



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

FY13 Results Presentation

26 August 2013

Company Overview

- Donaco was founded in 2002 by the late Tan Sri Lim Goh Tong, who was also the founder of the Genting Group of Companies
- Managing Director, Joey Lim Keong Yew, and his brother Benjamin Lim Keong Hoe own 66% of Donaco
- Donaco has a 75% stake in the Lao Cai International Hotel joint venture, which owns and operates a boutique Hotel & Casino in Vietnam (remaining 25% is held by the Government of Vietnam)
 - Donaco has signed MOU to increase its stake to 95%
- 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
- Strong demand from Chinese “high rollers” who are sourced by junket operators
- Lao Cai province is bordered by the Chinese province of Yunnan which has a population of ~46m people

FY13 Financial Highlights

	FY13	FY12	% Change
Operating Revenue	\$15,671,759	\$11,121,438	↑ 41%
Other Income excluding non-recurring items¹	\$1,188,764	\$975,976	
Operating Expenses	(\$6,076,617)	(\$2,958,573)	
EBITDA before non-recurring items¹	\$10,783,906	\$9,138,841	↑ 17%
Non-Recurring Items¹	\$1,192,470	nil	
Depreciation & amortisation	(\$265,554)	(\$211,126)	
Income tax expense	(\$2,667,590)	(\$2,254,206)	
Net Profit after tax and before minority interest	\$9,043,232	\$6,673,508	
Minority interest	(\$2,017,035)	(\$1,673,182)	
Net Profit After Tax (reported)	\$7,026,197	\$5,000,327	↑ 41%
Earnings Per Share	2.6 cents		

1. Other Income and Non-Recurring Items are set out on slide 11

NOTES: (a) All figures converted to AUD at the average exchange rate during each year: 2013: 1 USD = 0.9736 AUD; 2012: 1 USD = 0.9651 AUD.

(b) FY12 comparatives are to Donaco Singapore Pte Ltd. FY13 includes Two Way Limited from 1 February 2013 and iSentric Sdn Bhd from 1 June 2013.

Lao Cai International Hotel – Revenue Highlights

Key Metrics

	FY13	FY12
Visitation (persons)	69,560	59,078
Av Daily Rev Per Table	\$4674*	\$3534

* USD4801

VIP Table Games

	FY13	FY12
Gross Win %	2.98%	2.52%
Net Win after tax (\$)	\$10.05m	\$7.05m

Main Hall Table Games

	FY13	FY12
Gross Win %	3.24%	3.31%
Net Win after tax (\$)	\$3.60m	\$3.27m



Slot Machines

	FY13	FY12
Net Win after tax	\$296k	\$173k

Accommodation / F&B

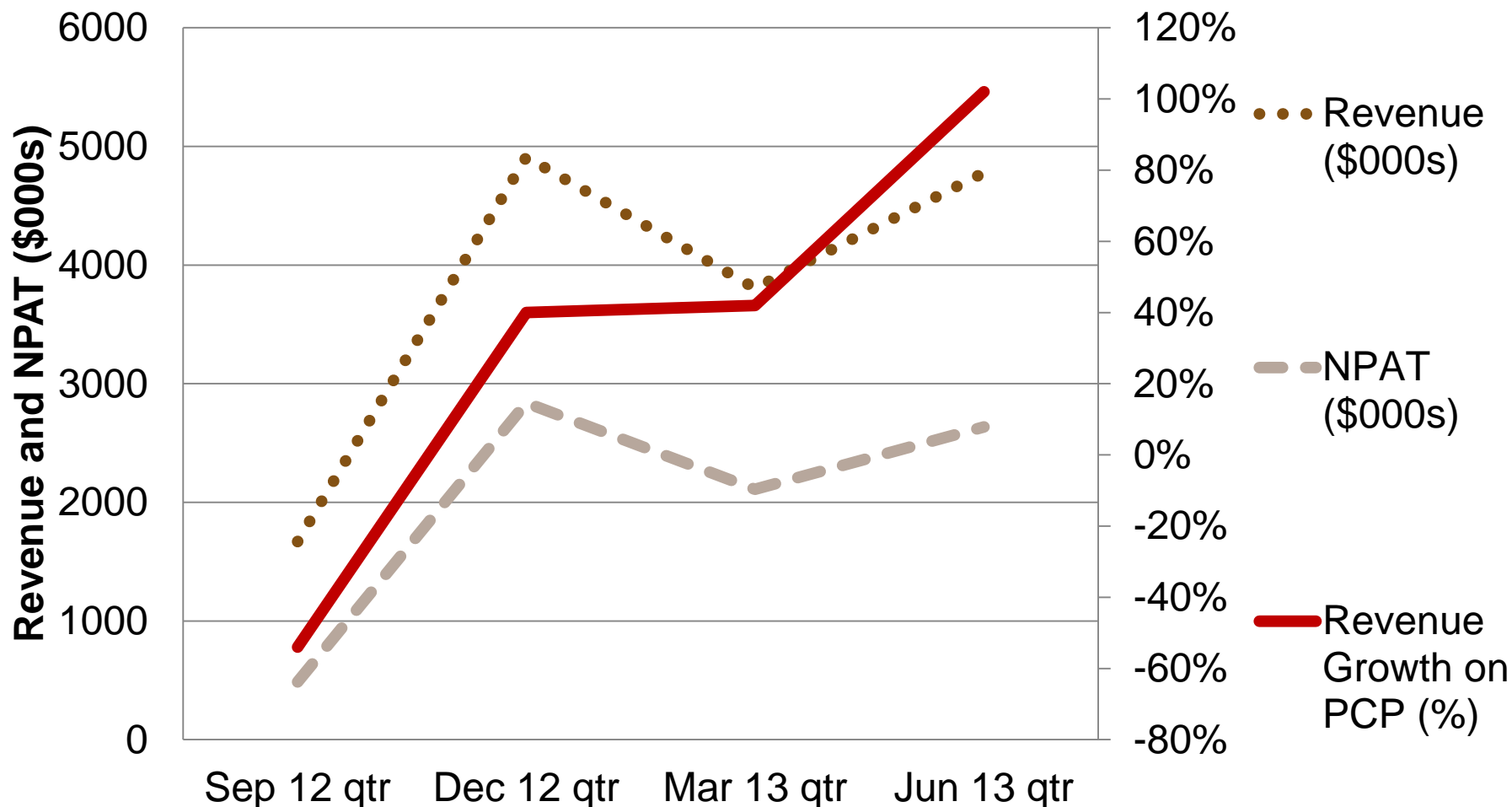
	FY13	FY12
Revenue after tax	\$720k	\$582k

Lao Cai International Hotel – Economic Model

	FY13	FY12	% Change
Gross Gaming Revenue	\$38.47m	\$34.41m	↑ 12%
– Marketing costs, inc. junket commissions	(\$18.53m)	(\$19.41m)	↓ 5%
– Gaming tax	(\$5.99m)	(\$4.51m)	↑ 33%
= Net Gaming Revenue	\$13.95m	\$10.49m	↑ 33%
Accommodation / F&B Revenue	\$0.72m	\$0.58m	↑ 24%
<u>Total Reported Revenue</u>	<u>\$14.67m</u>	<u>\$11.07m</u>	↑ 32%
Other income	\$0.5m	\$0.97m	↓ 47%
Operating Expenses and Cost of Sales	(\$4.17m)	(\$2.93m)	↑ 42%
Corporate Income Tax	(\$2.67m)	(\$2.24m)	↑ 19%
Depreciation & Amortisation	(\$0.26m)	(\$0.21m)	↑ 24%
Net Profit After Tax	\$8.07m	\$6.66m	↑ 21%

- NOTES:
- (a) All figures converted to AUD at the average exchange rate during each year: 2013: 1 USD = 0.9736 AUD; 2012: 1 USD = 0.9651 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.

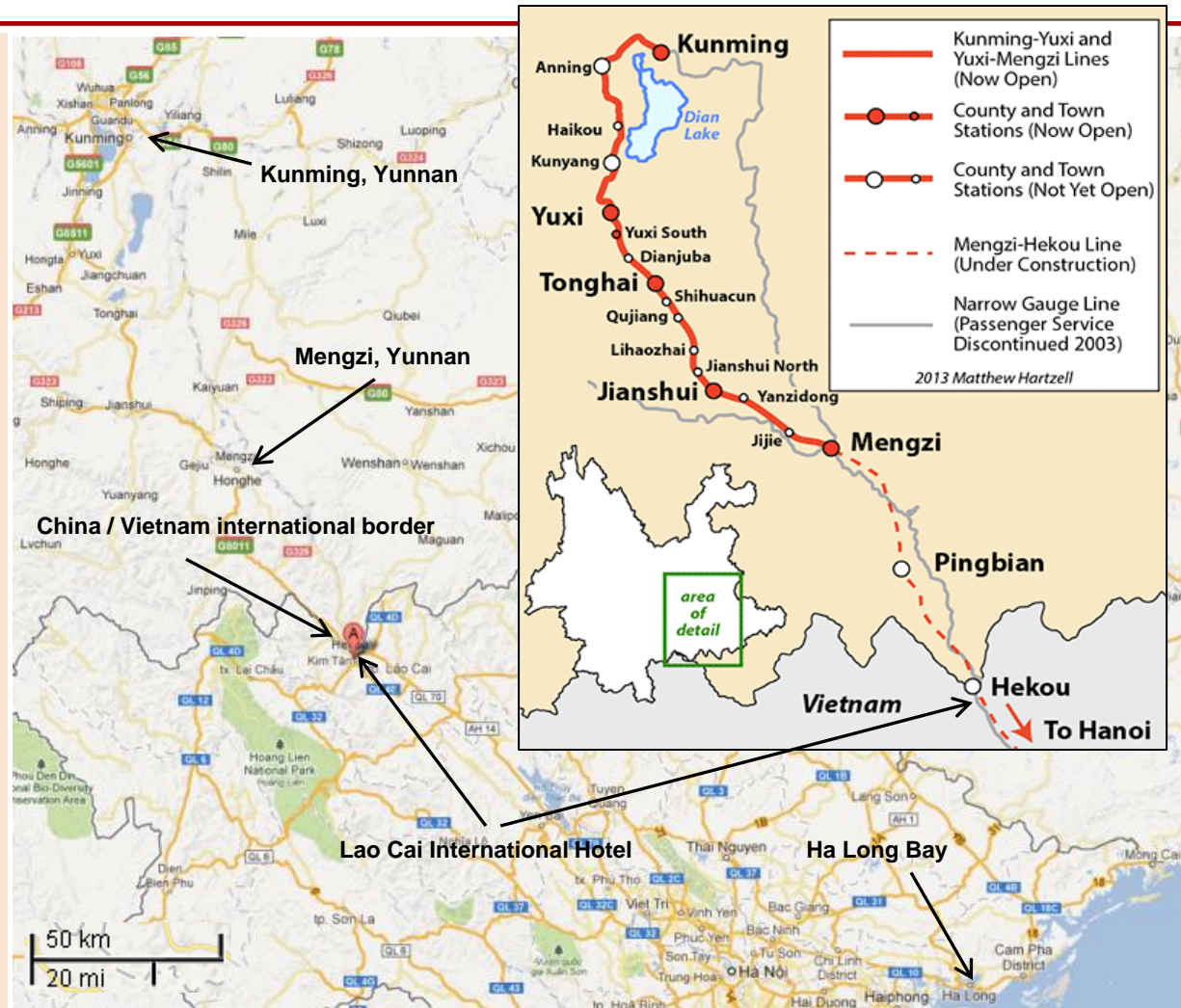
Lao Cai International Hotel – Strong Growth in FY13



Highway and Rail Upgrades in Yunnan Province

Bringing the target market closer

- Lao Cai is in north-eastern Vietnam, bordering the Yunnan Province of China
- Gambling is currently prohibited for citizens of Vietnam, so the hotel services international visitors
- 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
- Yunnan has an estimated population of 45.9 million, with 6.4 million residing in the capital Kunming
- All Yunnanese residents may visit Lao Cai province using a border pass – no visa required
- Expressway from Kunming to Lao Cai now 90% open – driving time reduced to 5 hours (previously 7-8 hours). Due to be 100% open by late 2013
- New train line from Kunming to Mengzi (150km from Lao Cai) has been completed and is open for passengers – see inset map



Lao Cai International Hotel – Construction Update

Expansion

- Received permission to expand the scope of operations and construct a new five star hotel and entertainment complex
- 12 story complex – full height now reached

Property

- New 428 room resort hotel with 3 restaurants and retail shops
- Four room types from standard to executive suite. Average room rate expected to be US\$100 per night

Timing

- Soft opening targeted for Chinese New Year (late January 2014)
- Minimal disruptions due to proximity to existing casino

Table numbers

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

Budget

- Revised budget estimate of US\$57m (for a 5-star hotel), of which US\$26m has been spent to date
- Cost increase due to higher quality materials for better finishes, and improved customer registration facilities. Donaco is investing more in anticipation of an increase in the number of visitors, and a greater volume of business at the new casino
- Donaco is liable for 100% of construction cost. JV partner has contributed the land component
- Debt facility (US\$9m) in place with Ocean Bank – not drawn down as yet. Increase in size of facility (if required) viewed positively by financiers



Construction Update cont.





- Gaming Technology team enhances the efficiency of Donaco's gaming operations, while also generating revenue
- Currently working on new CRM and casino loyalty systems for the new Lao Cai International Hotel
- Also providing technical support and development for Way2Bet wagering portal
- Mobile payments business contributed revenue of \$470k and NPAT of \$61k for the June 2013 month
- Former Two Way Limited business as a whole contributed revenue of \$542k for the five months from 1 February to 30 June 2013
- Way2Bet revenues grew by 60% in the 12 months to June 2013
- "TAB Active" business sold to Tabcorp Holdings Limited on 30 June 2013. One-off gain of \$863k on sale (see "Non-Recurring Items")
- Cost base in Australia reduced further via restructure of workforce and move to new office premises in July 2013

Other Income and Non-Recurring Items

Other Income	FY13	FY12
Interest income	\$865,980	\$361,242
Exchange rate gain – Lao Cai Hotel ^(a)	\$322,784	\$614,734
Total	\$1,188,764	\$975,976

NOTES: (a) Lao Cai Hotel conducts gaming operations in Chinese renminbi, so benefits from exchange rate gains against USD

Non-Recurring Items	FY13
Exchange rate gain – Singapore ^(b)	\$945,158
Gain on sale of “TAB Active”	\$862,964
Merger, acquisition and restructuring costs	(\$615,652)
Total	\$1,192,470

NOTES: (b) One-off gain on conversion of AUD20m to USD

Expense Increases in FY13

Expense Category	FY13 Increase
Hotel Staff (expansion of workforce, training, salary increases)	\$810k
Hotel Marketing Expenses	\$173k
Hotel Cost of Sales (F&B consumables)	\$125k
Corporate Overhead / Listing Costs (to support ASX listing)	\$712k
Travel	\$63k
Cost Base of Acquired Businesses	\$1,196k
Total	\$3,079k

- Expense increases break down into Lao Cai International Hotel (\$1.11m), corporate overhead to support ASX listing (\$0.77m), and cost base of acquired businesses (\$1.2m)
- Expenses at Lao Cai International Hotel will grow to support expanded operations at new property. Costs of other businesses have already been reduced, including via sale of “TAB Active” business
- Corporate overhead will only increase if the scale of the Company’s operations increases

Summary and Outlook

- July 2013 trading at Lao Cai International Hotel has continued the strong trend of the June half
 - ✓ Visitation increased by 16.4% compared to July 2012 (to 6,088 persons)
 - ✓ Total revenue increased by 130% compared to July 2012 (to USD1.68m)
- Donaco has signed MOU to increase its stake from 75% to 95% in the Lao Cai International Hotel JVC
 - ✓ This will lead to strong revenue and NPAT growth in FY14, once the transfer of the additional 20% stake is completed
- New hotel and casino construction continues on time and on budget
 - ✓ Soft opening targeted for Chinese New Year (late January 2014)
- Confident of obtaining approval to operate at least 16 tables upon opening of new hotel
 - ✓ Number of approved tables expected to be confirmed in December quarter
- Other Positive Developments for FY14:
 - ✓ Strength of USD will benefit Company's reported results in AUD
 - ✓ Vietnamese corporate income tax rate will reduce from 25% to 22% on 1 January 2014
 - ✓ Possible future relaxation of casino gambling restrictions, including a potential trial program allowing local Vietnamese citizens to enter casinos

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