



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

December 2013 Half Year Results Presentation

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Managing Director and CEO
February 2014**

December 2013 Half - Highlights

- ❶ 100% increase in operating revenue,* driven by:
 - 44% increase in VIP turnover at Lao Cai International Hotel
 - 122% increase in slot machine turnover at Lao Cai International Hotel
 - Full 6 month contribution from acquired Gaming Technology businesses
- ❷ 48% increase in EBITDA and 9% increase in NPAT (reported). 21% increase in NPAT (excluding non-recurring items).
 - Dec 2012 comparison is to Donaco Singapore alone, as a private company
 - Cost increases due to ASX listing and cost base of acquired businesses
- ❸ Completed acquisition of additional 20% stake in Lao Cai International Hotel joint venture (moved to 95% ownership as of 1 January 2014)
- ❹ Indicative grant of a maximum of 50 gaming tables at the new Lao Cai casino, with a minimum of 26 tables. Management still plans to open with 40 tables
- ❺ Restructured and strengthened the Board
- ❻ Successfully completed AUD\$25m capital raising
- ❼ Announced spin off of iSentric mobile technology business (February 2014)

** All figures are in AUD and reflect exchange rate gains (see exchange rates on slide 3)*

December 2013 Half – Financial Summary

| | Dec 13 | Dec 12 | % Change |
|---|---------------|---------------|----------|
| Operating Revenue | \$12,572,441 | \$6,273,938 | ↑ 100% |
| – Cost of Sales | (\$2,533,040) | (\$337,645) | |
| – Operating Expenses | (\$4,360,877) | (\$2,122,952) | |
| – Minority interest | (\$1,256,245) | (\$827,631) | |
| = EBITDA | \$4,422,279 | \$2,985,711 | ↑ 48% |
| + Other Income¹ | \$369,925 | \$911,497 | |
| – Depreciation & Amortisation | (\$128,844) | (\$79,469) | |
| – Income tax expense | (\$1,708,198) | (\$1,118,041) | |
| = Net Profit After Tax (reported) | \$2,955,162 | \$2,699,698 | ↑ 9% |
| Net Profit After Tax (excl. non-recurring items)¹ | \$2,955,162 | \$2,447,521 | ↑ 21% |
| Earnings Per Share | 0.8 cents | | |

1. *Other Income and Non-Recurring Items are set out on slide 14*

NOTES: (a) All figures converted to AUD at the average exchange rate during each half year: December 2013: 1 USD = 1.084 AUD; December 2012: 1 USD = 0.97 AUD.

(b) December 2012 comparatives are to Donaco Singapore Pte Ltd. December 2013 includes acquired Gaming Technology businesses (Two Way Limited from 1 February 2013; iSentric Sdn Bhd from 1 June 2013).

Lao Cai International Hotel – Results Commentary

- ❶ VIP gaming turnover grew 44% in December 2013 half, driven by influx of higher spending “VVIP” customers
- ❷ Total visitation declined slightly (3.2%), with bad weather causing a drop in walk-in (mass market) customers
 - Heavy rains in September 2013 caused temporary closure of border crossing
 - In December 2013 it actually snowed in Lao Cai (in tropical Vietnam!)
- ❸ Due to drop in visitation from walk-in customers, mass market turnover dropped 15%. More than outweighed by VIP growth – total table games turnover grew 33%
- ❹ Slot machine turnover grew 122%, due to 12 new high quality machines launched in February 2013. Only 24 older machines operated in the December 2012 half.
- ❺ Slight improvement in table game gross win rate in December 2013 half (from 2.76% to 2.99%). Decline in slot machine win rate (from 29.31% to 21.22%), due to jackpots
- ❻ Hotel food and beverage / accommodation revenue declined slightly. Hiring of new chefs in preparation for new five star hotel has begun to turn this around
- ❼ Construction of new five star resort hotel continues, under budget (at USD53m). On track for soft opening in May 2014, with full property open July 2014

Lao Cai International Hotel – Revenue

Key Metrics

| | Dec 13 | Dec 12 |
|------------------------|-----------|--------|
| Visitation (persons) | 32,740 | 33,813 |
| Av Daily Rev Per Table | \$5990* | \$3945 |
| | * USD5526 | |

VIP Table Games

| | Dec 13 | Dec 12 |
|------------------------|---------|---------|
| Gross Win % | 3.00% | 2.74% |
| Net Win after tax (\$) | \$7.36m | \$4.19m |

Main Hall Table Games

| | Dec 13 | Dec 12 |
|------------------------|---------|---------|
| Gross Win % | 2.92% | 2.85% |
| Net Win after tax (\$) | \$1.46m | \$1.62m |

Slot Machines

| | Dec 13 | Dec 12 |
|-------------------|--------|--------|
| Net Win after tax | \$101k | \$63k |



Hotel Revenue – Food & Beverage

| | Dec 13 | Dec 12 |
|-------------------|--------|--------|
| Revenue after tax | \$313k | \$320k |

Hotel Revenue – Accommodation / Other

| | Dec 13 | Dec 12 |
|-------------------|--------|--------|
| Revenue after tax | \$85k | \$84k |

Lao Cai International Hotel – Economic Model

| | Dec 13 | Dec 12 | % Change |
|---|----------------|----------------|--------------|
| Gaming Turnover | \$861.78m | \$647.81m | ↑ 33% |
| Gross Gaming Revenue | \$25.87m | \$17.97m | ↑ 44% |
| – Marketing costs, inc. junket commissions | (\$13.12m) | (\$9.58m) | ↑ 37% |
| – Gaming tax | (\$3.84m) | (\$2.52m) | ↑ 52% |
| = Net Gaming Revenue | \$8.92m | \$5.87m | ↑ 52% |
| Accommodation / F&B Revenue | \$0.39m | \$0.40m | ↓ 1% |
| <u>Total Reported Revenue</u> | <u>\$9.31m</u> | <u>\$6.27m</u> | ↑ 48% |
| Other income | \$0.24m | \$0.28m | ↓ 14% |
| Operating Expenses and Cost of Sales | (\$2.72m) | (\$2.05m) | ↑ 33% |
| Corporate Income Tax | (\$1.71m) | (\$1.12m) | ↑ 53% |
| Depreciation & Amortisation | (\$0.11m) | (\$0.08m) | ↑ 38% |
| Net Profit After Tax | \$5.02m | \$3.31m | ↑ 52% |

- NOTES:
- (a) All figures converted to AUD at the average exchange rate during each half year: December 2013: 1 USD = 1.084 AUD; December 2012: 1 USD = 0.97 AUD.
 - (b) Before minority interest (ie. does not reflect 25% share owned by Donaco's JV partner).
 - (c) Figures may not add due to rounding.

Construction Update cont.



Licensing and Regulatory Update

- ④ Restructure of the Lao Cai International Hotel joint venture successfully completed
 - Donaco now owns 95% of the joint venture as of 1 January 2014
 - Remaining 5% stake is now held by Lao Cai Tourism Co

- ④ Lao Cai Tourism Co (Donaco's local JV partner) has applied for the formal re-registration of the joint venture's Investment Certificate
 - Process is now under way and will be completed in time for soft opening in May 2013
 - Re-registration will permit the business to relocate to the new site

- ④ Management continues to plan to open the new casino with 40 tables
 - Gaming floor will comfortably accommodate 40 tables, with room to add more

Lao Cai International Hotel – Marketing Initiatives

Patrons

- Vietnam currently does not allow its citizens to gamble within the country
- Most patrons are from Yunnan Province, China (population 46m). All Yunnanese residents may visit Lao Cai province using a border pass – no visa required
- Patrons are typically sourced through junket operators. Primarily VIPs who check in with A\$100k+ (currently 80% of gaming turnover)
- Casino does not extend credit to patrons, or to junket operators
- Casino cannot accommodate all approved junket operators at any one time, so a roster system is in place

Marketing Plans

- New marketing team in place headed by Alan Chong (ex-Genting and Naga Corp)
- Targeting patrons outside Yunnan Province for the first time
- Discussions in progress with tour operators in major Chinese cities, including Guangzhou and Shenzhen (in Guangdong Province)
- Tour operators will source mass market players, promoting tours to the only five-star hotel in the world-famous Sapa region of Vietnam
- Some tour operators have sought exclusivity for certain cities or provinces, in return for committed numbers of room nights per month
- Patrons will fly to Kunming (4 hours drive to casino on new highway)
- Visas will be required for Vietnam. Company is working with its joint venture partner, Lao Cai Tourism, on a fast-track visa process
- Plan is to increase the proportion of mass market players, by targeting Chinese outside Yunnan Province, who either cannot get a visa for Macau, or who are deterred by the high minimum bet sizes in Macau



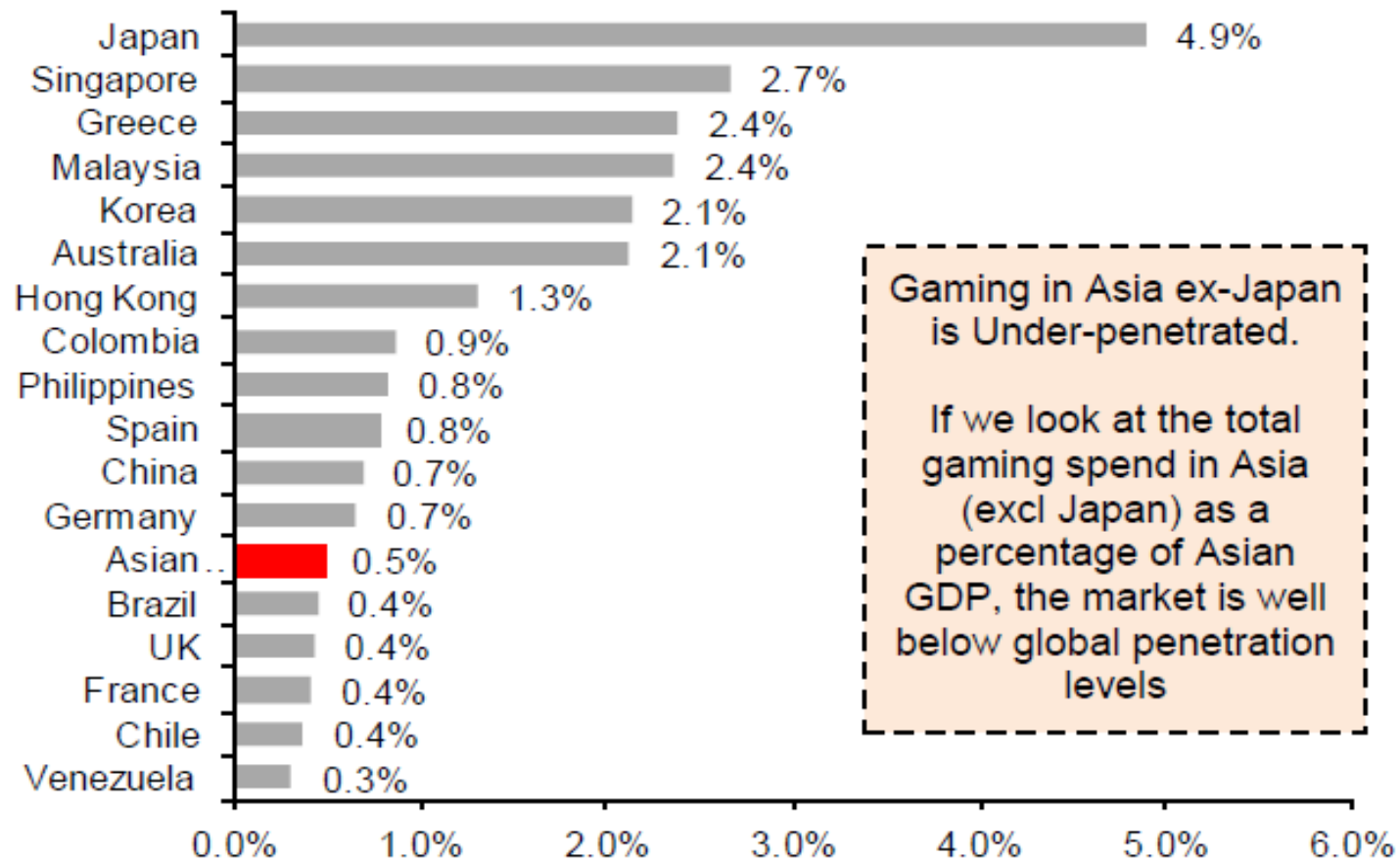
Our Opportunity: Strong Growth in Tourism in Asia

- Number of outbound tourists from China expected to double to 200m per year by 2020 (11% compound annual growth rate)*
- Spend by outbound tourists from China expected to triple to RMB1,400 billion by 2020 (15% compound annual growth rate)*
- Growth in Chinese visitors to Vietnam is strong – up 33.5% to 1.9m in the 12 months to December 2013*
- Continuing increase in minimum bet sizes in Macau is driving non-VIP gamers to other destinations
 - Very few Macau tables with minimum bets below HK\$1000
 - VIP players at Lao Cai International Hotel would be premium mass market players (at best) in Macau
- Vietnamese Government continues to explore trial program allowing local Vietnamese to enter casinos
 - Border casinos in Cambodia have c.1500 visitors a day from Vietnam
 - Naga World in Phnom Penh (138 gaming tables) has many Vietnamese customers

* Source: CLSA; Vietnam National Administration of Tourism

Asian Gaming Growth Potential

- Gross Gaming revenue as a percentage of GDP shows under-penetration



Source: Macquarie Research December 2013

Other Income and Non-Recurring Items

| Other Income (excluding non-recurring items) | Dec 13 | Dec 12 |
|---|---------------|---------------|
| Interest income | \$173,976 | \$50,601 |
| Exchange rate gain | \$195,949 | \$235,992 |
| Total | \$369,925 | \$286,593 |

| Non-Recurring Items | Dec 13 | Dec 12 |
|---|---------------|---------------|
| Creditor written back before re-listing on ASX | nil | \$624,904 |
| Merger, acquisition and restructuring costs | nil | (\$372,727) |
| Total | nil | \$252,177 |

Expense Increases in Dec 13 Half

| Expense Category | Dec 13 Increase |
|---|-----------------|
| iSentric Cost of Sales (network charges etc) | \$2,077k |
| Other Costs of Acquired Businesses | \$821k |
| Hotel Staff (hiring and training) | \$578k |
| Hotel Marketing, Travel, and Other Expenses | \$294k |
| Corporate Operations / Listing Costs (to support ASX listing) | \$614k |
| Total | \$4,384k |

- Comparison is to Donaco Singapore alone, in the Dec 2012 half, when it was a private unlisted company. Now part of a public company group listed on the ASX, with market cap around \$400m
- Expense increases break down into Lao Cai International Hotel (\$0.87m), corporate operations to support ASX listing (\$0.61m), and cost base of acquired businesses (\$2.89m)
- New staff being hired and trained at Lao Cai International Hotel for opening of new 428 room, five star property. Staff numbers increased from 420 in Dec 12, to 594 at Dec 13.
- Corporate operations include Board, senior management, travel costs, listing fees, audit fees, tax advice, and other regulatory costs



- Gaming Technology team enhances the efficiency of Donaco's gaming operations, while also generating revenue
- Currently working on property management system, loyalty program, third party system integration etc for the new Lao Cai International Hotel
- Also operates a leading mobile technology and services business in Malaysia and Singapore
- Specialises in mobile micropayments for digital content, via partnerships with telco operators
- Clients include Huawei, Digi and Celcom (mobile content distribution)
- Also focusses on the mobile enterprise segment, with clients including CIMB, Citibank, and Maybank (mobile banking)
- Also provides technical support and development for the Way2Bet wagering marketing portal. Clients include all of the major bookmakers in Australia
- Dec 13 half: Revenue \$3.26m, EBITDA \$0.37m

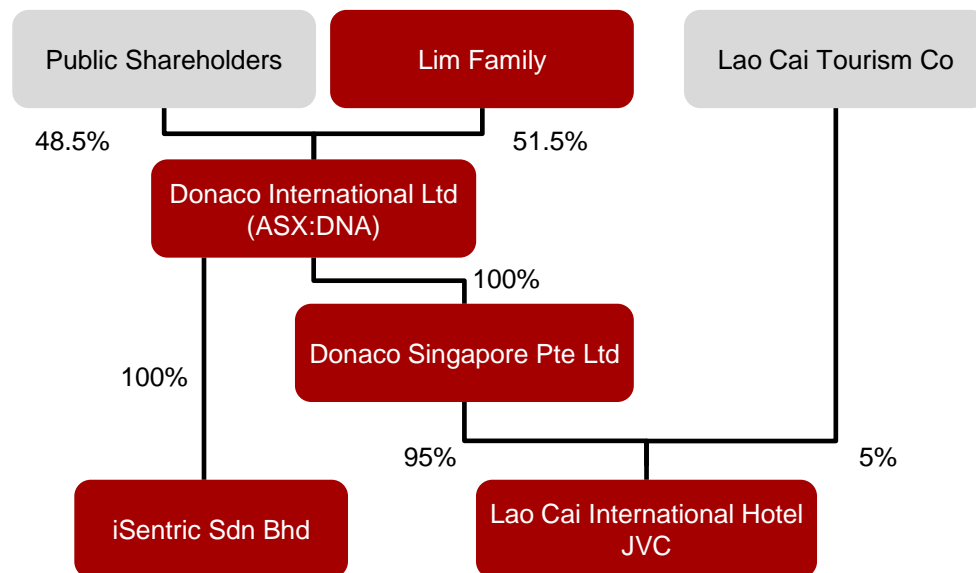
Spin-Off of Mobile Technology Business

- Mobile commerce space is growing rapidly, with iSentric seeing many opportunities
- ASX listed entities in this space have had good support from investors
- iSentric to be spun off into a separate ASX listed vehicle
- Shares in new vehicle to be distributed in specie to Donaco shareholders
- Agreement signed with OMI Holdings Limited (ASX:OMI) for reverse takeover
- iSentric mobile technology business valued at \$12 million
 - Cf. Donaco's acquisition price of \$8.5m (in scrip) in June 2013
- Donaco shareholders to own 89.85% of the new entity
- Deal is subject to due diligence and approvals by ASX and OMI shareholders
- Expected to complete in May 2014

Current Corporate Structure

Capital structure

| | |
|---------------------------------------|-----------|
| ASX code | DNA |
| Ordinary shares on issue | 401.1m |
| Options on issue | 11.9m |
| Current share price (25 Feb 2014) | A\$1.065 |
| Current market capitalisation | A\$427m |
| Cash (30 December 2013) | A\$41.1m |
| Debt facility (US\$6m drawn Dec 2013) | US\$17.5m |



Board of Directors

| | |
|------------------------|-------------------------|
| 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 |

Major Shareholders (as at 26 February 2014)

| | |
|-------------------------------|--------------|
| Slim Twinkle Limited | 21.0% |
| Convent Fine Limited | 22.4% |
| Lim Keong Yew | 8.1% |
| Total (Lim controlled) | 51.5% |

Summary and Outlook

- ❶ Strong VIP turnover growth at Lao Cai International Hotel, despite capacity constraints
 - ✓ Existing property has healthy cash flow and profitability
 - ✓ Shows the potential of our new, much larger five star property
- ❷ New hotel and casino construction continues on time and under budget
 - ✓ USD53m cost expected – under budget of USD57m
 - ✓ Soft opening on track for May 2014
- ❸ New hotel will have up to 50 gaming tables, with a minimum of 26 tables
 - ✓ Management plans to open the new hotel with 40 tables
 - ✓ Marketing plans to target patrons from outside Yunnan Province for the first time
- ❹ Other positive developments from 1 January 2014:
 - ✓ Donaco now owns 95% of the Lao Cai International Hotel joint venture
 - ✓ Vietnamese corporate income tax rate now reduced to 22%
- ❺ Spin off of iSentric mobile technology business proposed
 - ✓ Share distribution to provide a reward to DNA shareholders

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