

22 August 2019

## Decision in Cambodian Lease Arbitration

Donaco International Limited (“Donaco”) announces that the arbitrator has issued an award in the Cambodian arbitration proceedings relating to the lease of the Star Vegas business.

### Factual Background

In summary, the facts of this matter are as follows.

1. In late 2017, Donaco sent a number of letters of demand to the Thai vendors of the Star Vegas business, relating to breaches of non-competition and related clauses. Donaco formally commenced arbitration proceedings in Singapore against the vendors in January 2018.
2. As part of the original purchase arrangements for the Star Vegas business, Donaco (via its Cambodian subsidiary, DNA Star Vegas Co., Ltd (“DNA Star Vegas”)) entered into a perpetual lease agreement with Lee Hoe Property Co., Ltd (“Lee Hoe Property”) in June 2015. Lee Hoe Property is a Cambodian company wholly-owned by the three Thai defendants in the Singapore arbitration proceedings.
3. The lease provides for a 50 year term, with an option for a 50 year extension. It is registered with the Cambodian authorities as a perpetual lease, and pledged to Mega Bank as part of the Company’s loan security.
4. The lease provides that the lessor (Lee Hoe Property) must provide a bank account for the payment of rents. This has never been done. Instead, from July 2015 to November 2017, Lee Hoe Property sent representatives to the premises of DNA Star Vegas to collect the rent in cash.
5. In December 2017, Lee Hoe Property stopped collecting the rent in cash. Accordingly there was no way for DNA Star Vegas to physically pay the rent. No bank account was ever provided, and representatives of Donaco were banned from accessing the offices of Lee Hoe Property, which were located within the competing Star Paradise / Winsor casino.
6. Despite this, the payment of rent continued to be approved by DNA Star Vegas every month. Payment vouchers were prepared, and cash was set aside each month for collection by Lee Hoe Property.
7. Lee Hoe Property never sent any reminder letter, letter of demand, or any notice at all relating to the rent. Instead, Lee Hoe Property simply waited for five months, and then sent a notice of termination, and demanded that DNA Star Vegas vacate the premises.
8. DNA Star Vegas sought and obtained a preliminary injunction from the Banteay Meanchey Court of First Instance, prohibiting the termination of the lease, and providing for DNA Star Vegas to pay the rent into the Court. This has been done ever since, but Lee Hoe Property has not collected the rent.

### Arbitration Decision

The arbitrator has ruled that Lee Hoe Property was entitled to terminate the lease in these circumstances. However, the arbitrator has also ruled that Mega Bank's registered security over the lease is not discharged by this decision. The arbitrator has also rejected claims by both parties for damages and legal costs.

### Next Steps

The arbitration award cannot be enforced until it is registered and enforced by a court with competent jurisdiction.

Donaco has already filed an appeal to the Appeal Court in Phnom Penh against certain procedural aspects of the arbitration process. Donaco will now file a further appeal against the decision itself.

Donaco notes that Article 250 of the Cambodian Civil Code provides that a registered perpetual lease can only be terminated if the rent is unpaid for three years. In Donaco's view, this provision of the Code is designed to promote security of land tenure, and to encourage investment into the Kingdom of Cambodia. However, the arbitrator has ruled that this provision of the legislation can be overridden by a private agreement between the parties. This will form one of the grounds of appeal.

Donaco also notes that if the lease is ever effectively terminated, the lease provides that all buildings, fixtures and other property on the land are owned by Donaco, and the lessor must pay compensation for those buildings and other property upon the termination of the lease. The current carrying value of the buildings and other fixtures on the land is USD33 million.

While the appeal process is pending, it is **business as usual** for Donaco, and specifically for the Star Vegas business.

### For further information:

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#### ABOUT DONACO INTERNATIONAL LIMITED (ASX: DNA)

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

Our major business is the Star Vegas Resort and Club, a successful casino and hotel complex in Poipet, Cambodia, on the border with Thailand. Star Vegas was established in 1999, and is the largest and highest quality of the Poipet casino hotels. The property has more than 100 gaming tables, more than 1400 slot machines, and 385 hotel rooms.

Our flagship business is the Aristo International Hotel, a successful boutique casino in northern Vietnam, located on the border with Yunnan Province, China. Established in 2002, the property has recently been expanded to a brand new five star resort complex with 400 hotel rooms. Donaco is a pioneer casino operator in Vietnam, and owns a 95% interest in the business, in a joint venture with the Government of Vietnam.

To learn more about Donaco visit [www.donacointernational.com](http://www.donacointernational.com)

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