------------------------|--------------|--------------|
| Donaco Singapore | 2,426 | 2,426 |
| iSentric | 7,371 | 7,371 |
| Total | 9,797 | 9,797 |

Source: Donaco FY14 Annual Report

9. Other non-current assets comprise other debtors (FY14: A\$1,061,041, FY13: A\$122,007) and product development (FY14: A\$nil, FY13: A\$93,448).
10. Trade and other payables primarily comprises of floating chips (FY14: A\$9,282,203, FY13: A\$9,626,898) determined as the difference between the number of chips-in-use and the actual chips counted by the casino as at reporting date. The increase in FY13 to FY14 was due mainly to the increase in trade and other payables attributed to higher revenue and the soft opening of Aristo.
11. Borrowings comprise total secured bank loans of A\$12,054,966. On 11 July 2011 the Lao Cai International Hotel Joint Venture Company (the Borrower) entered into a loan agreement with Joint Stock Commercial Ocean Bank (the Lender) for a lending facility of VND 180 billion for use towards the new Aristo. A second agreement was signed on 25 December 2013 for a lending facility for an additional VND 180 billion. The total facility at 30 June 2014 is VND 360 billion (FY14: A\$17,977,139). The term of the loan is seven years payable 2 October 2020. The bank overdraft and loans are secured by first mortgages over the consolidated entity's land and buildings.
12. Non-current portion of employee benefits comprise long service leave entitlements.
13. The company had 460,282,631, ordinary shares on issue at 30 June 2014 (371,719,896 ordinary shares on issue at 30 June 2013). The increase is from the capital raise of A\$25m and A\$75m in December 2013 and March 2014, respectively.
14. Reserves includes movements in foreign currency arising from translation of the financial statements of foreign operations to Australian dollars.
15. Non-controlling interest represents the current entitlement of the JV partner Lao Cai Tourism Co Ltd (5%) in the Lao Cai International Joint Venture Company.
16. At 30 June 2014, Donaco had the following commitments:
 - Capital committed at reporting date but not recognised as liabilities for property construction works A\$7,012,564 at 30 June 2014 (A\$32,527,314 at 30 June 2013).
 - Operating lease commitments with varying terms, escalation clauses and renewal rights A\$237,919 at 30 June 2014 (A\$249,482 at 30 June 2013).
 - Mortgage registered on 11 July 2011 by the Ocean Bank of Vietnam over the assets of the Lao Cai International for borrowings of A\$12,054,966 as at 30 June 2014 (A\$nil at 30 June 2013).

6.7.3 Consolidated Statement of Cash Flows

| Donaco | | | | |
|---|--------------|----------------|----------------|-----------------|
| Statement of Cashflows | | | | |
| (A\$'000s) | Notes | FY12 | FY13 | FY14 |
| Cash flows from operating activities | | | | |
| Receipts from customers | | 19,139 | 28,432 | 34,466 |
| Payments to suppliers and employees | | (2,605) | (16,689) | (16,518) |
| Interest and other costs of finance paid | | - | 56 | 566 |
| Government levies, gaming taxed and GST | | (4,873) | (7,698) | (8,826) |
| Net operating cash flows | | 11,660 | 4,101 | 9,688 |
| Cash flows from investing activities | | | | |
| Payments for purchase of PP&E | | (7,091) | (9,627) | (41,262) |
| Proceeds from disposal of PP&E | | - | 46 | (187) |
| Proceeds from disposal of investments | | 342 | 119 | 104 |
| Cash and cash equivalents on acquisition of subsidiaries | 1 | - | 1,188 | - |
| Loans to related parties | | (1,663) | - | - |
| Net investing cash flows | | (8,413) | (8,274) | (41,345) |
| Cash flows from financing activities | | | | |
| Proceeds from issue of shares | | - | 25,078 | 101,074 |
| Proceeds from borrowings | | - | - | 12,055 |
| Payment of equity raising expenses | | - | (1,866) | (5,502) |
| Loans from related parties | | 65 | - | - |
| Dividends paid by controlled entities to non-controlling interests | | (713) | (1,018) | (822) |
| Purchase of additional 20% non-controlling interest in Lao Cai JV | | - | - | (4,470) |
| Other | | 1 | - | - |
| Net financing cash flows | | (647) | 22,195 | 102,335 |
| Net increase in cash held | | 2,600 | 18,022 | 70,678 |
| Effects of exchange rate changes on balances of cash held in foreign currencies | | - | 1,026 | (586) |
| Cash and cash equivalents at beginning of financial year | | 7,756 | 10,356 | 29,404 |
| Cash and cash equivalents at end of financial year | | 10,356 | 29,404 | 99,496 |

Source: Donaco FY14 Annual Report

Notes to Donaco Cash Flow Statements

- The main cashflows relate to payments on PP&E for the development of Aristo and proceeds from the private placements in FY14.

7. Profile of Donaco Post Acquisition

7.1 Pro Forma Overview

Post the Star Vegas Acquisition, it is expected that the registered office of Donaco will remain in Sydney, New South Wales, Australia and there will be no material changes to financial policies and company assets. The Vendors do not intend to apply for additional shares in Donaco but may consider injecting further capital in the future.

Donaco management has indicated that although the acquisition of Star Vegas is not driven by synergies, the pro forma entity could offer increased bargaining power in the procurement of electronic gaming machines. Star Vegas management are ex-Genting employees and this offers a level of familiarity in structure and operations in the Asia market. The Donaco Directors also see the implementation of appropriate risk and compliance processes across both Star Vegas and the Aristo casino operations as key.

Pro forma key operational statistics for the Donaco post Acquisition is set out below.

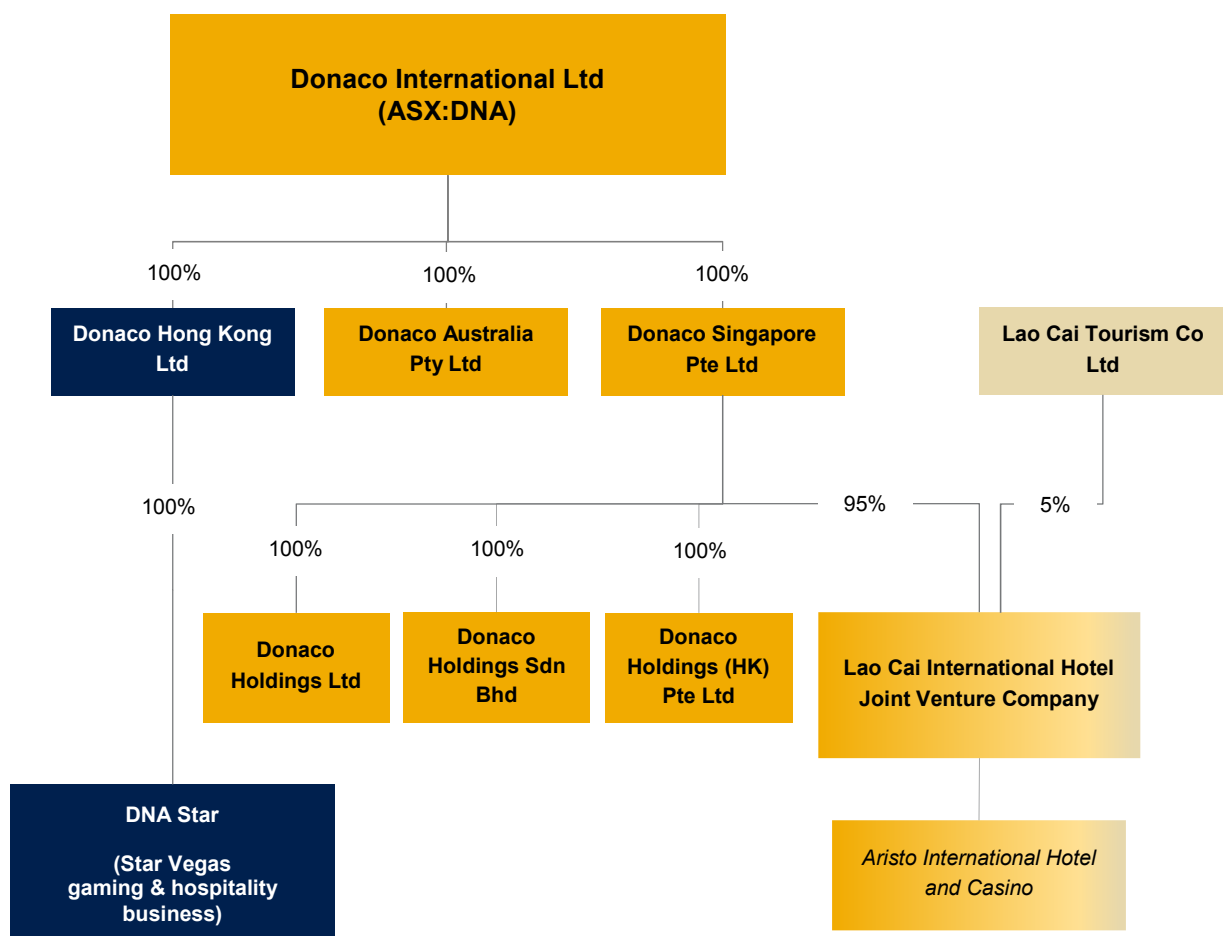
| Pro Forma Key Metrics | | | |
|---|--------|------------|-----------|
| | Donaco | Star Vegas | Pro forma |
| No. slots | 58 | 1,264 | 1,322 |
| % of total | 4% | 96% | 100% |
| No. gaming tables | 40 | 109 | 149 |
| % of total | 27% | 73% | 100% |
| No. hotel rooms | 428 | 385 | 813 |
| % of total | 53% | 47% | 100% |
| Revenue (A\$m) | 21 | 134 | 155 |
| % of total | 14% | 86% | 100% |
| NPAT (A\$m) | 8 | 49 | 57 |
| % of total | 15% | 85% | 100% |
| | Pre | | Post |
| Current ratio (current assets / current liabilities) | 6.4x | | 3.1x |
| Cash ratio (cash + trade and other receivables / current liabilities) | 5.2x | | 2.0x |
| Return on equity (net profit after tax / total equity) | 5.5% | | 12.8% |
| Debt ratio (total liabilities / total assets) | 16.8% | | 27.6% |
| Net debt (A\$m) | 86 | | (125) |

Source: Donaco, Crowe Horwath analysis

7.2 Pro Forma Group Structure

As part of the Acquisition, the Vendors will incorporate DNA Star for the sole purpose of entering into a business transfer agreement whereby the gaming and hospitality business assets of Star Vegas is transferred to DNA Star. As the beneficial owner of the whole of the issued share capital of DNA Star, the Vendors will sell all the DNA Star shares to Donaco Hong Kong Ltd.

Pro Forma Group Structure



Source: Donaco

7.3 Pro Forma Capital Structure

Under the Star Acquisition, the following new shares will be issued, subject to shareholder approval:

- 220,002,963 shares under the Entitlement Offer assuming all Shareholders other than the Lim Family take up their rights; and
- 147,199,529 Consideration Shares to the Vendor.

Post the Star Vegas Acquisition, Donaco will have 830,473,631 shares on issue.

| Pro Forma Issued Shares | | |
|---|--------------------|----------------|
| Purchase Price | (A\$m) | (US\$m) |
| Purchase price | 463 | 360 |
| Implied EBITDA @ 6.0x multiple | 77 | 60 |
| Funding | (A\$m) | (US\$m) |
| Cash | 51 | 40 |
| Debt | 129 | 100 |
| Secondary raising | 129 | 100 |
| Scrip | 154 | 120 |
| Total Funding | 463 | 360 |
| Issued Shares | No. | No. |
| No. shares on issue (pre transaction as at 22 January 2015) | 460,505,113 | |
| Secondary raising – no. new shares issued | 220,002,963 | |
| Scrip – no. new shares issued | 147,199,529 | |
| Options converted to shares on 30-Jan-15 and 5-Feb-15 | 2,766,026 | |
| No. shares on issue (post transaction) | 830,473,631 | |

Source: Donaco, USD/1.28660 AUD spot rate at 30 Jan 2015

We note the US\$100m secondary raising of 220,002,963 new shares at an offer price of A\$0.60 per share will raise a total of A\$132m per the Entitlement Offer. In the above table, the US\$100m Entitlement Offer has been converted at the 30 Jan 2015 spot rate to A\$129m.

The anticipated capital structure for Donaco is set out below.

| Pro Forma Issued Capital | | | | |
|-------------------------------------|-------------------------|--------------------|--------------------|------------------|
| Securities Type | Class | No. on Issue | Exercise Price A\$ | Expiry Date |
| Fully paid ordinary shares | Equity | 830,473,631 | - | - |
| <i>Options over ordinary shares</i> | <i>Unquoted Options</i> | <i>125,000</i> | <i>0.56</i> | <i>01-Mar-15</i> |
| <i>Options over ordinary shares</i> | <i>Unquoted Options</i> | <i>125,000</i> | <i>0.56</i> | <i>17-May-15</i> |
| <i>Employee options FY14</i> | <i>Unquoted Options</i> | <i>4,010,511</i> | <i>0.59</i> | <i>30-Jun-18</i> |
| <i>Employee options FY15</i> | <i>Unquoted Options</i> | <i>19,037,067</i> | <i>0.89</i> | <i>30-Jun-19</i> |
| Total Options | Unquoted Options | 23,297,578 | - | - |

Source: Donaco

The employee options expire progressively over a three year period with the latest expiration for the FY14 and FY15 options being 30 June 2018 and 2019, respectively.

The pro forma major shareholders for Donaco is set out below.

| Donaco Shareholdings Post Acquisition | | |
|---------------------------------------|----------------------|-------------|
| Shareholder | Number of Shares (m) | % |
| Lim Family | 264 | 32% |
| Vendors (or their nominees) | 147 | 18% |
| Balance shareholders | 419 | 50% |
| Total | 830 | 100% |

Source: Donaco

The above table assumes all Donaco Shareholders, apart from the Lim Family, will fully participate in the Entitlement Offer. The total shareholding of the Lim Family post the Star Vegas Acquisition will be approximately 264m shares. Post the Star Vegas acquisition, the Vendors are likely to control up to 18% of the issued shares in Donaco. Ultimately, the major shareholders in Donaco will vary depending on general ASX trading of Donaco shares and the level of take up under the Entitlement Offer which does not close until after the issue of our Report. We understand Perpetual has signed a sub-underwriting agreement with the underwriter to the Entitlement Offer, Canaccord. As at 18 February 2015, Perpetual controlled 12% of the issued shares in Donaco.

7.4 Pro Forma Board and Key Management

On completion of the Star Vegas acquisition, Donaco's Board will comprise of the existing five directors and an additional two Star Vegas representatives:

- Stuart James McGregor, Chairman
- Joey Lim Keong Yew, Managing Director & CEO
- Benedict Paul Reichel, Executive Director
- Benjamin Lim Keong Hoe, Non-Executive Director
- Robert Andrew Hines, Non-Executive Director
- Paul Pomtat Amatavivadhana, Non-Executive Director
- Ham Techatut Sukjaroenkaisri, Executive Director

An overview of the experience and expertise of the new directors is set out below.

| Paul Pomtat Amatavivadhana | Ham Techatut Sukjaroenkaisri |
|--|---|
| <p><i>Non-executive Director</i></p> <p>MSc Management Science, Boston University; BA Finance and Banking, Thammasat University</p> <p>Mr Amatavivadhana is a founding principal and the CEO of Infinite Capital, a boutique corporate advisory firm based in Bangkok. He has considerable experience in Mergers & Acquisitions, Corporate Restructuring and Capital Raisings. Mr Amatavivadhana is currently an independent Director at Sansiri Plc, a real estate developer in Thailand listed on the Stock Exchange of Thailand. His previous roles include senior positions at Ayudhya Securities Plc (Managing Director); Ploenchit Advisory Co Ltd (Assistant Managing Director); UOB KayHian Securities (Thailand) Ltd; BNP Paribas Peregrine Securities (Thailand) Ltd and Securities One Plc.</p> | <p><i>Executive Director</i></p> <p>BSc Chemical Engineering, Chulangkorn University</p> <p>Mr Sukjaroenkaisri is Vice President of Star Vegas and has over eight years' experience in gaming and casino management. At Star Vegas, Mr Sukjaroenkaisri has been responsible for developing the model for the slot machine business.</p> |

Under the Management Agreement, the Vendors will manage the day to day business of Star Vegas. A joint executive committee comprising 3 members nominated by DNA Star and 2 members nominated by the Operators (the Vendors) will be formed. The joint executive committee will appoint a financial controller to manage, operate and make decisions in respect of all financial related matters of the casino and reporting directly to the Board of DNA Star.

7.5 Pro Forma Financials

The pro form financials for the Donaco for the 12 months to 30 June 2014 (**FY14**) are set out below. Star Vegas' FY14 financials are based on audited accounts for the 6 months to 31 December 2013 (**2HY13**) and the auditor reviewed accounts for the 6 months to 31 December 2014 (**1HY14**).

| Pro Forma Income Statement FY14 | Donaco (Audited) (A\$'000s) | Star Vegas (US\$'000s) | Star Vegas (A\$'000s) | Combined Entity (A\$'000s) |
|--|--|-----------------------------------|----------------------------------|---|
| Revenue | 21,112 | 122,312 | 133,797 | 154,909 |
| Other income | 122 | - | - | 122 |
| Expenses | (11,642) | (75,984) | (83,119) | (94,761) |
| Profit before income tax expense from continuing operations | 9,592 | 46,328 | 50,678 | 60,270 |
| <i>Margin %</i> | <i>45%</i> | <i>38%</i> | <i>38%</i> | <i>39%</i> |
| Income tax expense | (2,892) | (1,773) | (1,939) | (4,831) |
| Profit after income tax expense from continuing operations | 6,700 | 44,555 | 48,739 | 55,439 |
| Profit after income tax expense from discontinued operations | 1,570 | - | - | - |
| Profit after income tax expense for the year | 8,270 | 44,555 | 48,739 | 55,439 |
| <i>Margin %</i> | <i>39%</i> | <i>36%</i> | <i>36%</i> | <i>36%</i> |

Source: Donaco, USD/1.0939 AUD 12-month average exchange rate to 30 June 2014.

Set out below is the pro forma balance sheet for Donaco post Acquisition.

Pro Forma Balance Sheet Adjustments

1. Initial increase in cash of US\$100m (A\$129m²¹) per the fully underwritten Entitlement Offer.
2. Investment in Star Vegas of US\$260m (A\$335m²²) via the wholly owned subsidiary, Donaco Hong Kong Ltd, representing the Purchase Consideration excluding the debt component.
3. Consolidation of Donaco Hong Kong Ltd with the parent entity and borrowings increases by US\$100m (A\$129m²³) to reflect the debt component of the proposed Star Vegas Acquisition.

²¹ USD/1.28660 AUD spot rate at 30 January 2015.

²² USD/1.28660 AUD spot rate at 30 January 2015.

²³ USD/1.28660 AUD spot rate at 30 January 2015.

| Pro Forma Balance Sheet (A\$'000s) | Donaco (Audited) | | | | Consolidated |
|--|---------------------|---------|-----------|-----------|----------------|
| | 30-Jun-14 | Note 1 | Note 2 | Note 3 | 30-Jun-14 |
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | 98,035 | 128,660 | (180,124) | 3,909 | 50,480 |
| Trade and other receivables | 771 | - | - | - | 771 |
| Inventories | 1,406 | - | - | 202 | 1,608 |
| Prepaid construction costs | 18,816 | - | - | - | 18,816 |
| Other | 2,238 | - | - | - | 2,238 |
| | 121,266 | - | - | - | 73,913 |
| Assets of disposal groups classified as held for sale | 5,707 | - | - | - | 5,707 |
| Total current assets | 126,973 | - | - | - | 79,620 |
| Non-current assets | | | | | |
| Property, plant and equipment | 4,886 | - | - | 102,456 | 107,342 |
| Goodwill | 9,797 | - | - | 60,783 | 70,580 |
| Intangibles | - | - | - | 299,735 | 299,735 |
| Construction in progress | 39,152 | - | - | - | 39,152 |
| Other | 1,061 | - | - | - | 1,061 |
| Investment in subsidiaries | - | - | 334,516 | (334,516) | - |
| Total non-current assets | 54,896 | - | - | - | 517,870 |
| Total assets | 181,869 | - | - | - | 597,490 |
| LIABILITIES | | | | | |
| Current liabilities | | | | | |
| Trade and other payables | 12,635 | - | - | 3,909 | 16,544 |
| Borrowing | 1,447 | - | - | - | 1,447 |
| Income tax | 4,852 | - | - | - | 4,852 |
| Employee benefits | 71 | - | - | - | 71 |
| | 19,005 | - | - | - | 22,914 |
| Liabilities directly assoc. with assets classified as held for sale | 2,999 | - | - | - | 2,999 |
| Total current liabilities | 22,004 | - | - | - | 25,913 |
| Non-current liabilities | | | | | |
| Borrowings | 10,608 | - | - | 128,660 | 139,268 |
| Employee benefits | 20 | - | - | - | 20 |
| Total non-current liabilities | 10,628 | - | - | - | 139,288 |
| Total liabilities | 32,632 | - | - | - | 165,201 |
| Net assets | 149,237 | - | - | - | 432,289 |
| EQUITY | | | | | |
| Issued capital | 129,965 | 128,660 | 154,392 | - | 413,017 |
| Reserves | (478) | - | - | - | (478) |
| Retained profits | 18,691 | - | - | - | 18,691 |
| Equity attributable to the owners of Donaco International Ltd | 148,178 | - | - | - | 431,230 |
| Non-controlling interest | 1,059 | - | - | - | 1,059 |
| Total equity | 149,237 | - | - | - | 432,289 |

Source: Donaco, USD/1.28660 AUD spot rate at 30 January 2015.

8. Valuation Methodologies

RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of share buy-backs, selective capital reductions, schemes of arrangement, takeovers and other transactions. These methodologies include the following:

- The discounted cash flow methodology (**DCF Approach**).
- The application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets (**CFME Approach**).
- The amount that would be available for distribution to shareholders in an orderly realisation of assets (**Net Assets Approach**).
- The quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis (**Market Approach**).
- Any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets (**Recent Offers Approach**).

A more detailed overview of valuation methods is provided at Appendix C.

9. Valuation of Star Vegas

9.1 Valuation Approach

We adopted the CFME Approach as the primary methodology for estimating the fair market value of Star Vegas on a controlling basis. This method was selected as Star Vegas has a history of profits with a reasonably consistent trend and that trend is expected to continue.

The DCF Approach has been used as a cross check rather than as the primary valuation methodology due to limited availability of forecast financial information.

Other valuation methodologies were not selected for the following reasons:

- Star Vegas is not listed on a public exchange and therefore there is no active trading of Star Vegas shares.
- The Net Assets Approach was not selected as the current balance sheet of Star Vegas does not reflect the market value of the property assets. The net tangible assets would be understated and the implied intangibles would be overstated. Therefore we consider that this approach would not be meaningful.
- We are not aware of any recent offers for Star Vegas therefore the Recent Offers Approach is not applicable.

9.2 Valuation Analysis

We adopted the CFME Approach as the primary method in making an assessment of the fair market value of Star Vegas on a controlling basis.

9.2.1 Future Maintainable Earnings

The CFME approach involves an assessment of the future maintainable earnings (**FME**) of the business. We selected EBITDA as the appropriate FME to apply a capitalisation rate (or multiple) for Star Vegas.

In selecting the capitalisation of EBITDA as the primary methodology, we had regard to the fact that EBITDA is not distorted by the effects of different gearing levels or taxation positions of comparable companies and that it is the most commonly used earnings level in transactions.

In arriving at an FME for Star Vegas, we considered:

- the Vendor guarantee of US\$60m EBITDA for the next two years (CY15 and CY16); and
- the historical trading of Star Vegas with EBITDA of US\$57.8m in CY12 and the 1HY14 result of US\$28.4m which, on an annualised basis approaches US\$60m.

In light of the Vendor guarantee and business trading history, we selected a CY15 forecast EBITDA of US\$60m (A\$77m²⁴).

9.2.2 Trading Multiples

In determining an appropriate capitalisation rate to apply to Star Vegas, we considered share market trading multiples of companies whose operations are comparable to Star Vegas as summarised below. Further details on the trading multiples considered are set out in Appendix D.

| Comparable Trading Multiples - Casinos & Gaming | | | | | | | | | | | |
|---|--------|--------------|---------------|-----------------|-------|-------|-------|-------------|-------|-------|-------|
| Company Name | FYE | EV (A\$m) | Price/ NTA | EBITDA Multiple | | | | PE Multiple | | | |
| | | | | FY | LTM | FY+1 | FY+2 | FY | LTM | FY+1 | FY+2 |
| INTERNATIONAL OPERATORS | | | | | | | | | | | |
| | Median | 31,131 | 117.1x | 11.0x | 11.7x | 11.0x | 10.2x | 18.1x | 20.7x | 23.5x | 19.3x |
| | Mean | 41,048 | 117.1x | 11.3x | 11.3x | 11.4x | 10.3x | 35.4x | 33.7x | 26.9x | 24.0x |
| US OPERATORS | | | | | | | | | | | |
| | Median | 5,975 | NM | 8.8x | 8.7x | 8.3x | 8.6x | 41.9x | 41.8x | 25.9x | 21.3x |
| | Mean | 5,079 | NM | 9.0x | 8.8x | 8.2x | 8.0x | 41.9x | 41.8x | 25.9x | 27.4x |
| MACAU OPERATORS | | | | | | | | | | | |
| | Median | 20,293 | 4.9x | 13.3x | 12.2x | 13.0x | 12.2x | 15.6x | 13.4x | 16.8x | 15.7x |
| | Mean | 23,062 | 8.1x | 14.6x | 11.1x | 12.0x | 11.1x | 13.9x | 11.6x | 16.1x | 15.8x |
| AUSTRALIAN OPERATORS | | | | | | | | | | | |
| | Median | 4,304 | 3.3x | 11.7x | 10.4x | 9.4x | 8.6x | 22.8x | 22.2x | 17.0x | 16.2x |
| | Mean | 6,527 | 5.2x | 11.5x | 10.4x | 10.9x | 10.3x | 23.4x | 20.3x | 17.0x | 16.0x |
| EMERGING MARKETS | | | | | | | | | | | |
| | Median | 2,007 | 2.5x | 11.0x | 10.6x | 9.3x | 6.5x | 16.7x | 19.6x | 18.1x | 14.5x |
| | Mean | 2,469 | 3.1x | 18.3x | 15.3x | 10.5x | 7.1x | 21.2x | 21.5x | 18.2x | 13.6x |

Source: S&P Capital IQ, data as at 9 February 2015, forecast multiples based on latest consensus forecasts

²⁴ USD/1.28660 AUD spot rate at 30 January 2015.

We note the following with regard to the industry trading multiples:

- Donaco aside, the remaining companies are significantly larger than Star Vegas and larger companies typically trade at higher multiples.
- The emerging markets companies are most comparable to Star Vegas given their geographic locations, with NagaCorp identified as the most comparable, albeit significantly larger than Star Vegas.

Descriptions of the comparable companies considered are provided in Appendix D.

9.2.3 Transaction Multiples

Gaming industry transaction multiples are set out below:

| Comparable Transaction Multiples - Casino & Gaming | | | | | | | |
|--|-----------------------------------|----------------------------|--------------|----------------|-----------------------|--------------------|--------------------|
| Ann. Date | Target/ Issuer | Buyers/ Investors | Trans. Curr. | TTV (A\$m) (H) | Implied EV (A\$m) (H) | Implied EV/ EBITDA | % Sought/ Acquired |
| 21-Dec-12 | Ameristar Casinos Inc | Pinnacle Entertainment Inc | USD | 2,875 | 2,784 | 8.4x | 100 |
| 16-May-12 | Peninsula Gaming LLC | Boyd Gaming Corporation | USD | 1,417 | 1,417 | 8.7x | 100 |
| 07-May-12 | Harrah's Maryland Heights LLC | Penn National Gaming Inc | USD | 610 | 610 | 7.8x | 100 |
| 14-May-14 | PA Meadows LLC | GLP Capital LP | USD | 465 | 465 | 9.0x | 100 |
| 05-Oct-12 | Magnolia Hill LLC | Churchill Downs Inc | USD | 141 | 141 | 7.4x | 100 |
| 07-Oct-14 | Queenco Leisure International Ltd | I.Z. Queenco Ltd | ILS | 297 | 412 | 14.6x | 64 |
| | | | | Median | 538 | 8.5x | |
| | | | | Mean | 971 | 9.3x | |

Source: S&P Capital IQ, data as at 9 February 2015

With regard to the transactions considered above, we note:

- All implied multiples reported are control multiples.
- The majority of the transactions are for US-based casino and gaming operations. The implied EBITDA multiples for the US-based transactions are reasonably consistent, ranging from 7.4x to 9.0x with an overall median of 8.5x.
- The implied EBITDA multiples are reasonably consistent with the median 1-year forecast EBITDA trading multiples for US companies of 8.3x.

- Two transactions – Harrah’s Maryland Heights and Magnolia Hill – are reasonably comparable to Star Vegas in terms of size. Each operate one casino, albeit in the US which is a mature market compared to the emerging market of Cambodia.
- Israeli company, Queenco Leisure International, is the only non-US transaction shown above. It operates casinos mostly in Greece and Eastern Europe although it does have one casino project in Cambodia.
- All the transactions relate to overseas transactions. The multiples for transactions which occur in overseas markets will be influenced by local market conditions prevailing at the time, both in terms of industry and capital markets.

Target company descriptions for the implied transaction multiples can be found in Appendix E.

9.2.4 Adopted EBITDA Multiples

Based on our analysis, we set out below our range of adopted EBITDA multiples for Star Vegas.

| Adopted EBITDA multiples | | | |
|--------------------------|------|------|------|
| | Low | Mid | High |
| Star Vegas | 6.2x | 6.6x | 7.0x |

Source: Crowe Horwath analysis

We note the following with regard to the EBITDA multiples we have selected for Star Vegas:

- Star Vegas is a single casino and the transaction size is similar to Harrah’s Maryland Heights and Magnolia Hill with EBITDA multiples of 7.8x and 7.4x. However we would expect a discount to these multiples for Star Vegas given the sovereign risk.
- The guarantee of US\$60m EBITDA for two years provides greater certainty for the earnings albeit at a cost if achieved of 25% of NPAT for two years.
- Of the emerging market companies, Nagacorp is the most comparable and is trading at an EBITDA multiple for FY15 of 7.7x and whilst it is a minority trading multiple (typically multiples would be lower for a minority interest rather than a controlling interest) we would expect a discount to the trading multiple for Star Vegas given it is a smaller business with only one casino.

9.3 Valuation Conclusion

The enterprise value of Star Vegas has been calculated, on a controlling basis, by applying the adopted EBITDA multiples to the forecast CY15 EBITDA as set out below.

| Valuation of Star Vegas (minority basis) | | | | |
|--|------------------|------------|------------|------------|
| (A\$m) | Report Reference | Low | Mid | High |
| FME – forecast EBITDA CY15 | Section 9.2.1 | 77 | 77 | 77 |
| EBITDA multiple | Section 9.2.4 | 6.2x | 6.6x | 7.0x |
| Enterprise Value | | 479 | 509 | 540 |

Source: Crowe Horwath analysis

9.4 Valuation Cross Check

As a cross check to our primary approach we applied the DCF approach based on:

- forecast EBITDA of US\$60m;
- growth of 5%; and
- annual capital expenditure of US\$2m.

We applied a discount rate of between 17.0% and 18.0% and derived values of approximately A\$487m to A\$524m, consistent with our valuation range.

10. Valuation of Donaco

10.1 Valuation Approach

We adopted the Market Approach as the primary method for estimating the fair market value of Donaco on a minority basis and the Net Assets Approach as a cross check.

Other valuation methodologies were not selected for the following reasons:

- Cash flow forecasts were not available for Donaco therefore the DCF Approach was not selected.
- The CFME Approach was not selected as Donaco's earnings do not yet reflect the redevelopment of the new Aristo and forecast earnings are not available.
- We are not aware of any recent offers for Donaco therefore the Recent Offers Approach is not applicable.

10.2 Valuation Analysis

We adopted the Market Approach in assessing the fair market value of Donaco on a minority basis.

The below graph shows the daily volume weighted average price (**VWAP**) of Donaco shares and volumes traded for the 24-month period to 1 February 2015.



Source: S&P Capital IQ, Crowe Horwath analysis

The below table sets out the VWAP of Donaco shares over various look back periods since the day prior to the initial announcement of the proposed acquisition in Cambodia on 3 November 2014. We note that the

subsequent, more detailed announcement of the proposed acquisition of Star Vegas occurred around three months later on 30 January 2015. The company's shares were suspended from trading on 27 January 2015, with 22 January 2015 being the last trading date before the 30 January 2015 announcement.

For our VWAP analysis, we have chosen 22 January 2015 as the look back date given it is the last trading date prior to the announcement on 30 January 2015 of the proposed acquisition of Star Vegas.

| VWAP Analysis – 22 January 2015 | | | | | |
|---------------------------------|----------|-----------------|------------------|-------------------|----------------------------|
| Trading Days | VWAP | Share Price Low | Share Price High | Cumulative Volume | % of Issued Capital Traded |
| 5 | A\$0.606 | A\$0.535 | A\$0.685 | 7,338,440 | 1.59% |
| 10 | A\$0.625 | A\$0.535 | A\$0.740 | 9,771,520 | 2.12% |
| 30 | A\$0.749 | A\$0.535 | A\$0.860 | 47,430,160 | 10.30% |
| 60 | A\$0.738 | A\$0.535 | A\$0.985 | 116,847,000 | 25.35% |
| 90 | A\$0.810 | A\$0.535 | A\$1.140 | 157,633,850 | 34.20% |
| 120 | A\$0.834 | A\$0.535 | A\$1.140 | 195,855,620 | 42.50% |
| 150 | A\$0.843 | A\$0.535 | A\$1.140 | 237,371,670 | 51.52% |
| 180 | A\$0.875 | A\$0.535 | A\$1.180 | 322,982,800 | 70.12% |
| 209 | A\$0.914 | A\$0.535 | A\$1.450 | 365,678,680 | 80.10% |

Source: S&P Capital IQ, Crowe Horwath analysis

As shown above, we consider Donaco's shares to be reasonably liquid with approximately 80% of issued shares traded over the 12 months to 22 January 2015.

In arriving at a Share value for Donaco on a minority basis we have selected the 30, 60 and 90-day VWAPs of between A\$0.738 and A\$0.810. We have selected this period based on the following:

- The volumes are relatively low for the 5 and 10 day VWAPs and given the proximity to the announcement and significant decline in the share price during that period we consider the price may have been impacted by speculation over the announcement on 30 January 2015.
- The range is relatively tight over the period with adequate volumes.

10.3 Valuation Conclusion

Based on our analysis, the estimated mid-point of the fair market value range of Donaco on a minority basis is set out below. In assessing the range, we have adopted the share price range of the 30, 60 and 90-day VWAPs of between A\$0.738 and A\$0.810 (A\$0.740 and A\$0.808 on an undiluted basis assuming all options are exercised).

| Valuation of Donaco (minority basis) | | | | |
|--|------------------|-------|-------|-------|
| | Report Reference | Low | Mid | High |
| No. shares on issue at 22 January 2015 (m) | Section 6.4 | 461 | 461 | 461 |
| Share price (A\$) | Section 10.2 | 0.738 | 0.774 | 0.810 |
| Equity value (A\$m) | | | | |
| Equity value – undiluted | | 340 | 356 | 373 |
| Proceeds if options are exercised | Section 6.4 | 20 | 20 | 20 |
| Equity value – diluted | | 360 | 377 | 393 |
| No. shares outstanding (m) | | | | |
| Undiluted basis | | 461 | 461 | 461 |
| Shares to be issued if options are exercised | Section 6.4 | 26 | 26 | 26 |
| Diluted basis | | 487 | 487 | 487 |
| Value per share (A\$) | | | | |
| Undiluted basis | | 0.738 | 0.774 | 0.810 |
| Diluted basis | | 0.740 | 0.774 | 0.808 |

Source: Donaco, Crowe Horwath analysis

We note that the number of shares on issue has been taken at 22 January 2015 and does not include the 2,766,026 new issue of shares as a result of the conversion of options on 30 January 2015 and 5 February 2015.

Given the minor difference between the assessed value of a Donaco share on an undiluted basis compared to on a fully diluted basis, the remainder of our analysis in this Report is set out on an undiluted basis only.

10.4 Valuation Cross Check

We have adopted the Net Assets Approach as a cross check to our primary approach. We compared our equity value (undiluted basis) to the net tangible assets (**NTA**) of Donaco. We then compared the calculated equity value to the NTA ratio to other comparable companies. The following table sets out our NTA comparison.

| Valuation of Donaco – Cross Check | | | | |
|-----------------------------------|------------------|--------------|--------------|--------------|
| (A\$m) | Report Reference | Low | Mid | High |
| Equity value (undiluted) | Section 10.2 | 340 | 356 | 373 |
| Equity attributable to owners | Section 6.7.2 | 148 | 148 | 148 |
| Less: intangibles | Section 6.7.2 | 10 | 10 | 10 |
| Net tangible assets | | 138 | 138 | 138 |
| Implied intangibles | | 201 | 218 | 235 |
| Equity value / NTA (x) | | 2.46x | 2.58x | 2.70x |

Source: Donaco, Crowe Horwath analysis

We note from the above table the implied equity value to NTA (price/NTA) ratio ranges from 2.5x to 2.7x which is consistent with emerging market comparable companies where the median ratio is 2.8x as set out below.

| Donaco Comparable Trading Multiples | | | | | | | | | | | |
|-------------------------------------|---------------|--------------|---------------|-----------------|--------------|-------------|-------------|--------------|--------------|--------------|--------------|
| Company Name | FYE | EV (A\$m) | Price/ NTA | EBITDA Multiple | | | | PE Multiple | | | |
| | | | | FY | LTM | FY+1 | FY+2 | FY | LTM | FY+1 | FY+2 |
| Donaco International Ltd | 30-Jun-14 | 287 | 1.8x | 45.0x | 29.4x | 14.7x | 4.8x | 37.7x | 32.8x | 20.2x | 9.1x |
| EMERGING MARKETS | | | | | | | | | | | |
| Kangwon Land Corporation | 31-Dec-13 | 6,287 | 2.5x | 10.7x | 10.6x | 9.3x | 8.6x | 19.8x | 19.6x | 17.6x | 16.0x |
| Paradise Co Ltd | 31-Dec-13 | 1,546 | 2.3x | 10.1x | 9.6x | 8.3x | 6.3x | 17.4x | 16.8x | 18.1x | 14.5x |
| Grand Korea Leisure Co Ltd | 31-Dec-13 | 2,166 | 5.7x | 11.4x | 11.8x | 11.5x | 9.7x | 14.9x | 20.4x | 20.3x | 16.8x |
| NagaCorp Ltd | 31-Dec-14 | 2,007 | 3.2x | 9.5x | 9.5x | 7.7x | 6.5x | 12.9x | 13.0x | 12.1x | 11.2x |
| | Median | 2,086 | 2.8x | 10.4x | 10.1x | 8.8x | 7.6x | 16.1x | 18.2x | 17.8x | 15.3x |
| | Mean | 3,001 | 3.4x | 10.4x | 10.4x | 9.2x | 7.8x | 16.2x | 17.4x | 17.0x | 14.6x |

Source: S&P Capital IQ, Crowe Horwath analysis, as at 9 January 2015

11. Value of the Purchase Consideration

11.1 Assessed Value of the Purchase Consideration

In assessing the value of the Purchase Consideration we have performed the following calculation:

| Value of the Purchase Consideration | | | |
|-------------------------------------|------------|------------|------------|
| (A\$m) | Low | Mid | High |
| Cash | 51 | 51 | 51 |
| Debt | 129 | 129 | 129 |
| No. shares under secondary raising | 220 | 220 | 220 |
| Donaco share price (A\$) | 0.738 | 0.774 | 0.810 |
| Entitlement Offer | 162 | 170 | 178 |
| No. consideration shares | 147 | 147 | 147 |
| Donaco Share Price (A\$) | 0.738 | 0.774 | 0.810 |
| Control premium % | 10.00% | 12.50% | 15.00% |
| Adjusted Share Price (A\$) | 0.812 | 0.871 | 0.932 |
| Consideration Shares | 119 | 128 | 137 |
| Total | 462 | 479 | 495 |

Source: Crowe Horwath analysis

We provide the following comments regarding the above calculation:

- A\$51m represents cash on hand (US\$40m²⁵).
- A\$129m debt (US\$100m²⁶) is the new debt facility from Mega.
- We have applied our assessed value range of a Donaco share to the secondary raising of 220m shares to arrive at a value of A\$162m to A\$178m for the entitlement offer.
- To determine the value of the Consideration Shares we have applied a control premium of 10% to 15% to our assessed minority value of Donaco shares and applied this adjusted share price to the 147m consideration shares issued.

We have applied a control premium to reflect the shareholding of up to 18% the Vendors will hold in Donaco post the Star Vegas Acquisition.

²⁵ USD/1.28660 AUD spot rate at 30 January 2015.

²⁶ USD/1.28660 AUD spot rate at 30 January 2015.

Investment fundamentals dictate that the value of 100% of a company is normally greater than the sum of values attributable to the individual shares of that company based on transactions in minority share holdings. It is important to recognise that there are degrees of control and important control thresholds. A small minority shareholding (such as a parcel of shares typically traded on the ASX) usually confers no control. As the size of the shareholding increases, the extent of control typically increases. Effective control of the Board and ordinary shareholder resolutions can sometimes be obtained through a substantial minority shareholding. A shareholding in excess of 50% guarantees this degree of control. A shareholding in excess of 75% allows the shareholder to pass special shareholder resolutions and a 100% shareholding confers absolute control, including control of the cash flows of the company.

The difference between the value of 100% of a company and the total of the value of minority share holdings is referred to as a “premium for control” taking into account synergistic benefits for the acquirer if relevant. Control of a company by a shareholder gives that shareholder rights to which minority shareholders are not entitled, including control of the company’s policies and strategies, and use of cash flows of the company.

The level of premium for control paid in a takeover bid will vary across industries and is dependent upon the specifics of the company being acquired however they generally range from 10% to 30%.

In our assessment of the Consideration Shares we have applied a control premium of 10% to 15%. We consider that a full control premium is inappropriate given:

- The Vendors will only hold up to 18% in Donaco.
- The Vendors will have representation on the Donaco Board but will not have a majority position on the Board.
- The Consideration Shares do not preclude existing Donaco Shareholders from receiving a control premium in the future should such a transaction occur.

12. Evaluation of the Acquisition

12.1 The Star Vegas Acquisition is Fair

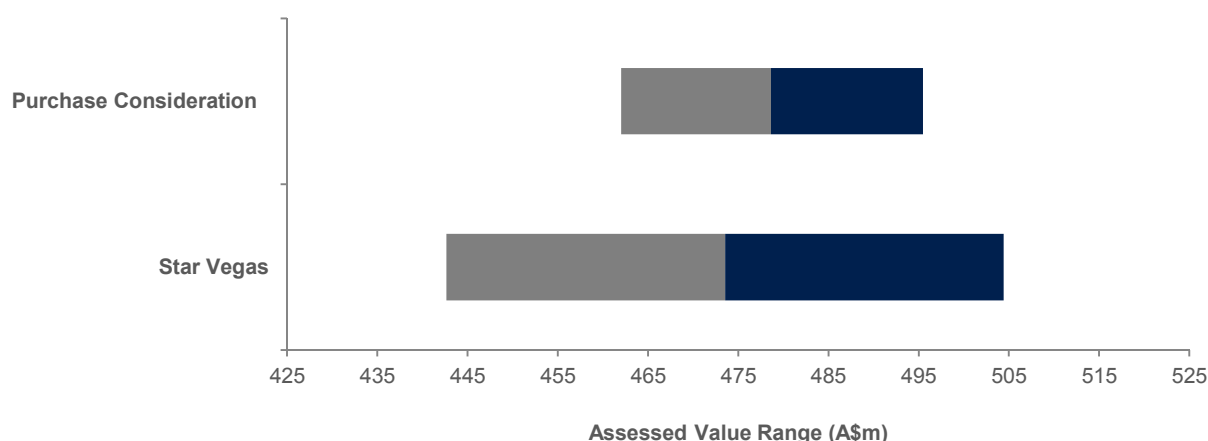
In considering whether the Star Vegas acquisition is fair we have compared our assessed fair market value of Star Vegas to our assessed value of the Purchase Consideration.

Based on our analysis, the assessed value of the Purchase Consideration is within our assessed fair market value range of Star Vegas and therefore the proposed Acquisition is fair.

| Comparison of the Valuation of Star Vegas to the Purchase Consideration | | | | |
|---|------------------|-----|-----|------|
| (A\$m) | Report Reference | Low | Mid | High |
| Star Vegas | Section 9.3 | 443 | 474 | 504 |
| Purchase Consideration | Section 11.1 | 462 | 479 | 495 |

Source: Crowe Horwath analysis

We set out below a graphical representation of our comparison of the assessed value of the Purchase Consideration to the assessed fair market value of Star Vegas.



Source: Crowe Horwath analysis

12.2 The Star Vegas Acquisition is Reasonable

The proposed Star Vegas Acquisition is fair, therefore it is reasonable. Notwithstanding this opinion, we set out below the advantages and disadvantages of the proposed Acquisition for the consideration of Donaco Shareholders.

12.2.1 Advantages of the Acquisition

The Acquisition will deliver diversification

An Acquisition in Cambodia would provide geographic diversification for Donaco by reducing its reliance on predominantly a Chinese customer base. The Thai-facing target market of Star Vegas is distinct from the China-facing target market of the Aristo.

The Acquisition will deliver enhanced scale

The Acquisition of Star Vegas will enhance the size and scale of Donaco. For Donaco post Acquisition, enhanced scale is expected to yield benefits in the areas of gaming equipment procurement, staff recruitment and staff retention.

| Pro Forma Key Metrics | | | |
|-----------------------|--------|------------|-----------|
| | Donaco | Star Vegas | Pro forma |
| No. slots | 58 | 1,264 | 1,322 |
| No. gaming tables | 40 | 109 | 149 |
| No. hotel rooms | 428 | 385 | 813 |
| Revenue (A\$m) | 21 | 134 | 155 |
| NPAT (A\$m) | 8 | 49 | 57 |

Source: Donaco

Attractive tax regime for casinos in Cambodia

It is understood that the tax environment in Cambodia, could offer a lower tax rate environment than Donaco's current tax rate of 30%. Star Vegas pays monthly gaming and non-gaming obligatory payments which are reviewed and determined between the Ministry and Star Vegas every financial year. Star Vegas management have advised that the gaming obligatory payments exempt Star Vegas from all category of taxes on gaming activities.

The Directors of Donaco unanimously recommend Shareholders vote in favour of the resolution

The Donaco Directors consider that the Star Vegas Acquisition is in the best interests of the company and unanimously recommend Shareholders vote in favour of the resolution.

12.2.2 Disadvantages of the Acquisition

Shareholders' interests will be diluted

The issue of Consideration Shares to the Vendors and issue of shares under the Entitlement Offer will result in the dilution of Shareholders' interests. Although all shareholders have been invited to participate under the Entitlement Offer, some Shareholders may choose not to do so.

Donaco will have higher gearing levels post the Acquisition

Post the Star Vegas Acquisition, Donaco's debt to equity ratio will increase from 4%²⁷ to 24%. We note this is within the proposed bank covenant of a maximum debt to equity ratio of 90%.

Exposure to Cambodia and Thailand

Star Vegas operates in Cambodia and has a Thai target market. As such, the business is exposed to risks associated with Cambodia and Thailand's legal environment, levels of corruption, government policy and political stability, socio-economic factors and exchange rate fluctuations. Cambodia is still an emerging market with GDP per capita of US\$1,104 in 2013 compared with, for example, Australia's GDP per capita of US\$64,863.²⁸

12.2.3 Other**The Donaco Directors have stated the Star Vegas Acquisition is earnings accretive**

Based on consensus forecast earnings post the Star Vegas Acquisition, the Donaco Directors are satisfied the proposed transaction is earnings accretive for Shareholders. We note we have not been provided with forecasts by the Directors to enable us to confirm the consensus forecasts by professional analysts included in the earnings per share calculations.

²⁷ Based on Donaco market capitalisation at 21 January 2015, sourced from S&P Capital IQ.

²⁸ <<http://www.dfat.gov.au/about-us/publications/Documents/australia-in-brief.pdf>> accessed 10 Feb 2014.

13. Qualifications, Declarations and Consents

13.1 Qualifications

Crowe Horwath provides corporate finance services including the preparation of company and business valuations and the provision of independent advice and expert reports concerning mergers and acquisitions, takeovers and capital reconstructions.

The executive responsible for preparing this Report on behalf of Crowe Horwath is Mr Harley Mitchell B.Com, CA. Mr Mitchell has significant experience in relevant corporate advisory matters. He is a representative in accordance with Australian Financial Services Licence No. 239170 held by Crowe Horwath under the Corporations Act.

13.2 Disclaimers

It is not intended that this Report be used or relied upon for any purpose other than as an expression of Crowe Horwath's opinion as to whether the proposed Acquisition is fair and reasonable. Crowe Horwath expressly disclaims any liability to any person who relies or purports to rely on the Report for any other purpose and to any other party who relies or purports to rely on the Report for any purpose.

This Report has been prepared by Crowe Horwath with care and diligence and statements and opinions in this Report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. No responsibility is accepted by Crowe Horwath or any of its officers or employees for errors or omissions however arising in the preparation of this Report, provided that this shall not absolve Crowe Horwath from liability arising from an opinion expressed recklessly or in bad faith.

13.3 Declarations

This Report is a 'Valuation Service' prepared in accordance with APES 225 'Valuation Services' issued by the Accounting Professional & Ethical Standards Board.

Crowe Horwath does not have at the date of this Report nor has had any shareholding in or other relationship with Donaco or Star Vegas that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the proposed Acquisition. Crowe Horwath had no part in the formulation of the proposed Acquisition. Our only role has been the preparation of this Report. Crowe Horwath considers itself independent in terms of Regulatory Guide 112 'Independence of Experts' as issued by ASIC.

Donaco has agreed that to the extent permitted by law that it will indemnify Crowe Horwath employees and officers in respect of any liability suffered or incurred as a result of or arising out of the preparation of this Report. This indemnity will not apply in respect of any conduct involving negligence or wilful misconduct.

Donaco has also agreed to indemnify Crowe Horwath and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person except where Crowe Horwath or its employees and officers are found liable for or guilty of conduct involving negligence or wilful misconduct in which case Crowe Horwath shall bear such costs.

Advance drafts of this Report were provided to Donaco and its advisers. Certain changes were made to this Report as a result of the circulation of the draft Report. There was no alteration to the methodology, valuation or conclusions as a result of issuing the drafts.

13.4 Consents

Crowe Horwath consents to the issuing of this Report in the form and context in which it is to be included in the Shareholder Booklet to be sent to the Donaco Shareholders. Neither the whole nor any part of this Report nor any reference thereto may be included in any other document without the prior written consent of Crowe Horwath as to the form and context in which it appears.

Appendix A – Glossary

| Term | Meaning |
|--|--|
| '000s | Numbers in thousands |
| 'control premium' or 'premium for control' | The difference between the value of 100% of a company and the total of the value of minority share holdings, taking into account synergistic benefits for the acquirer if relevant. Control of a company by a shareholder gives that shareholder rights to which minority shareholders are not entitled, including control of the company's policies and strategies, and use of cash flows of the company. The level of premium for control paid in a takeover bid will vary across industries and is dependent upon the specifics of the company being acquired however they generally range from 10% to 30%. |
| 'junkets' or 'junket operators' | Operators who facilitate access to legal gambling facilities |
| A\$ | Australian dollars |
| ACN | Australian Company Number |
| Acquisition | The proposed acquisition of the gaming and hospitality business of Star Vegas Resort & Club Co Ltd |
| AEST | Australian Eastern Standard Time |
| AFSL | Australian Financial Services Licence |
| Aristo | Aristo International Hotel and Casino in Lao Cai, Vietnam |
| ASIC | Australian Securities and Investment Commission |
| ASX | Australian Securities Exchange |
| AUD | Australian dollar |
| Canaccord | Canaccord Genuity (Australia) Ltd |
| CFME Approach | The methodology which assesses the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis |
| chg yoy | Change year on year |
| Consideration Shares | The US\$120m scrip component of the Purchase Consideration in which Donaco will issue 147,199,529 ordinary shares in Donaco to the Vendors (or their nominees) in accordance with the Sale Agreement |
| Crowe Horwath | Crowe Horwath Corporate Finance (Aust) Ltd ACN 001 508 363 ABN 95 001 508 363 AFSL No. 239170 |
| CY | Calendar year |
| DCF Approach | Discounted cash flow methodology |
| DNA Star | A newly incorporated company to which the gaming and hospitality business of Star Vegas will be transferred in accordance with the Sale Agreement |
| Donaco | Donaco International Ltd ACN 007 424 777 ABN 28 007 424 777 |
| EBIT | Earnings before interest and taxation |

| Term | Meaning |
|------------------------|--|
| EBITDA | Earnings before interest, taxation, depreciation and amortisation |
| Entitlement Offer | US\$100m secondary raising via a fully underwritten '10 for 21' non-renounceable rights issue at an offer price of A\$0.60 per share |
| EV | Enterprise value (also referred to as TEV) |
| Final Guarantee | The Vendor guarantee that US\$60m of EBITDA will be achieved in the 2 nd year |
| FME | Future maintainable earnings |
| FY | Financial year |
| H | Historical |
| HY | Half year |
| IER | Independent Expert's Report |
| IFRS | International Financial Reporting Standards |
| Initial Guarantee | The Vendor guarantee that US\$60m of EBITDA will be achieved in the 1 st year |
| JV | Joint venture between Donaco and the Vietnamese Government for 30 years under investment License No. 2268/GP dated 19 July 2002 |
| km | kilometres |
| LIBOR | London Interbank Offered Rates |
| Lim Family | Mr Joey Lim Keong Yew, Mr Benjamin Lim Keong Hoe and their associates |
| m | millions |
| Management Agreement | The management agreement appointing the Vendors (or their nominees) as operators of Star Vegas per the Sale Agreement |
| Market Approach | The methodology which assesses the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis |
| Mega | Mega International Commercial Bank Co Ltd |
| Net Assets Approach | The methodology which assesses the amount that would be available for distribution to shareholders in an orderly realisation of assets |
| NTA | Net tangible assets |
| Operators | The Vendors (or their nominees) as appointed under the Management Agreement |
| PE Multiple | Price / equity multiple |
| Perpetual | Perpetual Ltd and their associates |
| Purchase Consideration | The consideration of US\$360m for the purchase of the Sale Shares in accordance with the Sale Agreement |
| Recent Offers Approach | The methodology which assesses any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets |
| Report | IER |
| RG 111 | Regulatory Guide 111 'Content of Expert Reports' issued by ASIC March 2011 |
| RG 112 | Regulatory Guide 111 'Independence of Experts' issued by ASIC March 2011 |

| Term | Meaning |
|--|---|
| RMB | Chinese Yuan Renminbi |
| Sale Agreement | The share sale agreement executed by Donaco and the Vendors as announced to the market on 30 January 2015 |
| Sales Shares | DNA Star shares |
| Shareholders | Donaco shareholders |
| Star Vegas or Star Vegas Resort & Club | The gaming and hospitality business of Star Vegas Resort & Club Co Ltd |
| THB | Thai Baht |
| TTV | Total transaction value |
| US\$ | United States dollars |
| USD | US dollar |
| Vendors | Mr Somboon Sukjaroenkraisri and Mr Lee Bug Tong |

Appendix B – Sources of Information

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Appendix C – Valuation Methodologies

| Method | Description | When method is used |
|-----------------------------|--|---|
| Discounted Cash Flow | <p>The Discounted Cash Flow (DCF) method derives the value of a business on a controlling basis based on the future cash flows of the business discounted back to a present value at an appropriate discount rate (cost of capital). The discount rate used will reflect the time value of money and the risks associated with the cash flows.</p> <p>The DCF method requires:</p> <ul style="list-style-type: none"> forecasting cash flows over a sufficiently long period (at least 5 years and usually 10 years) assessing an appropriate discount rate (typically derived using judgement and aids such as the Capital Asset Pricing Model (CAPM)), and estimation of the terminal value (value of the business into perpetuity) at the end of the period (typically derived using the capitalisation of earnings method). | <ul style="list-style-type: none"> Reasonably accurate forecast cash flows (minimum. 5 years). Earnings or cash flows expected to fluctuate from year to year. Business is in start-up or turn around phase. Specific projects that have a finite or infinite life, for example, mining projects. |
| Capitalisation of Earnings | <p>The Capitalisation of Earnings (CE) method is the most commonly used valuation method. It involves the application of a capitalisation multiple to an estimate of the Future Maintainable Earnings (FME) of the business. The FME must be maintainable by the business and must not include one-off gains or losses. The capitalisation multiple will reflect the risk, time value of money and future growth prospects of the business. The appropriate capitalisation multiple is determined with reference to the observed multiples of entities whose businesses are comparable to that of the business being considered and/or comparable transactions.</p> | <ul style="list-style-type: none"> The business has a history of profits with a reasonably consistent trend and that trend is expected to continue. The business has an indefinite life. Cash flow forecasts are not available. |
| Capitalisation of Dividends | <p>This method involves the capitalisation of forecast future maintainable dividends. The maintainable level of dividends is estimated by assessing the expected level of future maintainable earnings and the dividend policy of the entity. The appropriate capitalisation rate reflects the investor's required rate of return.</p> | <ul style="list-style-type: none"> Valuation is for a minority interest. Stable business. High payout ratios. |
| Yield Based | <p>This method is primarily used for property assets and involves capitalising forecast distributions by an estimated future maintainable yield. The yield or rate is determined based on analysis of comparable entities.</p> | <ul style="list-style-type: none"> Commercial or investment properties including retail, industrial and commercial. |
| Market Based | <p>This method values a company based on the traded prices of its equity on a public market/exchange. The approach can adopt the prevailing spot rate of the company's securities at valuation date or the Volume Weighted Average Price (VWAP) over a set trading period, e.g. the preceding 30, 60 or 90 trading days to the valuation date.</p> | <ul style="list-style-type: none"> Company's equity is listed on public market/ exchange e.g. ASX. Securities in the company are actively traded on the market/ exchange |
| Asset Based | <p>Asset based valuations involve separating the business into components that can be readily sold, such as individual business units or items of plant and equipment, and ascribing a value to each component based on the amount that could be obtained if sold.</p> <p>The asset value can be determined on the basis of:</p> <ul style="list-style-type: none"> orderly realisation liquidation going concern | <ul style="list-style-type: none"> The business has been incurring losses for a number of consecutive financial years. The specific assets being considered are surplus to the business operations of the business. |

Appendix D – Trading Multiples

| Comparable Trading Multiples - Casinos & Gaming | | | | | | | | | | | |
|---|-----------|--------------|---------------|-----------------|-------|-------|-------|-------------|-------|-------|-------|
| Company Name | FYE | EV (A\$m) | Price/ NTA | EBITDA Multiple | | | | PE Multiple | | | |
| | | | | FY | LTM | FY+1 | FY+2 | FY | LTM | FY+1 | FY+2 |
| INTERNATIONAL OPERATORS | | | | | | | | | | | |
| Las Vegas Sands Corporation | 31-Dec-14 | 67,427 | 6.3x | 10.9x | 10.3x | 11.0x | 10.2x | 17.5x | 15.8x | 17.4x | 15.9x |
| Wynn Resorts Ltd | 31-Dec-14 | 24,587 | 228.0x | 11.0x | 12.1x | 12.2x | 10.0x | 18.1x | 20.7x | 23.5x | 19.3x |
| MGM Resorts International | 31-Dec-14 | 31,131 | NM | 12.1x | 11.7x | 10.9x | 10.6x | 70.5x | 64.6x | 39.8x | 36.9x |
| | Median | 31,131 | 117.1x | 11.0x | 11.7x | 11.0x | 10.2x | 18.1x | 20.7x | 23.5x | 19.3x |
| | Mean | 41,048 | 117.1x | 11.3x | 11.3x | 11.4x | 10.3x | 35.4x | 33.7x | 26.9x | 24.0x |
| US OPERATORS | | | | | | | | | | | |
| Penn National Gaming Inc | 31-Dec-14 | 2,854 | NM | 8.8x | 8.7x | 7.5x | 6.7x | NM | NM | 33.7x | 21.3x |
| Pinnacle Entertainment Inc | 31-Dec-14 | 6,408 | NM | 9.7x | 9.5x | 8.9x | 8.7x | 41.9x | 41.8x | 18.0x | 14.5x |
| Boyd Gaming Corporation | 31-Dec-14 | 5,975 | NM | 8.4x | 8.4x | 8.3x | 8.6x | NM | NM | NM | 46.6x |
| | Median | 5,975 | NM | 8.8x | 8.7x | 8.3x | 8.6x | 41.9x | 41.8x | 25.9x | 21.3x |
| | Mean | 5,079 | NM | 9.0x | 8.8x | 8.2x | 8.0x | 41.9x | 41.8x | 25.9x | 27.4x |
| MACAU OPERATORS | | | | | | | | | | | |
| Wynn Macau Ltd | 31-Dec-13 | 19,312 | - | 22.3x | 13.5x | 16.4x | 12.7x | - | - | 21.7x | 17.9x |
| Sands China Ltd | 31-Dec-14 | 51,612 | 7.6x | 12.2x | 12.2x | 14.1x | 12.8x | 14.9x | 14.9x | 17.7x | 15.4x |
| SJM Holdings Ltd | 31-Dec-13 | 7,283 | 3.1x | 15.5x | 4.6x | 5.1x | 5.6x | 20.3x | 8.2x | 9.2x | 10.3x |
| Galaxy Entertainment Group Ltd | 31-Dec-13 | 27,300 | 5.2x | 12.7x | 12.1x | 12.1x | 11.7x | 16.4x | 15.7x | 15.9x | 15.9x |
| MGM China Holdings Ltd | 31-Dec-14 | 11,595 | 27.8x | 10.8x | 10.1x | 10.3x | 11.2x | 12.6x | 12.0x | 12.3x | 14.3x |
| Melco Crow n Entertainment Ltd | 31-Dec-14 | 21,274 | 4.6x | 13.9x | 13.8x | 13.9x | 12.7x | 19.1x | 18.9x | 19.9x | 20.7x |
| | Median | 20,293 | 4.9x | 13.3x | 12.2x | 13.0x | 12.2x | 15.6x | 13.4x | 16.8x | 15.7x |
| | Mean | 23,062 | 8.1x | 14.6x | 11.1x | 12.0x | 11.1x | 13.9x | 11.6x | 16.1x | 15.8x |

| Comparable Trading Multiples - Casinos & Gaming (cont'd) | | | | | | | | | | | |
|--|-----------|--------------|---------------|-----------------|-------|-------|-------|-------------|-------|-------|-------|
| Company Name | FYE | EV (A\$m) | Price/ NTA | EBITDA Multiple | | | | PE Multiple | | | |
| | | | | FY | LTM | FY+1 | FY+2 | FY | LTM | FY+1 | FY+2 |
| AUSTRALIAN OPERATORS | | | | | | | | | | | |
| Crow n Resorts Ltd | 30-Jun-14 | 12,556 | 3.3x | 12.4x | 10.0x | 14.8x | 14.1x | 22.2x | 15.6x | 16.7x | 16.3x |
| Echo Entertainment Group Ltd | 30-Jun-14 | 4,304 | 3.1x | 10.3x | 10.4x | 8.4x | 8.1x | 22.8x | 23.0x | 17.2x | 16.2x |
| Sky City Entertainment Group Ltd | 30-Jun-14 | 2,721 | 9.2x | 11.7x | 10.9x | 9.4x | 8.6x | 25.2x | 22.2x | 17.0x | 15.6x |
| | Median | 4,304 | 3.3x | 11.7x | 10.4x | 9.4x | 8.6x | 22.8x | 22.2x | 17.0x | 16.2x |
| | Mean | 6,527 | 5.2x | 11.5x | 10.4x | 10.9x | 10.3x | 23.4x | 20.3x | 17.0x | 16.0x |
| EMERGING MARKETS | | | | | | | | | | | |
| Donaco International Ltd | 30-Jun-14 | 342 | 2.1x | 50.6x | 35.1x | 15.9x | 4.6x | 41.6x | 37.7x | 23.0x | 9.4x |
| Kangwon Land Corporation | 31-Dec-13 | 6,287 | 2.5x | 11.0x | 10.6x | 9.3x | 8.6x | 20.3x | 19.6x | 17.6x | 16.0x |
| Paradise Co Ltd | 31-Dec-13 | 1,546 | 2.3x | 9.6x | 9.6x | 8.3x | 6.3x | 16.7x | 16.8x | 18.1x | 14.5x |
| Grand Korea Leisure Co Ltd | 31-Dec-13 | 2,166 | 5.7x | 11.4x | 11.8x | 11.5x | 9.7x | 14.9x | 20.4x | 20.3x | 16.8x |
| NagaCorp Ltd | 31-Dec-14 | 2,007 | 3.2x | 9.1x | 9.5x | 7.7x | 6.5x | 12.5x | 13.0x | 12.1x | 11.2x |
| | Median | 2,007 | 2.5x | 11.0x | 10.6x | 9.3x | 6.5x | 16.7x | 19.6x | 18.1x | 14.5x |
| | Mean | 2,469 | 3.1x | 18.3x | 15.3x | 10.5x | 7.1x | 21.2x | 21.5x | 18.2x | 13.6x |

Source: S&P Capital IQ, data as at 9 February 2015, forecast multiples based on latest consensus forecasts

Appendix E – Comparable Company Descriptions

| Trading Comparables | |
|--------------------------------|---|
| Company Name | Company description |
| Boyd Gaming Corporation | Boyd Gaming Corporation, together with its subsidiaries, operates as a multi-jurisdictional gaming company in the United States. The company operates in five segments: Las Vegas Locals, Downtown Las Vegas, Midwest and South, Peninsula, and Borgata. It owns and operates 21 gaming entertainment properties located in Nevada, Illinois, Indiana, Iowa, Kansas, Louisiana, Mississippi, and New Jersey. The company also owns and operates a travel agency in Hawaii; and the Borgata Hotel Casino and Spa in Atlantic City, New Jersey. As of December 31, 2013, it owned and operated 1,254,111 square feet of casino space comprising 31,400 slot machines, 769 table games, and 11,418 hotel rooms. Boyd Gaming Corporation was founded in 1988 and is headquartered in Las Vegas, Nevada. |
| Crown Resorts Ltd | Crown Resorts Ltd operates in the gaming and entertainment industry primarily in Australia. It operates in three segments: Crown Melbourne, Crown Perth, and Crown Aspinall's. The company owns and operates two integrated resorts, including Crown Melbourne in Melbourne and Crown Perth in Perth. Its Crown Melbourne comprises 2,500 electronic gaming machines; the Crown Towers Melbourne hotel with 481 guest rooms, Crown Metropolis Melbourne hotel with 658 guest rooms, and Crown Promenade Melbourne hotel with 465 guest rooms; a conference centre; banqueting facilities; restaurants and bars; designer boutiques and retail outlets; entertainment facilities, such as a multi-screen cinema complex, a bowling alley, and an interactive entertainment auditorium; and 2 day spas. The company's Crown Perth includes Crown Metropolis Perth hotel with 395 guest rooms; Crown Promenade Perth hotel comprising 291 guest rooms; a 2,300-seat Crown Theatre Perth; convention and event facilities; restaurants and bars; and a day spa. It also owns and operates the Crown Aspinall's, a high end casino in London. The company was formerly known as Crown Ltd and changed its name to Crown Resorts Ltd in October 2013. Crown Resorts Ltd is based in Southbank, Australia. |
| Donaco International Ltd | Donaco International Ltd operates in the leisure and entertainment businesses in the Asia Pacific region. It provides hotel accommodation, gaming, and leisure facilities. The company primarily owns the Aristo International Hotel, a five star hotel with 428 rooms and 40 gaming tables, in northern Vietnam, on the border with China. Donaco International Ltd was founded in 2002 and is based in Pyrmont, Australia. |
| Echo Entertainment Group Ltd | Echo Entertainment Group Ltd provides leisure and entertainment services in Australia. The company operates through three segments: The Star, Jupiters, and Treasury. It offers services related to the casino gambling, entertainment, and hospitality. The company operates The Star casino in Sydney, which include hotels, apartment complex, night club, restaurants, and bars; and the Gold Coast and Townsville casinos in Brisbane that consist of hotels, restaurants, bars, and theatres, as well as manages convention, exhibition, and entertainment centres. Echo Entertainment Group Ltd was incorporated in 2011 and is based in Brisbane, Australia. |
| Galaxy Entertainment Group Ltd | Galaxy Entertainment Group Ltd, an investment holding company, develops and operates hotels, gaming, and integrated entertainment facilities in the Macau SAR. The company conducts its operations through Gaming and Entertainment and Construction Materials segments. It operates casino games of chance or games of other forms; and provides hospitality and related services. The company owns and operates the StarWorld Hotel and Casino, a luxury five-star property with approximately 500 guestrooms and suites on the Macau peninsula; Galaxy Macau resort destination in Cotai; and 4 City Club casinos in Macau. It is also involved in the manufacture, |

| Trading Comparables | |
|-------------------------------|--|
| Company Name | Company description |
| | distribution, and sale of construction materials, such as concrete pipes and piles, asphalt, ready mixed concrete, concrete products, aggregates, and slag in Hong Kong, Macau, and Mainland China. In addition, the company is engaged in quarrying, equipment leasing, property investment and holding, aircraft holding and operating, financing, and trading activities, as well as in the provision of project management, hotel management, security, and quality assurance services. Galaxy Entertainment Group Ltd is based in Central, Hong Kong. |
| Grand Korea Leisure Co Ltd | Grand Korea Leisure Co Ltd operates casinos in South Korea. It operates the Seven Luck casino, a foreigners-exclusive casino. The company was founded in 2005 and is headquartered in Seoul, South Korea. Grand Korea Leisure Co Ltd. is a subsidiary of Korea Tourism Organization. |
| Kangwon Land Corporation | Kangwon Land Corporation is engaged in the casino and leisure businesses in South Korea. The company operates casinos consisting of 132 table game machines, and 960 slot and video game machines; hotels and condominiums; ski slopes; and golf courses. It also operates Kangwon Land Addiction Care Center that provides information and therapy programs for those with gambling addiction problems. The company offers its services under the KangwonLand Convention Hotel, Kangwon Land Casino, Kangwon Land Hotel, High1 Ski, High1 C.C, High1 Hotel, Valley Condominium, and Mountain Condominium brand names. Kangwon Land Corporation was founded in 1998 and is based in Sabuk, South Korea. |
| Las Vegas Sands Corporation | Las Vegas Sands Corporation develops, owns, and operates integrated resorts in Asia and the United States. The company owns and operates The Venetian Macao Resort Hotel, Sands Cotai Central, the Four Seasons Hotel Macao, the Plaza Casino, and the Sands Macao in Macau, the People's Republic of China. It also owns and operates the Marina Bay Sands in Singapore; The Venetian Resort Hotel Casino, The Palazzo Resort Hotel Casino, and Five-Diamond luxury resorts on the Las Vegas Strip; the Sands Expo and Convention Centre in Las Vegas, Nevada; and the Sands Casino Resort Bethlehem in Bethlehem, Pennsylvania. The company's integrated resorts comprise accommodations, gaming, entertainment and retail facilities, convention and exhibition facilities, celebrity chef restaurants, and other amenities. Las Vegas Sands Corporation was founded in 1988 and is based in Las Vegas, Nevada. |
| Melco Crown Entertainment Ltd | Melco Crown Entertainment Ltd, through its subsidiaries, develops, owns, and operates casino gaming and entertainment resort facilities in Asia. It owns and operates City of Dreams, an integrated casino resort that has 480 gaming tables and 1,400 gaming machines; approximately 1,400 hotel rooms and suites; a wet stage performance theatre with approximately 2,000 seats; approximately 20 restaurants and bars, and 70 retail outlets; and recreation and leisure facilities, including health and fitness clubs, swimming pools, spa and salons, and banquet and meeting facilities. The company also operates Altira Macau, a casino hotel, which has approximately 140 gaming tables; 230 hotel rooms; and various non-gaming entertainment venues comprising spa, gymnasium, outdoor garden podium, and sky terrace lounge. In addition, it owns and operates Mocha Clubs that provide non-casino based operations of 1,369 gaming machines, as well as Taipa Square casino in Taipa Island, Macau. Further, the company is developing the Studio City Project, a cinematically-themed integrated entertainment, retail, and gaming resort. The company was formerly known as Melco PBL Entertainment (Macau) Ltd and changed its name to Melco Crown Entertainment Ltd in May 2008. Melco Crown Entertainment Ltd was incorporated in 2004 and is headquartered in Central, Hong Kong. |
| MGM China Holdings Ltd | MGM China Holdings Ltd, an investment holding company, is engaged in the development and operation of casino games of chance and other casino games, and related hotel and resort facilities in Macau. It owns and operates the MGM Macau, a 5-star integrated casino and luxury hotel resort located on the Macau Peninsula. The casino has a floor area of approximately 25,677 square meters, with approximately 1,368 slot machines, 427 gaming tables, and multiple VIP and private gaming areas; hotel comprises a 35-story tower with 582 deluxe rooms, including 468 standard guest rooms, 99 luxury suites, and 15 private luxury villas; and resort consists of |

| Trading Comparables | |
|----------------------------|--|
| Company Name | Company description |
| | amenities, such as 8 restaurants and bars, pool and spa facilities, and approximately 1,600 square meters of convertible convention space. The company also holds six gaming concessions or sub concessions to run casino or gaming area in Macau. The company is headquartered in Nape, Macau. MGM China Holdings Ltd is a subsidiary of MGM Resorts International Holdings Ltd. |
| MGM Resorts International | MGM Resorts International, through its wholly owned subsidiaries, owns and/or operates casino resorts. The company operates in two segments, Wholly Owned Domestic Resorts and MGM China. Its casino resorts offer gaming, hotel, convention, dining, entertainment, retail, and other resort amenities. The company operates 15 wholly owned resorts in the United States; and the MGM Macau resort and casino in China, as well as develops a gaming resort in Cotai, Macau. It also owns Shadow Creek golf course, Primm Valley Golf Club, and Fallen Oak golf course. The company was formerly known as MGM MIRAGE and changed its name to MGM Resorts International in June 2010. MGM Resorts International was founded in 1986 and is based in Las Vegas, Nevada. |
| NagaCorp Ltd. | NagaCorp Ltd, an investment holding company, owns, manages, and operates an integrated gaming and entertainment hotel complex in the Kingdom of Cambodia. It operates through two segments, Casino Operations, and Hotel and Entertainment Operations. The company operates NagaWorld, a hotel and casino complex that consists of a 700-room hotel, 19 food and beverage outlets, a nightclub, a karaoke lounge, and a spa, as well as 25,000 square meters of meeting and ballroom space, a 6,500 square-meter ballroom, a 60-seat auditorium, an exhibition space, and 5 luxury boutiques. As of 31 December, 2013, it had 172 gaming tables and 1,543 electronic gaming machines. The company also provides management consulting and tourism services. NagaCorp Ltd. was founded in 1995 and is based in Phnom Penh, the Kingdom of Cambodia. |
| Paradise Co Ltd | Paradise Co., Ltd. engages in casino, hotel, travel and leisure, and construction businesses in South Korea. The company operates as a travel agency, which provides various travel products and services, including ticketing and travel packages for inbound and outbound trips for local and foreign travelers; and services for business customers. It also provides spa services; and construction and construction management information system services in various areas, including civil engineering, building construction, housing, and leisure facilities. Paradise Co., Ltd. is headquartered in Seoul, South Korea. |
| Penn National Gaming Inc | Penn National Gaming Inc, together with its subsidiaries, owns and manages gaming and pari-mutuel properties in the United States and Canada. The company is involved in gaming on slot machines and table games. It operates through three segments: Midwest, East/West, and Southern Plains. As of July 8, 2014, it operated 27 facilities with 31,100 gaming machines, 800 table games, and 2,900 hotel rooms in 18 jurisdictions, including Florida, Illinois, Indiana, Iowa, Kansas, Maine, Massachusetts, Maryland, Mississippi, Missouri, Nevada, New Jersey, New Mexico, Ohio, Pennsylvania, Texas, West Virginia, and Ontario. The company was formerly known as PNRC Corp. and changed its name to Penn National Gaming, Inc. in 1994. Penn National Gaming, Inc. was founded in 1972 and is based in Wyomissing, Pennsylvania. |
| Pinnacle Entertainment Inc | Pinnacle Entertainment Inc owns, develops, and operates casinos, and related hospitality and entertainment facilities in the United States. Its Midwest segment operates Ameristar Council Bluffs, Ameristar East Chicago, Ameristar Kansas City, Ameristar St. Charles, Belterra Casino Resort, Belterra Park, and River City properties. The company's South segment consists of Ameristar Vicksburg, Boomtown Bossier City, Boomtown New Orleans, L'Auberge Baton Rouge, and L'Auberge Lake Charles property. Its West segment comprises Ameristar Black Hawk, Cactus Petes, and the Horseshu properties. Pinnacle Entertainment owns 14 gaming properties in Colorado, Indiana, Iowa, Louisiana, Mississippi, Missouri, and Nevada; and a racetrack in Ohio and manages Retama Park Racetrack in San Antonio and Texas, as well as owns and operates a live and televised poker tournament series under the Heartland Poker Tour trade name. The |

| Trading Comparables | |
|----------------------------------|---|
| Company Name | Company description |
| | company was formerly known as Hollywood Park, Inc. and changed its name to Pinnacle Entertainment, Inc. in February 2000. Pinnacle Entertainment Inc was founded in 1938 and is based in Las Vegas, Nevada. |
| Sands China Ltd | Sands China Ltd, an investment holding company, operates as a developer, owner, and operator of resorts and casinos in Macao. It owns the Venetian Macao resort hotel, the Sands Macao casino, the Plaza Macao resort, and the Sands Cotai Central resort; the Cotai Expo, a convention and exhibition hall; the Cotai Arena, an entertainment venue, as well as luxury and mid-market retail malls with approximately 600 shops. As of December 31, 2013, it had 9,277 hotel rooms and suites; 19 Paiza Mansions; 1,535 table games; 4,553 slot machines; and 120 various restaurants and food outlets, as well as other integrated resort amenities. The company also provides ferry transportation and leasing services; travel and tourism agency services; financing; mall management; human resources administration; and security services. In addition, it offers outsourcing services comprising information technology, accounting, and hotel reservation, as well as procurement, marketing, and administrative services. The company was incorporated in 2009 and is headquartered in Taipa, Macau. Sands China Ltd. is a subsidiary of Venetian Venture Development Intermediate II. |
| SJM Holdings Ltd | SJM Holdings Ltd, an investment holding company, develops and operates casinos and related facilities in Macau Special Administrative Region, the People's Republic of China. The company operates in two segments, Gaming Operations, and Hotel and Catering Operations. The Gaming Operations segment operates VIP gaming, mass market table gaming, slot machine, and other gaming operations. As of December 31, 2013, it operated 17 casinos, including approximately 1,750 gaming tables and 2,800 slot machines. The Hotel and Catering Operations segment is involved in the operation of hotel; and the provision of catering and related services. The company also offers aircraft leasing, human resources and project management, food and beverage, management, and marketing and promotion services. In addition, it is engaged in property holding activities. The company is based in Central, Hong Kong. SJM Holdings Ltd operates as a subsidiary of Sociedade de Turismo e Diversões de Macau S.A. |
| Sky City Entertainment Group Ltd | Sky City Entertainment Group Ltd, together with its subsidiaries, operates in the gaming/entertainment, hotel and convention, hospitality, recreation, and tourism sectors in New Zealand and Australia. It operates casinos, restaurants and bars, hotels, and convention canterers, as well as provides food and beverage, car parking, and property rental services. The company is based in Auckland, New Zealand. |
| Wynn Macau Ltd | Wynn Macau Ltd, through its subsidiaries, owns and operates the Wynn Macau resort in Macau. The company's resort features approximately 1,008 guest rooms and suites; 493 table games; 866 slot machines; a poker pit in approximately 280,000 square feet of casino gaming space; casual and fine dining in 8 restaurants; 2 spas and a salon; lounges; and meeting facilities. Its resort also includes approximately 57,000 square feet of retail space featuring boutiques from Bvlgari, Cartier, Chanel, Dior, Dunhill, Ermenegildo Zegna, Ferrari, Giorgio Armani, Graff, Gucci, Hermes, Hugo Boss, Jaeger-LeCoultre, Loro Piana, Louis Vuitton, Miu Miu, Piaget, Prada, Roger Dubuis, Rolex, Tiffany, Tudor, Vacheron Constantin, Van Cleef & Arpels, Versace, Vertu, and others, as well as a show in the rotunda. The company is headquartered in Macau. Wynn Macau Ltd is a subsidiary of Wynn Group Asia Inc. |
| Wynn Resorts Ltd | Wynn Resorts Ltd, together with its subsidiaries, develops, owns, and operates destination casino resorts. It operates in two segments, Macau Operations and Las Vegas Operations. The company operates Wynn Macau and Encore at Wynn Macau resort located in the People's Republic of China. Its Macau resorts feature two luxury hotel towers with a total of 1,008 rooms and suites; 493 table games; 866 slot machines; a poker pit in approximately 280,000 square feet of casino gaming space; 8 restaurants; 2 spas and 1 salon; lounges; meeting facilities; 2 health clubs and spas; and approximately 57,000 square feet of retail space featuring boutiques, as well as a show |

| Trading Comparables | |
|---------------------|--|
| Company Name | Company description |
| | <p>in the rotunda. The company also owns and operates Wynn Las Vegas and Encore at Wynn Las Vegas resort with a total of 4,748 hotel rooms, suites, and villas; 230 table games; 1,854 slot machines; a race and sports book and poker room in approximately 186,000 square feet of casino gaming space, including a sky casino and private gaming salons; 34 food and beverage outlets; 2 spas and salons; lounges; and approximately 96,000 square feet of retail space featuring various boutiques. Its Las Vegas resorts also offer 3 nightclubs; a beach club; a Ferrari and Maserati automobile dealership; wedding chapels; an 18-hole golf course; approximately 283,000 square feet of meeting space; a theatre; and an Encore theatre presenting various headliner entertainment acts, as well as provides 2 showrooms and a beach club. Wynn Resorts Ltd was founded in 2002 and is based in Las Vegas, Nevada.</p> |

Source: S&P Capital IQ

| Transaction Comparables | |
|-----------------------------------|--|
| Company Name | Company description |
| Ameristar Casinos Inc | Ameristar Casinos Inc develops, owns, and operates casinos and related facilities in the United States. It primarily offers slot play, as well as a range of table games, including blackjack, craps, roulette, and poker; and hotel, and food and beverage outlets. The company's signature dining concepts include steakhouses, buffets, and casual dining restaurants with sports bars. It operates a portfolio of eight casinos in seven markets, including Ameristar Casino Resort Spa St. Charles serving the St. Louis, Missouri metropolitan area; Ameristar Casino Hotel Kansas City serving the Kansas City metropolitan area; Ameristar Casino Hotel Council Bluffs serving Omaha, Nebraska, and southwestern Iowa; Ameristar Casino Resort Spa Black Hawk serving the Denver metropolitan area; Ameristar Casino Hotel Vicksburg serving Jackson, Mississippi, and Monroe, Louisiana; Ameristar Casino Hotel East Chicago serving the Chicagoland area; and Cactus Petes Resort Casino, and The Horseshu Hotel and Casino in Jackpot, Nevada. Ameristar Casinos, Inc. was founded in 1954 and is based in Las Vegas, Nevada. As of August 14, 2013, Ameristar Casinos Inc. operates as a subsidiary of Pinnacle Entertainment Inc. |
| Harrah's Maryland Heights LLC | Harrah's Maryland Heights, LLC owns and operates a casino under the name Hollywood Casino St. Louis. The company was incorporated in 1995 and is based in Maryland Heights, Missouri. As of November 2, 2012, Harrah's Maryland Heights LLC operates as a subsidiary of Penn National Gaming Inc. |
| Magnolia Hill LLC | Magnolia Hill LLC, through its subsidiary, operates a casino and a hotel. Its facilities and services include slots and table games on its casino floor, a golf course, rooms, guest services, eateries, catering services, facilities for wedding and banquet, event planning assistance, gift cards, and buffet services. The company was incorporated in 2005 and is based in Vicksburg, Mississippi. As of October 23, 2012, Magnolia Hill LLC operates as a subsidiary of Churchill Downs Inc. |
| PA Meadows LLC | PA Meadows LLC owns and operates racing tracks and casinos in Las Vegas. The company was incorporated in 2005 and is based in Las Vegas, Nevada. PA Meadows LLC operates as a subsidiary of PA Mezzco LLC. |
| Peninsula Gaming LLC | Peninsula Gaming, LLC operates as a casino entertainment holding company with gaming operations in Iowa, Louisiana, and Kansas. The company, through its subsidiaries, engages in the ownership and operation of casinos and off-track betting parlours. It owns and operates the Diamond Jo casino in Dubuque, Iowa; the Evangeline Downs Racetrack and Casino in St. Landry Parish, Louisiana; four off-track betting parlours in Port Allen, Henderson, Eunice, and St. Martinville, Louisiana; the Diamond Jo casino in Worth County, Iowa; the Amelia Belle Casino in Amelia, Louisiana; and the Kansas Star Casino, Hotel and Event Center in Mulvane, Kansas. Peninsula Gaming LLC also offers various amenities, including food and beverage outlets and entertainment venues. The company was founded in 1999 and is headquartered in Dubuque, Iowa. As of November 20, 2012, Peninsula Gaming LLC operates as a subsidiary of Boyd Gaming Corporation. |
| Queenco Leisure International Ltd | Queenco Leisure International Ltd develops, owns, and operates entertainment centres and casinos primarily in Greece, Romania, Serbia, and the Czech Republic. It owns and operates two casinos in Greece, including Casino Loutraki located in Loutraki, and Casino Rodos located on the island of Rhodes; a casino under the name of Casino Palace in Bucharest, Romania; a casino under the Casino Beograd name in Belgrade, Serbia; an entertainment centre under the SaSaZu name in Prague, the Czech Republic; and a hotel and casino project in Sihanoukville, Cambodia. The company operates approximately 1,618 slot machines and 170 gaming tables. It also operates hotels and restaurants at its casino locations. The company was incorporated in 2002 and is based in Ramat Gan, Israel. As of November 26, 2014, Queenco Leisure International Ltd operates as a subsidiary of I.Z. Queenco Ltd. |

Source: S&P Capital IQ

Appendix F – Exchange Rates

The following foreign exchange rate assumptions were adopted in this report:

| Exchange Rate | Date / Period | Source |
|-----------------|----------------------------------|---------------|
| USD/1.28660 AUD | 30 January 2015 | www.oanda.com |
| AUD/0.77704 USD | 30 January 2015 | www.oanda.com |
| USD/1.0939 AUD | 12-month average to 30 June 2014 | www.oanda.com |
| THB/0.03903 AUD | 30 January 2015 | www.oanda.com |
| RMB/0.20726 AUD | 30 January 2015 | www.oanda.com |

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Disclaimer

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Appendix 1 – Notice of Meeting

Donaco International Limited
(ACN 007 424 777)

Notice of Meeting for the General Meeting of Shareholders

To be held at 3.00pm (Sydney time) on 27 March 2015 at the QT Screening Room, 49 Market Street, Sydney NSW 2000 with registration commencing at 2.30pm

IMPORTANT INFORMATION

This is an important document that should be read in its entirety.

This Notice of Meeting is an appendix to an Explanatory Memorandum. An Independent Expert's Report is also an appendix to the Explanatory Memorandum. The Explanatory Memorandum and its appendices have been prepared to assist Shareholders in determining whether or not to vote in favour of the Resolutions set out in this Notice of Meeting.

The Explanatory Memorandum and its appendices should be read in conjunction with this Notice of Meeting.

You are encouraged to attend the meeting, but if you cannot, you are requested to complete and return the enclosed Proxy Form without delay and ensure it is received by the Company's Registry by no later than 3.00pm (Sydney time) on 25 March 2015. Refer Section 7 for methods for lodging the completed Proxy Form.

1. Items of Business

The business of the meeting is to consider the following proposed resolutions.

Resolution 1 – Issues of the Consideration Shares

To consider, and if thought fit pass the following resolution as an **ordinary resolution**:

“That for the purposes of ASX Listing Rule 7.1 and for all other purposes the issue of 147,199,529 Shares to the Vendors is approved.”

Resolution 2 – Appointment of Director

To consider, and if thought fit pass the following resolution as an **ordinary resolution**:

“That Ham Techatut Sukjaroenkraisri be appointed a director of the Company with effect from the close of the meeting.”

Resolution 3 – Appointment of Director

To consider, and if thought fit pass the following resolution as an **ordinary resolution**:

“That Paul Porntat Amatavivadhana be appointed a director of the Company with effect from the close of the meeting.”

2. Entitlement to vote

The Directors have decided that for the purpose of determining entitlements to attend and vote at the General Meeting, Shares will be taken to be held by the persons who are the registered holders at 7:00pm (Sydney time) on 25 March 2015. Accordingly, Share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

Voting restrictions and exclusions in respect of the Resolutions are set out below for each resolution.

3. Voting Restrictions

The following voting exclusions apply pursuant to the Act and the Listing Rules.

The Company will disregard any votes cast on Resolution 1 by the Vendors and their associates.

However, the Company need not disregard any of the above mentioned votes if the vote is cast by a person as proxy for a person entitled to vote, in accordance with the directions on the Proxy Form; or is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

4. Important Notes on the Resolutions

Shareholders should carefully consider the enclosed Independent Expert's Report prepared by the Independent Expert for the purposes of considering the Resolution. The Independent Expert concludes that the Star Vegas Acquisition and the proposed issue of the Consideration Shares is fair and reasonable to the Shareholders of the Company.

The Board recommends unanimously that all Shareholders vote in favour of the Resolutions, on the basis set out in the enclosed Explanatory Memorandum.

5. How to vote

Shareholders entitled to vote at the General Meeting may vote:

- by attending the meeting and voting in person; or
- by appointing an attorney to attend the meeting and vote on their behalf or, in the case of corporate members or proxies, a corporate representative to attend the meeting and vote on its behalf; or

- by appointing a proxy to attend and vote on their behalf, using the Proxy Form accompanying this Notice. A proxy may be an individual or a body corporate.

6. Voting in person (or by attorney)

Shareholders or their proxies, attorneys or representatives (including representatives of corporate proxies) wishing to vote in person should attend the General Meeting and bring a form of personal identification (such as their driver's licence).

To vote by attorney at this meeting, the original or a certified copy of the power of attorney or other authority (if any) under which the instrument is signed must be received by the Registry before 3:00pm (Sydney time) on 25 March 2015 to the Company.

To vote in person, you or your proxy, attorney, representative or corporate proxy representative must attend the General Meeting to be held at the QT Screening Room, 49 Market Street, Sydney NSW 2000 on 27 March 2015 commencing at 3.00pm (Sydney time).

- A vote cast in accordance with the appointment of a proxy or power of attorney is valid even if before the vote was cast the appointor:
 - died;
 - became mentally incapacitated;
 - revoked the proxy or power; or
 - transferred the Shares in respect of which the vote was cast,
 unless the Company received written notification of the death, mental incapacity, revocation or transfer before the meeting or adjourned meeting.

Voting by proxy

- Shareholders wishing to vote by proxy at this meeting must:
 - complete and sign or validly authenticate the Proxy Form, which is enclosed with this Booklet; and
 - deliver the signed and completed Proxy Form to the Company by 3.00pm (Sydney time) on 25 March 2015 in accordance with the instructions below.
- A person appointed as a proxy may be an individual or a body corporate.

7. Submitting proxy votes

Shareholders wishing to submit proxy votes for the General Meeting must return the enclosed Proxy Form to the Company's share registry, Boardroom Pty Limited, in any of the following ways:

by post at:

GPO Box 3993, Sydney NSW 2001

or by hand deliver:

Share Registry – Boardroom Pty Ltd, Level 7, 207 Kent Street, Sydney NSW 2000

or by facsimile to:

+61 2 9290 9655

8. Notes

Proxies

1. A Shareholder entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote at the meeting on that Shareholder's behalf.

2. A proxy need not be a Shareholder.
3. A proxy may be an individual or a body corporate. A proxy that is a body corporate may appoint a representative to exercise the powers that the body corporate may exercise as the Shareholder's proxy.
4. If a Shareholder appoints two proxies and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, each proxy may exercise half the votes.
5. An appointment of a proxy may specify the way the proxy is to vote on a particular resolution. If it does:
 - The proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way; and
 - If the proxy has 2 or more appointments that specify different ways to vote on the resolution the proxy must not vote on a show of hands.
6. A proxy may vote or abstain as he or she chooses except where the appointment of the proxy directs the way the proxy is to vote on a particular resolution. If an appointment directs the way the proxy is to vote on a particular resolution:
 - if the proxy is the chair - the proxy must vote on a poll and must vote in the way directed; and
 - if the proxy is not the chair - the proxy need not vote on a poll, but if the proxy does so, the proxy must vote in the way directed.
7. If a proxy appointment is signed or validly authenticated by the Shareholder but does not name the proxy or proxies in whose favour it is given, the Chairman may either act as proxy or complete the proxy appointment by inserting the name or names of one of more Directors or the Company Secretary.
If:
 - a Shareholder nominates the Chairman of the meeting as the Shareholder's proxy; or
 - the Chairman is to act as proxy if a proxy appointment is signed by a Shareholder but does not name the proxies in whose favour it is given or otherwise under a default appointment according to the terms of the Proxy Form,
 then the person acting as Chairman in respect of an item of business at the meeting must act as proxy under the appointment in respect of that item of business.
8. Proxy appointments in favour of the Chairman of the meeting, the Company Secretary or any Director which do not contain a direction will be voted in support of the Resolutions (in the absence of a superior proposal prior to the date of the meeting).
9. Once a Shareholder has completed their proxy vote, they may post it back to the Company by using the enclosed Reply Paid envelope.

Corporate representatives

1. To vote in person at the General Meeting, a Shareholder or proxy which is a body corporate may appoint an individual to act as its representative.
2. To vote by corporate representative at the meeting, a corporate Shareholder or proxy should obtain an Appointment of Corporate Representative Form from the Registry, complete and sign the form in accordance with the instructions on it. The appointment should be lodged with the Registry prior to the meeting or at the registration desk on the day of the meeting.
3. The appointment of a representative may set out restrictions on the representative's powers.

4. The original form of appointment of a representative, a certified copy of the appointment, or a certificate of the body corporate evidencing the appointment of a representative is prima facie evidence of a representative having been appointed.
5. The Chairman of the meeting may permit a person claiming to be a representative to exercise the body's powers even if he or she has not produced a certificate or other satisfactory evidence of his or her appointment.

By order of the Board

A handwritten signature in dark ink, appearing to read 'Ben Reichel', with a stylized flourish at the end.

Ben Reichel
Company Secretary
Donaco International Limited



All Correspondence to:

✉ **By Mail** Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia

Level 7, 207 Kent Street,
Sydney NSW 2000 Australia

📠 **By Fax:** +61 2 9290 9655

💻 **Online:** www.boardroomlimited.com.au

☎ **By Phone:** (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 3:00pm (Sydney time) on Wednesday 25 March 2015.**

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- (a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

STEP 3 SIGN THE FORM

The form **must** be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all the securityholders should sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **3:00pm (Sydney time) on Wednesday 25 March 2015**. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

📠 **By Fax** + 61 2 9290 9655

✉ **By Mail** Boardroom Pty Limited
GPO Box 3993,
Sydney NSW 2001 Australia

👤 **In Person** Level 7, 207 Kent Street,
Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

Donaco International Limited

ACN 007 424 777

☐

Your Address

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of **Donaco International Limited** (Company) and entitled to attend and vote hereby appoint:

☐

the **Chair of the Meeting** (mark box)

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the General Meeting of the Company to be held at the **QT Screening Room, 49 Market Street, Sydney, NSW, 2000 on Friday, 27 March, 2015 at 3:00pm (Sydney Time)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

The Chair of the Meeting intends to vote undirected proxies in favour of each of the items of business.

STEP 2 VOTING DIRECTIONS

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

| | | For | Against | Abstain* |
|--------------|--|--------------------------|--------------------------|--------------------------|
| Resolution 1 | Issue of the Consideration Shares | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 2 | Appointment of Director- Ham Techatut Sukjaroenkraisri | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 3 | Appointment of Director- Paul Porntat Amatavivadhana | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

STEP 3 SIGNATURE OF SHAREHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2015