



donaco
I N T E R N A T I O N A L

Investor Presentation

Mr Joey Lim
Managing Director
May 2013

Executive summary

- Donaco has a 75% stake in Lao Cai International Hotel joint venture which owns and operates a boutique Hotel & Casino in Vietnam (remaining 25% stake held by Sapa Petrol Tourism JSC of Vietnam)
- Founded by the late Tan Sri Lim Goh Tong in 2002, who was also the founder of the Genting Group of Companies
- Equity interests passed to Lim Keong Yew (Joey Lim) and Lim Keong Hoe (Benjamin Lim), majority shareholders of Donaco
- Lao Cai International Hotel currently has 34 rooms, 8 gaming tables and approval to operate up to 300 electronic gaming machines, including 150 slot machines and 150 video gaming machines
- New hotel with 428 rooms and expanded casino business currently under construction; scheduled to be operational in early 2014
- Confident of obtaining approval to operate at least 16 tables upon opening of new hotel
- Predominant exposure to Chinese “high rollers” who have been sourced by junket operators
- Lao Cai province is bordered by the Chinese province of Yunnan which has a population of ~46m people

Corporate overview

Capital structure

ASX code	DNA
Ordinary shares on issue	319.6m
Options on issue	7.9m
Current share price (6 May 2013)	A\$0.37
Current market capitalisation	A\$118.2m
Cash	A\$21.0m
Undrawn debt facility	A\$9.0m

Board of Directors

Stuart James McGregor	Chairman
Joey Lim Keong Yew	Managing Director & CEO
Benjamin Lim Keong Hoe	Non-Executive Director
Gerald Nicholas Eng Hoe Tan	Non-Executive Director
Mak, Siew Wei	Non-Executive Director
Benedict Paul Reichel	Non-Executive Director



Major Shareholders (as at 9 May 2013)

Convent Fine Limited	32.6%
Slim Twinkle Limited	30.9%
Lim Keong Yew	12.9%
Total (Lim controlled)	76.4%

Board of Directors

Name	Position	Summary biography
Stuart McGregor <i>B.Com, LLB, MBA</i>	Chairman	<ul style="list-style-type: none"> ▪ 30 years experience across a wide range of businesses in Australia, New Zealand and the Asian region ▪ Previously Company Secretary of Carlton and United Breweries Ltd, MD of Cascade Brewery Ltd and MD of San Miguel Brewery Hong Kong Ltd ▪ Chairman of Symbion Pty Ltd, C B Norwood Pty Ltd, and Powerlift Australia Pty Ltd; executive director of Holdsworth Australasia Pty Ltd
Joey Lim Keong Yew <i>B. Computer Science</i>	Managing Director and Chief Executive Officer	<ul style="list-style-type: none"> ▪ Grandson of late Tan Sri Lim Goh Tong, founder of the Genting group of companies ▪ Director of Malahon Securities Limited, founded in 1984 and a member participant of the Hong Kong Exchange
Benjamin Lim Keong Hoe <i>B. International Business</i>	Non-Executive Director	<ul style="list-style-type: none"> ▪ Grandson of late Tan Sri Lim Goh Tong, founder of the Genting group of companies
Gerald Nicholas Eng Hoe Tan <i>B.Econ, MBA</i>	Non-Executive Director	<ul style="list-style-type: none"> ▪ Serial entrepreneur having founded numerous companies in the digital and interactive media space ▪ Managing Partner of Nuetree Capital ▪ 19 years experience on both the sell and buy side of venture capital and private equity business
Mak, Siew Wei <i>B.Bus (Info Sys)</i>	Non-Executive Director	<ul style="list-style-type: none"> ▪ Business Development Manager at Marvic International (NY) Ltd from 1998 to 2000 ▪ Independent non-exec director of Jotech Holdings Bhd from 2006 to 2012 and Av Ventures Corp. Bhd from 2006 to 2012 ▪ Currently independent non-executive director of Nakamichi Corp. Bhd, executive director of Advance Information Marketing Berhad and executive director of SCAN Associates Berhad
Benedict Paul Reichel <i>BA, LLB (Hons), LLM (Hons)</i>	Non-Executive Director and Company Secretary	<ul style="list-style-type: none"> ▪ Company director and executive in the gaming, media and technology sectors ▪ 20 years experience in major listed public companies and law firms ▪ Previously MD of Two Way Limited, senior executive at TAB Limited and PBL

Key management

Name	Position	Summary biography
Richard Na Chun Wee <i>FCCA</i>	Chief Financial Officer	<ul style="list-style-type: none"> ▪ Previously the 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)
Do Du Bac <i>B.Comm</i>	Chairman of BOM	<ul style="list-style-type: none"> ▪ Previously Head of Trade & Tourism office of Sapa and Director of Lao Cai Tourism Company ▪ 2009 to present: Chairman of BOM of PVST and BOM of Lao Cai International Hotel
Tam Iam Howi <i>Dip (Financial Accounting), ACAA, FCCA and MIA</i>	General Director	<ul style="list-style-type: none"> ▪ General Director of JV Company from August 2010 to present ▪ Genting Bhd & Resorts World Bhd for over seven years. Experienced auditor and accountant
Tran Quoc Hung <i>B. Accounting and Finance</i>	Deputy General Director (Admin)	<ul style="list-style-type: none"> ▪ Previously chief accountant for the Lao Cai Import & Export Company (a State Government Company) ▪ Prior to joining Donaco, worked for Lao Cai Tourist Company overseeing the overall accounts operations ▪ Joined the JVC from March 2003 as Chief Accountant, promoted to Deputy General Director from Oct 2006
Chew Hock Seng	Deputy General Director (Operations)	<ul style="list-style-type: none"> ▪ 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 JVC as Deputy GD Operations
Michael Chow En Lai	Operations Manager	<ul style="list-style-type: none"> ▪ 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

Industry overview

Global gambling industry

- The gambling industry is broadly divided into wagering and gaming
 1. Wagering – involves placing a bet on the outcome of a race or other live event, eg:
 - Thoroughbred, harness and greyhound races
 - Sporting events
 - Political elections
 2. Gaming – involves playing chance for money and broadly includes all non-wagering gambling, such as:
 - Gaming machines
 - Casinos
 - Lotteries

Global casino industry

- Donaco operates in the commercial casino segment within the overall gaming industry
- Casino operators provide a venue for clients to play games of chance, where odds of winning favour the “house”
- Largest casino operators are Caesars Entertainment Corporation, Las Vegas Sands Corporation, MGM Resorts International, SJM Holdings Limited and Genting Group
- Strong growth is expected in the Asia Pacific region from improving economic conditions, increased foreign tourists, new casinos and a change in attitudes of regulators

Key statistics

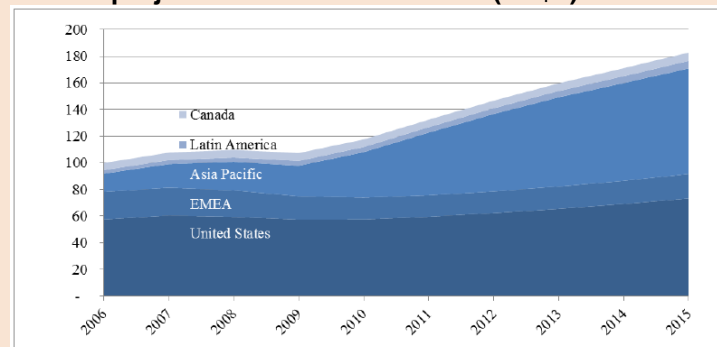
- Gambling activities generated US\$419 billion in revenues worldwide in 2011 which is an increase of 5.6% from 2010
- Global gambling revenues forecast to reach US\$500 billion by 2013
- Casinos and lotteries each account for 30% of the worldwide gambling industry



Key statistics

- Global casino gaming revenue is expected to grow at an annual compound rate of 9.2% from 2010 to 2015 (US\$117.6 billion to \$182.8 billion)

Growth projections in casino revenue (US\$b)



Source: Global Gaming Outlook – The casino and online gaming market to 2015, PWC, December 2011

Industry overview (cont'd)

Development of casinos in Asia

- In an attempt to generate revenues for the government gambling was legalised in Macau in 1847
- Macau's casino gross revenue rose 12.2% year on year in June 2012 (its gaming revenues are five times bigger than Las Vegas)
- Singapore's Resorts World Sentosa and Marina Bay Sands commenced operations in 2010 and earned combined revenues of US\$4 billion in 2011
- It is estimated gaming in Singapore has increased tourism by 20%
- In countries such as Cambodia and Vietnam, the government is exploring gaming as a catalyst to drive tourism

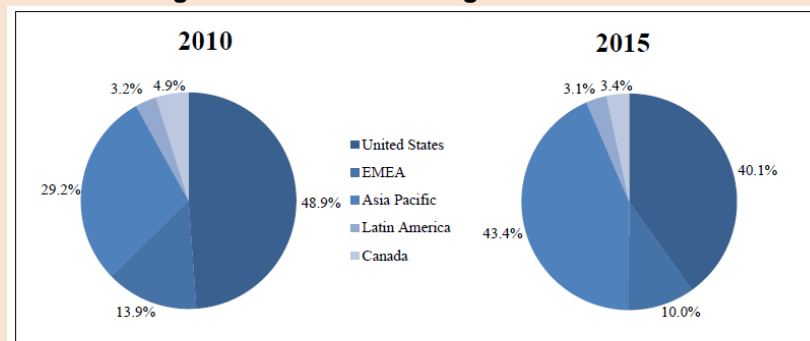
Vietnam casino industry

- Until 2003, except for the state-run lottery, gambling of any kind was illegal in Vietnam
- The government has allowed a few five star hotels to run small scale and low-profile casinos with electronic games to cater for foreigners only
- Following the Lao Cai International Hotel, several other small casinos were built in Vietnam, primarily in cities such as Hanoi, Ho Chi Minh City, Da Nang, Hai Phong, Quang Ninh
- In 2008, the government approved a Las Vegas style casino resort, The MGM Grand Ho Tram, situated 128.7 kms from Ho Chi Minh City. It is expected to be completed in 2013
- Five other casino-style resorts have been licensed across the county since the MGM Grand Ho Tram

Key statistics

- It is expected casino revenues will continue to grow by almost 40% in 2012 and taper to 8% by 2015

Change in contribution of regional casino revenues



Source: Global Gaming Outlook – The casino and online gaming market to 2015, PWC, December 2011

Key statistics

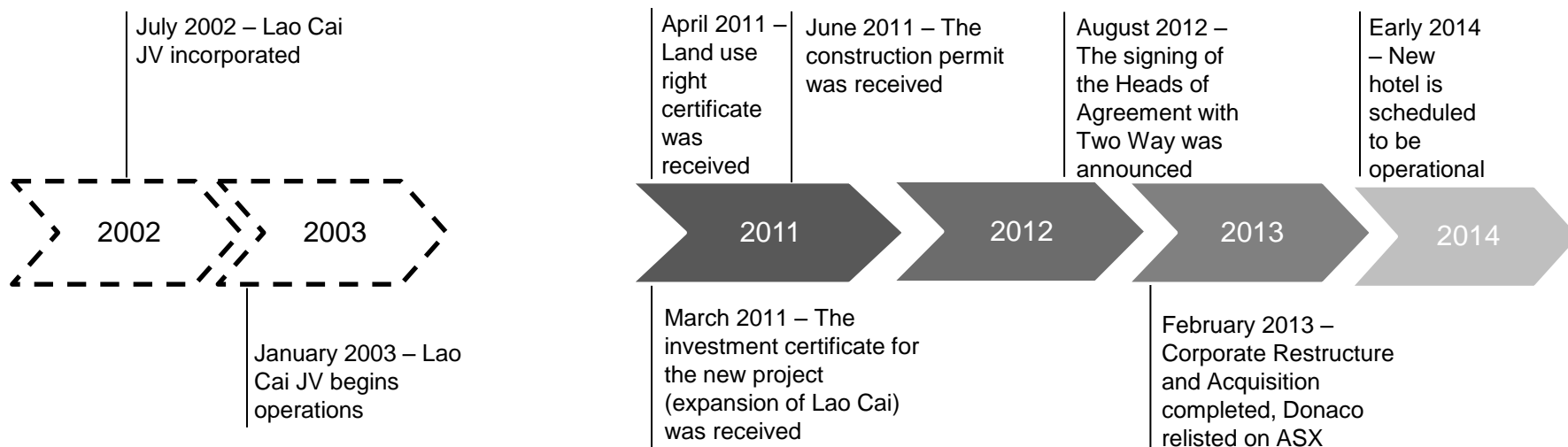
Planned development in Vietnam

Development	Investment	Location	Details	Casino operations
Happy Valley	\$ 2 billion	Outside HCM city	Theme park	Rumoured to include a gaming component
Flamboyant Island	N.A.	60Km SE of Hanoi	Hotel	Casino managed by Casinos Austria
Genting	\$ 4 billion	Quang Nam	Gaming resort	Joint venture with Vina Capital
Phu Quoc Island	\$ 4 billion	South Coast	Casino	Yet to finalise investors / operators

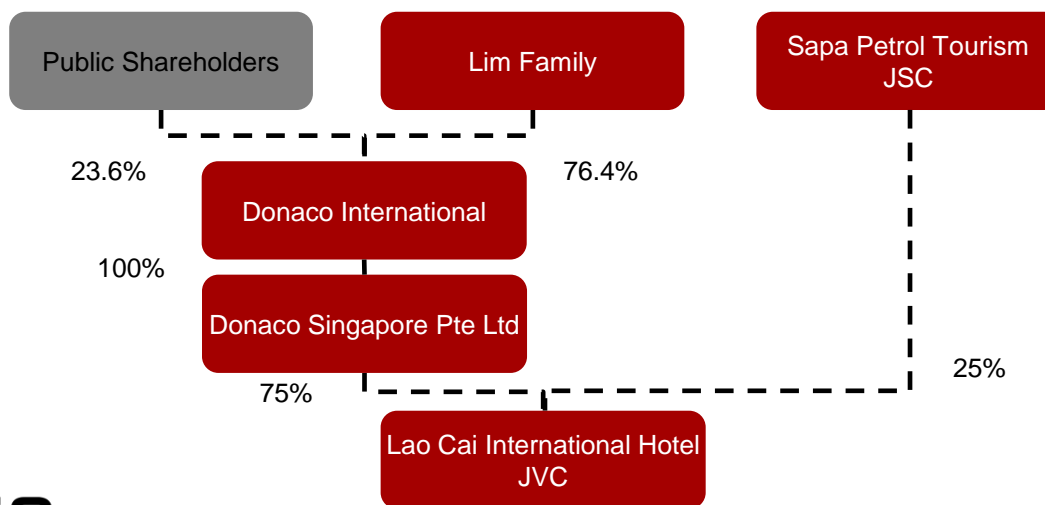
Source: Ben Lee, Vetting Vietnam, Global Gaming Business Magazine, Vol 11, No 4, Apr 2012

History of Donaco

Operating for over 10 years:



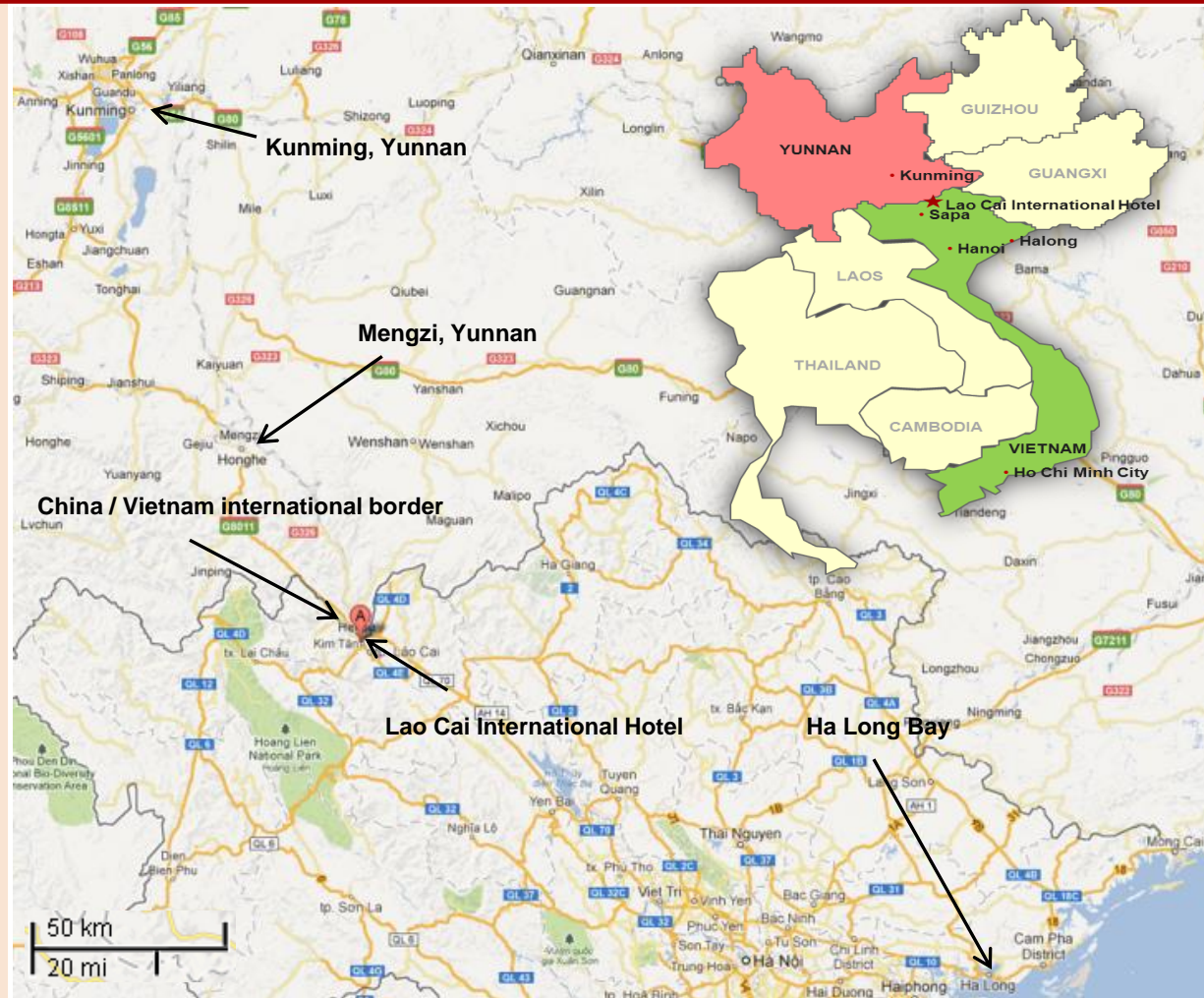
Current structure:



Lao Cai International Hotel

Location and infrastructure

- Lao Cai City is in north-eastern Vietnam, bordering the Yunnan Province of China
- Lao Cai is separated from the Chinese border and the city of the Hekou by a river. A bridge connects the two cities and is controlled by a border crossing station
- Gambling is prohibited for citizens of Vietnam so the hotel primarily targets international visitors, especially from China
- Yunnan has an estimated population of 45.9 million with 6.4 million residing in the capital, Kunming
- Expressway from Kunming to Lao Cai will reduce travel time from seven hours to four hours
- Bullet train from Kunming to Mengzi (150km from Lao Cai) has been completed and will shortly open
- Highway from Hanoi to Lao Cai is expected to be completed in 2013, once it is operational transportation time is expected to be reduced from 8 hours to less than 4 hours



Lao Cai International Hotel (cont'd)

History

- Incorporated in Vietnam as a joint venture for 30 years under an Investment Licence issued by the Ministry of Planning and Investment
- Commenced operations in Jan 2003

Hotel facilities

- 34 rooms provided to casino patrons on complimentary basis
- Bar and dining facilities
- Employs 400 staff. Senior management comprise long-term staff from the Genting Group

Gambling Facilities

- Eight gaming tables with a minimum wager of RMB 200 (~A\$30) and maximum wager of RMB100,000 (A\$15,000) providing Baccarat and Sic Bo
- 57 electronic gaming machines (EGM) sourced from Aristocrat, Weiki, and IGT. Licence permits up to 300 EGMs in total
- Approximately 80% of existing casino revenues are derived from high rollers

Competitors

- The nearest competing casino is in Ha Long Bay, 450 km away
- Also competes with Macau market which is roughly 2 hours flying time from Kunming

Patrons

- Vietnam does not allow its citizens to gamble within the country
- Almost totally reliant upon Chinese gamblers who cross the border
- Typically “high roller” who checks in with A\$100k+
- Gamblers are typically sourced through junket operators
- Gamblers are booked into a hotel-casino at the junket company's expense in exchange for a commission of the gamblers' turnover
- To minimise risk, junket operators have to put up a deposit with the hotel. Any credit risks to the players is borne by the junket operator
- Currently arrangements in place with 22 junket operators



Lao Cai International Hotel – expansion project

Expansion

- Received permission to expand the scope of operations and construct a new four (possibly five) star hotel and entertainment complex
- 12 story complex (9 levels currently built)

Property

- Donaco will operate 428 room hotel with 3 restaurants and waterpark
- 100 rooms provided to high rollers with the balance available to the mass market
- Four room types from basic to VIP. Average room rate expected to be US\$100 per night

Timing

- Expected to be operational at the beginning of calendar 2014
- Minimal disruptions due to proximity to existing casino

Table numbers

- Confident of obtaining approval to operate 16 tables upon opening
- May increase to 20+ tables over time

Budget

- Estimated at approximately US\$43m (for a 4-star hotel), of which US\$15m has been spent to date
- Donaco is liable for 100% of construction cost
- Sapa Tourism has contributed the land component
- Debt facility in place with Ocean Bank



Business model

Market opportunity

- Global casino gaming revenue expected to grow at an annual compound rate of 9.2% from 2010 to 2015
- Strong growth expected for the casino industry in the Asia / Pacific region. Revenue growth of 40% in 2012
- Vietnamese government is exploring gaming as a catalyst to drive tourism
- Vietnam government is considering allowing certain Vietnamese to gamble at casinos

Future growth

- Government may be flexible on other gaming areas (eg. may legalise sports betting)
- Overseas expansion opportunities – the company could leverage on its expertise in South East and Asia and expand into other regions
- Improved international reach and relationships through the Lim family
- City of Mengzi, Honghe is in the process of constructing a new airport. Mengzi to Lao Cai is ~1 hour drive

Strong existing business

- Established track record in Vietnam
- Joint venture relationship with the Vietnamese Government
- Proximity to China
- Nearest competitor is in Ha Long Bay (almost 500km away)
- Highway from Hanoi to Lao Cai expected to be completed in 2013, which is likely to further attract foreigners from Hanoi market

Expansion project

- Scope of Lai Cai Hotel operations to be increased to provide a more inclusive entertainment complex
- 428 room hotel with 3 restaurants, 16 tables (hopes to increase to 20+ over time), eventually water park
- Expected to be operational at the beginning of 2014
- Expressway has reduced travel time from Kunming (the capital of Yunnan) to Lao Cai from 7 to 4 hours
- Capacity to accommodate more customers as more visitors to come to Sapa region

Barriers to Scale | Strong Profitability

Existing and New Casino

- Continue to explore initiatives to attract Chinese gamblers from Yunnan province and nearby provinces
- Attract customers from Hanoi market



- Continue to enhance customer service and capability of staff
- Continue to develop relationships with junket operators to attract more players through proper promotion programs
- Maintain good relationship with local & central authorities
- Continue to improve properties
- Seek approval to operate 20+ tables over time

Future acquisitions

- Seek to acquire businesses in the Asia region with a continuing focus in the gaming and leisure spaces
- Recent EPS-accretive acquisition of mobile payment solutions business which is complementary to online gaming plans
- Seek to expand operations into lotteries and sports betting



- Leverage expertise in South East Asia and Lim family relationships
- There are indications that the Vietnamese government may be flexible with other gaming areas. The government may legalise sports betting to limit the influence of underground gambling syndicates

Recent Developments: Capital Raising & Acquisition

Capital Raising

- Successful capital raising of A\$25 million via a placement to sophisticated and professional investors in Australia and Asia
- Issue of 71.4m ordinary shares, at 35 cents per share
- Oversubscribed and well supported by strong institutional investors
- Funds earmarked for the completion of the new Lao Cai Hotel and casino

Acquisition

- EPS-accretive acquisition of iSentric, a successful mobile payment solutions business in South East Asia, with online gaming licenses
- Provider of online payment solutions to financial institutions and other customers
- Established in 2003; profitable and cash-flow positive
- The acquisition is subject to due diligence and all required regulatory approvals
- Acquisition price of A\$8.75m in Donaco shares, issued at 38 cents per share
- Acquisition includes online gaming and wagering licenses in Australia
- Complementary to Donaco's online gaming plans and the Lim family's existing online gaming investments

Recent Developments cont: Trading Update

Strong March Quarter Results

- Very strong results at Lao Cai International Hotel for the three months to March 2013 (compared to the March 2012 quarter)
- Revenue increase of 41.9%; Gross profit increase of 43.6%; Net profit after tax increase of 48.1% (based on unaudited management accounts)
- Majority of increase in revenue due to increased visitation, as a result of improved marketing, and improvements in infrastructure (eg. roads) on both sides of the border. Secondary reason for increase was a slight improvement in monthly win rate.
- Lao Cai JV recognised and awarded as one of the fastest growing enterprises in Vietnam in 2012
- No guidance provided for full year results (to 30 June 2013) for the combined Group. However results will be impacted by a number of one-off factors, eg. merger costs.

Construction Update

- Nine floors of the new hotel now built. Full height of 12 floors will be reached in June 2013
- Mechanical and engineering work completed in basement
- Targeting opening of main gaming floor and 100 hotel rooms by Chinese New Year (early February 2014)

Company highlights

1 Cash flow positive and profitable ASX listed entity

2 Exposure to high growth markets

3 Established track record in Vietnam and strong competitive position

4 Significant investment in expanding operations to accelerate future growth

5 Leveraging on expertise in South East Asia to expand into other regions

6 Highly experienced management team

Contact Details

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Director & Company Secretary

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Appendix - Lao Cai JVC Financials

- Income statement for Lao Cai Joint Venture Company for the 12 months to 31 December (audited)
- Note: The audited accounts are in Vietnamese dong and have been restated at a constant exchange rate for both years

A\$ millions ¹	FY12	FY11	Growth (%)
Tables	10.09	8.94	12.9
Slots	0.13	0.15	(13.8)
Hotel room	0.10	0.04	133.1
Food and beverage	0.59	0.42	41.1
Health centre	0.03	0.02	31.6
Total revenue²	10.94	9.57	14.3
Operating expenditure ³	0.62	0.44	42.5
Gross Profit	10.32	9.13	13.0
EBIT	7.43	6.78	9.6
Interest ¹	0.20	0.20	0.0
Profit Before Income Tax	7.63	7.03	8.6
Income Tax Expense	1.97	2.05	(3.9)
NPAT before foreign exchange	5.56	4.98	11.7
Foreign exchange impact	0.28	1.15	(75.3)
NPAT after foreign exchange	5.84	6.13	(4.7)
Minority interests	1.46	1.53	(4.7)
Net profit attributable to Donaco	4.38	4.60	(4.7)

Notes:

1. 21,650VND = 1AUD
2. Revenue was impacted by A\$0.61m in FY12 by the difference in the win rate FY12 compared to the three year rolling average win rate for the casino
3. Additional expenses incurred in FY12 include:
 - A\$0.51m in employee costs for additional employees added to staff. These employees have been added in preparation for the operating of the new casino
 - A\$0.06m of marketing costs for additional marketing and promotion expenses due to the casino targeting junket operators

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