

ASX RELEASE
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Growth Accelerates in Vietnamese Casino Operations

Donaco International Limited (**the Company**) today released its financial report and accounts for the year ending 30 June 2014. This is the Company's first full 12 month results announcement as an ASX listed entity.

The results show ongoing strong growth in the Company's casino operations in Vietnam, where operating revenue increased by 33%. Across the whole Company, revenue increased by 80%.

The results were otherwise in line with market expectations, with EBITDA increasing by 29%, and net profit after non-recurring items increasing by 52%.

FY14 Financial Performance Summary	FY14	FY13	% Change
Operating Revenue	\$28,240,282	\$15,671,759	↑ 80%
– Cost of Sales	(\$6,358,524)	(\$1,020,377)	
– Operating Expenses	(\$11,543,863)	(\$5,745,565)	
– Minority interest	(\$1,476,679)	(\$2,017,037)	
= EBITDA	\$8,861,216	\$6,888,780	↑ 29%
+ Net Interest and Other Income *	\$1,127,139	\$2,996,866	
– Depreciation & Amortisation	(\$292,090)	(\$191,877)	
– Income tax expense	(\$2,902,862)	(\$2,667,590)	
= Net Profit After Tax (reported)	\$6,793,403	\$7,026,199	↓ 3%
Net Profit After Tax (excl. non-recurring items) *	\$7,927,502	\$5,208,825	↑ 52%
Earnings Per Share	2.22 cents	2.53 cents	

* Interest, Other Income and Non-Recurring Items are set out on page 4

NOTES:(a) All figures converted to AUD at the average exchange rate during each year:
 FY14: 1 USD = 1.0931 AUD; FY13: 1 USD = 0.9736 AUD.

(b) FY13 includes acquired Gaming Technology businesses for part of the year only:
 Two Way Limited from 1 February 2013; iSentric Sdn Bhd from 1 June 2013.

Review of Operations

Vietnamese Gaming Operations

The results reflect the final year of operations of the old Lao Cai International Hotel, the Company's boutique 34 room hotel with eight gaming tables, located in the north of Vietnam. The old hotel was replaced by the soft opening of the Aristo International Hotel, an expanded five star property with 428 rooms and 40 gaming tables, on 18 May 2014. Therefore the FY14 results include the Aristo in place of the old hotel for a period of approximately six weeks only. During this time the Aristo operated in soft opening mode, with not all facilities available.

During the year, total revenue from the Vietnamese hotel and gaming operations reached record levels, up 33% on the previous year (or 18% in USD constant currency terms). This result was underpinned by strong increases in turnover from VIP tables games (up 67%, or 49% in USD) and in slot machines (up 144%, or 117% in USD).

The increase in turnover from VIP gaming did not directly translate into revenue, due to a slight decline in the gross win rate from 2.98% in FY13, to 2.78% in FY14. While this change is within the range of normal fluctuations, it had the effect of restricting VIP gaming net revenue growth to 41% (or 25% in USD).

The increase in slot machine turnover was primarily due to the expanded machine base in the Aristo, which has 34 linked jackpot slot machines, and three electronic roulette tables with eight seats each, for a total of 58 EGM positions. Net revenue growth from slot machines was 94% (or 73% in USD), which again was below the rate of turnover increase, due to a decline in the slots win rate from 31.21% in FY13, to 24.84% in FY14 (based on cash paid in by slots players).

The Company does not currently report normalised results from its gaming operations, based on a theoretical win rate. The reasons for this are the small size of the old property, with only eight licensed tables; the rapid growth it has been experiencing in recent years; and the fact that the old property was replaced by the expanded gaming business of the Aristo towards the end of the financial year. Now that the Aristo has opened, the Board is considering the best approach towards reporting normalised results for future periods.

Non-gaming hotel revenue also showed very strong growth of 96% (or 82% in USD), with most of the increase coming after the Aristo opened in May. This reflects the quality of the guest rooms, restaurants and other non-gaming amenities at the new property.

The soft opening of the Aristo on 18 May 2014 was a milestone in the Company's development. When fully operational, the Aristo will have 400 guest rooms available, with the additional 28 rooms currently fitted out as recreational facilities, primarily a health spa and a nightclub (operated by a contractor under a long term lease). The property also has five restaurants, including a fine dining Chinese restaurant; a theatre restaurant and ballroom that can seat 400 diners; several all day dining outlets; and a VIP lounge. Other non-gaming amenities include a swimming pool, tennis court and gym, and eight retail shops, with a ticketing agency and convenience store already trading.

The Aristo is still in soft opening mode, with the handover from the construction team in progress. Remaining works include normal touch up and defect works.

Further details on the performance of the Vietnamese Gaming Operations are provided in the FY14 Results Presentation released to the market today.



Gaming Technology Operations

The Gaming Technology businesses consist primarily of iSentric Sdn Bhd, a successful mobile commerce business based in Kuala Lumpur. iSentric has significant interests and expertise in almost every segment of the mobile services sector, including mobile content distribution, mobile payment aggregation, mobile banking and bespoke corporate mobility solutions.

On 26 February 2014, the Company announced that it planned to spin off iSentric into a new company separately listed on the ASX. A binding Share Sale and Purchase Agreement to implement the transaction was signed with OMI Holdings Limited (ASX:OMI) on 9 May 2014.

The spin-off was approved by OMI shareholders at an Extraordinary General Meeting on 20 August 2014, and by Donaco shareholders at an Extraordinary General Meeting on 25 August 2014. The spin-off is currently expected to complete in mid September 2014.

As a result of the spin-off, iSentric has been treated as a discontinuing operation in the financial results lodged today. This explains the difference between the total operating revenue figure for the Group of \$28.24m, and the reported revenue line in the Statement of Profit or Loss of \$21.11m. iSentric's net profit for the year of \$1.57m is then added on a separate line.

Further details of iSentric's financial performance are provided in the FY14 Results Presentation released to the market today.

iSentric currently provides technology services under arms' length arrangements to the Company's core hotel and casino business in Vietnam. This includes advising on the property management system, loyalty program, third party system integration, and network design.

In addition, iSentric provides technical support to the Way2Bet wagering marketing portal and games business in Australia, which posted total revenue of \$0.69m during FY14. This business is likely to be sold separately.

Operating Expenses

The comparison to FY13 is primarily to Donaco Singapore Pte Ltd, which was a private unlisted company for seven months of that year, prior to listing on the ASX on 1 February 2013. On that date, the Australian based Gaming Technology businesses were added to the group, for the remaining five months of that year. This was followed by the addition of iSentric Sdn Bhd on 1 June 2013, which was therefore included for only one month of that year.

Comparing FY14 to FY13, the largest area of cost increases relates to iSentric's cost of sales, which increased by \$4.75m. This relates to network charges and sharing with trade partners.

The second largest area of cost increases (\$1.99m) relates to the cost bases of the acquired Gaming Technology businesses, which were included for the full 12 months of FY14.

Other areas of cost increase relate to the expanded hotel and gaming business in Vietnam, primarily in the area of employee costs (\$1.19m). Total staff numbers increased from 420 on 1 July 2013, to 850 at present. Most of these staff had to be hired and trained well in advance of the opening of the Aristo, and these pre-opening costs (totalling \$0.6m) have been treated as a non-recurring item. After the soft opening of the Aristo on 18 May 2014, all staff costs have been



included in the normal cost base of the business, as have other normal employment costs, such as staff increments and training.

Marketing, travel and other hotel expenses also increased by \$1.1m during the year, as a result of the expanded marketing program and the operating expenses of the much larger hotel and gaming business.

The other main area of increase was in corporate operations (\$0.9m). For most of FY13, Donaco Singapore was a private company; during the whole of FY14, it was part of a public company group listed on the ASX, with current market capitalisation of around \$400m. As a result, additional costs were required to be incurred in the areas of Board and senior management fees, travel costs, listing fees, audit fees, tax advice, and other regulatory costs.

Other Income and Non-Recurring Items

Other income consists of interest on cash holdings, together with exchange rate gains. The Lao Cai International Hotel conducts all operations in Chinese renminbi, and so can benefit from exchange rate movements against the US dollar. Net exchange rate gains and losses have been disclosed in the FY14 Results Presentation.

The non-recurring cost items in FY14 relate to Aristo pre-opening costs, as noted above (\$0.6m); and also corporate restructuring costs, primarily consisting of expenses relating to the iSentric spin-off (\$0.4m).

In contrast, FY13 included significant non-recurring income items, as well as cost items, as outlined below:

Non-Recurring Items	FY14	FY13
Exchange rate gain – Singapore *	nil	\$945,158
Gain on sale of “TAB Active”	nil	\$862,964
Creditor written back before listing on ASX	nil	\$624,904
Corporate restructuring costs	(\$532,759)	(\$615,652)
Pre-opening costs at Aristo International Hotel	(\$601,341)	nil
Total	(\$1,134,099)	\$1,817,374

* One-off gain on conversion of AUD20m to USD

These non-recurring items had a significant positive impact in FY13, and so stripping out these items has the effect of increasing the FY14 growth in net profit after tax to 52%.

Other Highlights of FY14

During the year, the Company successfully increased its stake in the Lao Cai International Hotel joint venture from 75% to 95%, with effect from 1 January 2014. The remaining 5% stake continues to be owned by the Government of Vietnam, via the Lao Cai Tourism Company. In addition, the corporate tax rate in Vietnam was reduced from 25% to 22% on 1 January 2014.

The Company also successfully completed two capital raisings. The first was for \$25 million, to ensure sufficient operating liquidity for the expanded casino business, and to invest in marketing. The second was for \$75 million, to be used for the purpose of acquisitions.



The Board was also restructured and strengthened, with the appointment of Mr Rob Hines as a non-executive director. Mr Hines is one of Australia's leading gaming and wagering executives. During the year, Mr Gerald Tan and Mr Mak Siew Wei also resigned from the Board.

Summary and Outlook

Managing Director and CEO, Mr Joey Lim, said "The early performance of the Aristo International Hotel shows the potential of our expanded gaming and hospitality business in Vietnam. After 12 years of successful operation, we have taken the business to the next level, with a vastly improved and very high quality property.

"Despite the fact that the property has been in soft opening mode, with not all facilities available, we have seen strong increases in visitation to the gaming floor, and in turnover from VIP players. We have also seen phenomenal increases in slot machine revenue, and in non-gaming revenue, during this very short period.

"These results have been achieved despite some significant headwinds, including the tensions between China and Vietnam, which now seem to be abating, although travel warnings remain in place in China. As previously reported, the border gate has remained open at all times, and trade continues freely across the border. However it is possible that some mass market players may have deferred their visits due to the travel warnings.

"In addition, the soft opening period included the soccer World Cup, which occurs once every four years, and has been reported to have a significant impact on casino properties throughout Asia. The Aristo was no exception.

"The Aristo is now moving out of soft opening mode, and these headwinds are easing. This gives us confidence in the strong growth potential of the business in the year ahead. The outlook is for higher earnings from our Vietnamese gaming operations.

"The spin-off of our iSentric mobile technology business is also due to be completed soon. We are pleased to be able to give shareholders direct exposure to the growth path of that business, and to provide this return to our loyal shareholders.

"In the meantime, we have not wavered from our ceaseless pursuit of new growth opportunities, with a strong pipeline of potential deals in place. All of these opportunities play to our strengths in leisure and gaming operations, particularly in boutique properties in Asia. However we are extremely disciplined in our approach, and will not pursue any deal unless it provides good returns to shareholders.

"Finally, we have a strong balance sheet, with more cash constantly being added from operations. In this context, our share buy-back program provides flexibility for the efficient use of cash, which may not be immediately required for acquisitions. This will further benefit all shareholders."

For further information:

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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

