



ASX: DNA

ASX RELEASE

11 August 2014

Conference Presentation

The attached presentation will be delivered to the Gaming, Racing and Wagering Australia 2014 conference in Sydney today.

For further information:

Ben Reichel
Executive Director
Phone: + 61 412 060 281

ABOUT DONACO INTERNATIONAL LIMITED (ASX: DNA)

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

Our flagship business is the Aristo International Hotel, a successful boutique casino in northern 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.

Donaco is a pioneer casino operator in Vietnam. Donaco operates the business and owns a 95% interest, in a joint venture with the Government of Vietnam.

Donaco also owns and operates successful gaming technology businesses, including secure mobile payment gateways across South East Asia, and the Way2Bet wagering portal, whose customers include all major corporate bookmakers in Australia.

To learn more about Donaco visit www.donacointernational.com





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

**Gaming, Racing and Wagering Australia
Conference 2014**

**Mr Ben Reichel
Executive Director
August 2014**

Background on Donaco

- ❶ Founded in 2001 by MD Joey Lim Keong Yew and his late grandfather, Tan Sri Lim Goh Tong (founder and chairman of the Genting Group)
- ❷ Pioneer of the Vietnamese gaming industry, with 12 years of successful operation. JV with Vietnamese Government (5%)
- ❸ Just opened the Aristo International Hotel, a brand new 5 star hotel with 428 rooms, up to 50 gaming tables, 58 slots (max 150), and max 150 electronic table games
- ❹ Located in Lao Cai, on the border with Yunnan Province, China (population c.46m)
- ❺ Average revenue per table per day of USD5737 in March 2014 quarter (across 8 licensed gaming tables)
- ❻ Management consists of veterans from the Genting Group



Vietnamese Gaming Industry

- ❶ Investment certificate for a hotel or large scale recreation facility may allow “entertainment center with bonus games for foreigners”
- ❶ Slots clubs vs. Table game casinos
- ❶ Gaming proposals require support of provincial and central government
- ❶ Vietnam has 58 provinces and 5 independent municipalities, but only 7 table game casinos (in 6 provinces)
- ❶ Some reports say that there are at least 50 slots clubs
- ❶ Vietnam currently does not allow its citizens to gamble within the country
 - Border casinos in Cambodia have c.1500 visitors a day from Vietnam
 - Naga World in Phnom Penh (170 gaming tables, 1500 slots) has many Vietnamese customers

Vietnamese Gaming Industry – Existing Casinos



Aristo International Hotel (40 tables) – Lao Cai Province

Royal International Club, Ha Long Bay (18 tables) and Li Lai International Hotel, Mong Cai (8 tables) – Quang Ninh Province

Phoenix International Club (6 tables) – Bac Ninh Province

Do Son Casino (17 tables) – Hai Phong City

Crowne Plaza (20 tables) – Danang City

Grand Ho Tram (90 tables) – Ba Ria-Vung Tau Province

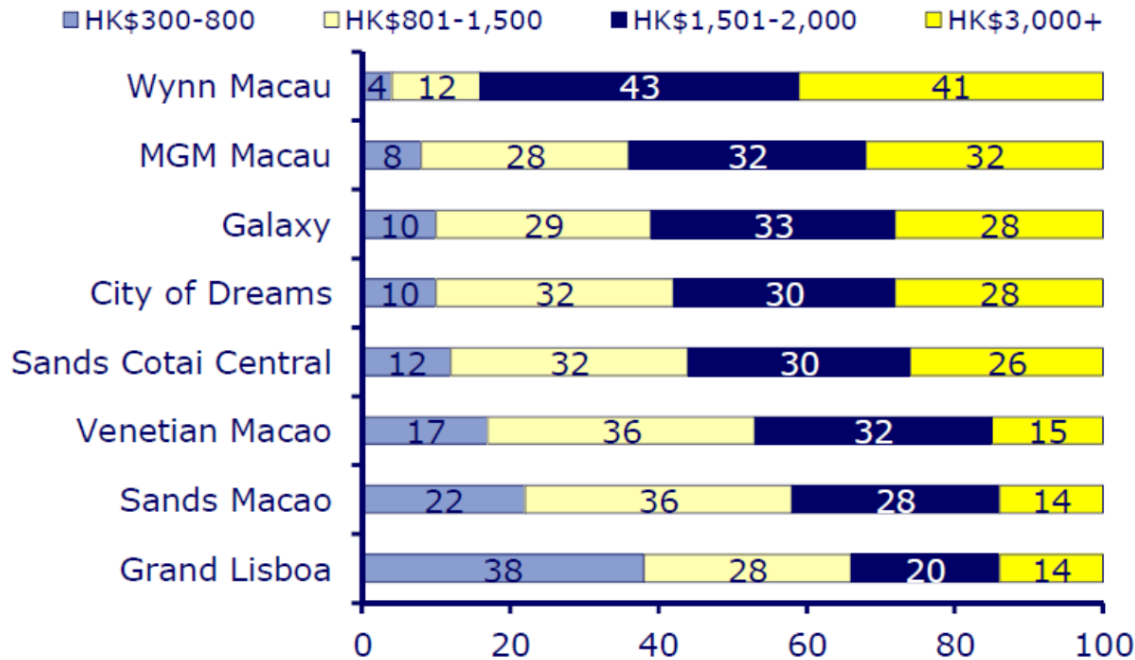
Understanding the Market


- Most Aristo patrons are from Yunnan Province, China (population 46m). All Yunnanese residents may visit Lao Cai province using a border pass – no visa required (cf. Macau)
- Patrons are typically sourced through junket operators. Primarily VIPs who check in with a minimum of RMB600k+ (c.A\$100k+)
- Currently 25 junket operators – local entrepreneurs
- Aristo does not extend credit to patrons, or to junket operators
- Aristo does not currently use VIP room promoters as per Macau






Compare to Macau...

Breakdown of mass tables by min. bet



 Aristo minimum bet for mass tables is RMB200 ≈ HKD250

Source: CLSA

-  Aristo minimum bet for VIPs is RMB4,000 ≈ HKD5,000
-  Maximum bet for VIPs is RMB200,000 ≈ HKD250,000
-  VIP tables in Macau have maximum bet of HKD300,000+

Understanding the Market cont.

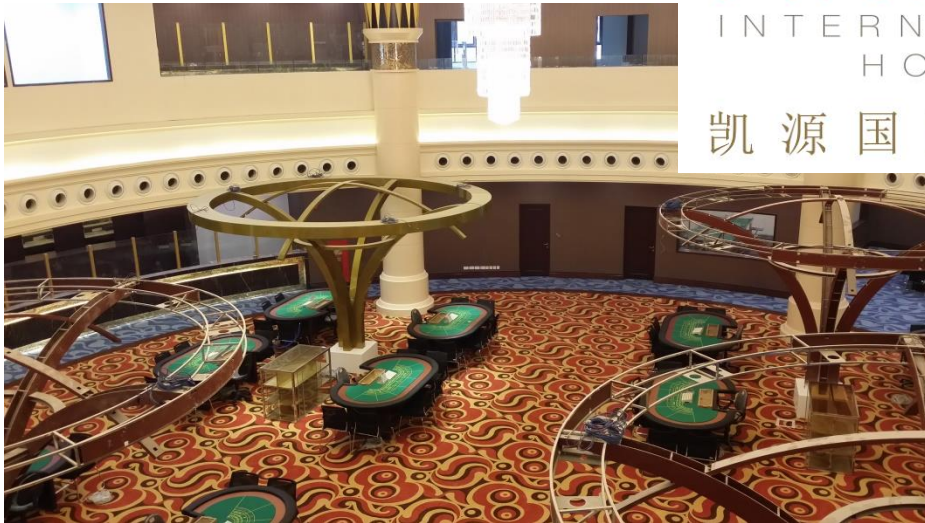
- ❶ Aristo VIP players would be premium mass market players (at best) in Macau
- ❷ The property and service must be right
- ❸ Aristo is a 5-star hotel with 400 guest rooms. Additional 28 rooms fitted out for recreational facilities (health spa and nightclub)
- ❹ Four room types from standard to executive suite
- ❺ Five restaurants, including fine dining, theatre restaurant and VIP lounge
- ❻ Swimming pool, gym, tennis court
- ❼ Eight retail shops, including ticketing agency
- ❽ Proposals for food court, video arcade and driving range under consideration

❶ “Macau is for the super rich. Here the middle rich are treated like high rollers.” – *Chen, Aristo junket operator from Zhejiang Province*

Quality Facilities




ARISTO
INTERNATIONAL
HOTEL
凯源国际大酒店



Quality Facilities cont.



ARISTO
INTERNATIONAL
HOTEL
凯源国际大酒店



VIP Strategy – Favourable Tax Regime

- ❖ Commission is paid on turnover (volume of rolling chip sales):
 - ❖ Mass market 1%
 - ❖ VIP 1.5%, with bonuses for meeting turnover targets within 14 days
- ❖ Gaming tax is 30% of GGR, but junket commissions can be deducted
 - ❖ Brings down effective tax rate to 14-15% of GGR
- ❖ Higher commissions can be used to drive GGR, while tax deductibility protects net revenue
 - ❖ Cf. Macau – VIP junket commissions capped at 1.25% of turnover; tax rate 39% of GGR
- ❖ Corporate tax recently reduced to 22% (cf. Macau – currently 0%)

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.

Mass Market Strategies

- New marketing team in place headed by Alan Chong (ex-Genting and Naga Corp)
- Targeting patrons outside Yunnan Province for the first time
- Tour operators in major Chinese cities, including Guangzhou and Shenzhen (Guangdong Province) will source mass market players
- Some tour operators have sought exclusivity for certain cities or provinces, in return for committed numbers of room nights per month
- Visas will be required for Vietnam. Donaco's joint venture partner, Lao Cai Tourism, has assisted with a fast-track visa process
- Expats living in Hanoi will also be offered tour packages
 - New highway from Hanoi will cut driving time to c.4 hours (December 2014)
- New CRM and loyalty card program at Aristo
 - Investment in technology will encourage repeat visits from mass players



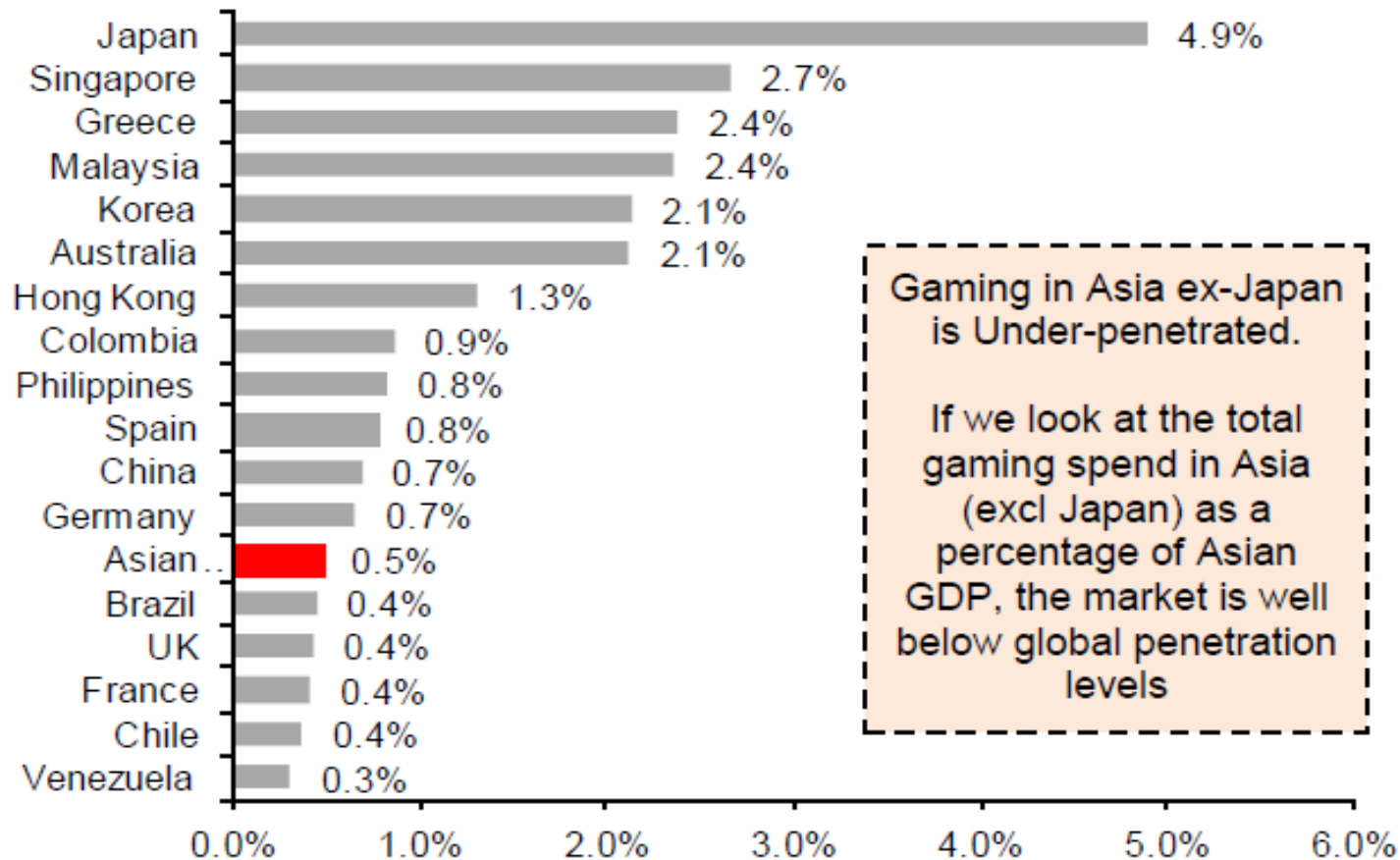
Our Opportunity: Strong Growth in Tourism in Asia

- 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
- Some junkets are being squeezed out of Macau, and are looking for alternative venues
- Vietnamese Government continues to explore trial program allowing local Vietnamese to enter casinos

* 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

Keys to Success in Vietnamese Gaming

- Track Record and Experience
- Financial Capability and Transparency
- Management Expertise
- Location and Accessibility
- Relationships with Players and Junkets
- Service Offering
- Gaming Floor Offering and Layout
- Appealing Mass Market Facilities
- Exclusive VIP Facilities

Important notice and disclaimer

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

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

The Information has been prepared based on information available to Donaco at the time of preparation. Statements contained in this material, particularly those regarding the possible or assumed future performance, costs, dividends, returns, production levels or rates, prices, reserves, potential growth of Donaco, industry growth or other trend projections and any estimated company earnings are or may be forward looking statements. Such statements relate to future events and expectations and as such involve known and unknown risks and uncertainties, many of which are outside the control of, and are unknown to, Donaco and its officers, employees, agents or associates. Actual results, performance or achievement may vary materially from any forward looking statements and the assumptions on which those statements are based. The Information also assumes the success of Donaco's business strategies. The success of the strategies is subject to uncertainties and contingencies beyond Donaco's control, and no assurance can be given that the anticipated benefits from the strategies will be realised in the periods for which forecasts have been prepared or otherwise. Given these uncertainties, you are cautioned to not place undue reliance on any such forward looking statements. The Information may be changed at any time in Donaco's absolute discretion and without notice to you. Donaco undertakes no obligation to revise the forward looking statements included in this presentation to reflect any future events or circumstances.

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

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