



ASX: DNA

ASX RELEASE

21 November 2013

Annual General Meeting Presentations

In accordance with Listing Rule 3.13.3, Donaco International Limited lodges the attached Chairman's speech and Managing Director's presentation, to be delivered at today's Annual General Meeting of 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 Lao Cai International Hotel, a successful boutique casino in northern Vietnam. The Lao Cai International Hotel was established in 2002, and is located on the border with Yunnan Province, China. Donaco operates the business and owns a 75% interest, in a joint venture with the Government of Vietnam.

The Lao Cai International Hotel is a pioneer casino operator in Vietnam. The property is currently being expanded from a 3-star 34 room hotel, to a brand new 5-star resort complex with 428 hotel rooms.

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



**2013 Annual General Meeting of
Donaco International Limited
21 November 2013
Sydney**

CHAIRMAN'S ADDRESS

Shareholders, Ladies and Gentlemen

Good morning and welcome to the first Annual General Meeting of the restructured business of Donaco International Limited.

Thank you for being with us today.

I would like to begin by introducing our board of directors;

- Our Chief Executive and Managing Director, Mr Joey Lim
- Mr Ben Reichel, Executive Director and Company Secretary

And non-executive directors

- Mr Benjamin Lim
- Mr Mak Siew Wei
- and Mr Rob Hines

Also in attendance are CFO, Richard Na, and Mr Leo Tutt and Mr Scott Harrington from the Company's auditors, William Buck.

I would like to begin by thanking all our shareholders for your support in what has been a year of momentous change, culminating in the latest and successful capital raising of AUD25m completed this week. This raising will go to ensure sufficient working capital for our new 5 star, 428 room Hotel Casino Complex in Vietnam and underlies the strong support your company has received for its strategic development, together with shareholder confidence in its business model.

Following the successful completion of the corporate restructure and name change to Donaco International Limited, Mr Joey Lim was appointed Chief Executive Officer and Managing Director on 1st February this year.

Under Joey's leadership the business has made significant operational progress which is well reflected in the current share price.

A successful placement of \$25million was completed in two tranches in March and May 2013, resulting in strong institutional support to the share registry. These funds, together with this week's capital raising, enables the completion of the Vietnamese Hotel and Casino Complex, incorporating up to a maximum of 50 gaming tables, and a planned soft opening in early March 2014 of the gaming floor and at least 200 rooms. It is planned to be fully operational and opened by July 2014. I'm also pleased to advise that the cost to completion is expected to be in the order of USD\$53million compared to the budgeted figure of USD\$57million.

The year also saw a further acquisition of the Malaysian based business iSentric Sdn Bhd which was completed on 1 June 2013. iSentric is a successful and profitable mobile services business operating in South East Asia, and now forms the core of our Gaming Technology division, together with the successful Way2Bet marketing portal for wagering operators in Australia.

The financial year concluded with the sale of the TV wagering service, known as "TAB ACTIVE", to Tabcorp Holdings Limited.

The financial results for the year reflect the very strong growth at the Company's flagship Lao Cai casino property, with a 41% increase in both revenue and net profit after tax (on a like for like basis). With the refocused business, your directors are very confident that a powerful foundation has been put in place to take advantage of further growth opportunities in the Asian region, with a number of initiatives currently under investigation.

As I have highlighted in the Annual Report, the Company now provides shareholders with direct exposure to the substantial gaming industry growth that is taking place in the Asia Pacific region, with a unique offer, contrasting it with the existing mature Australian based gaming operators.

Before handing over to our Chief Executive, Joey Lim I would like to highlight the recent appointment to the board of Rob Hines on 1st November. Rob brings considerable experience in the wagering and gaming business and we welcome him to the board.

As a result of Rob's appointment, we have recently restructured our Board Committees, with Rob being appointed as the chair of both the Audit and Risk Management Committee and the

Nominations, Remuneration and Corporate Governance
Committee.

I would also like to acknowledge and thank Gerald Tan, who played a key role in the restructure of the business, and who recently stepped down as a Director.

In conclusion I would like to thank all our staff in Malaysia, Vietnam and Australia who have made considerable contributions in a challenging and successful year for our Company.

I would now like to hand over to our Managing Director, Joey Lim, who will provide more detail on the Company's recent performance and the current state of our business.

Thank you.



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

Investor Presentation

Mr Joey Lim
Managing Director and CEO
November 2013

Latest Developments

- Donaco has a 75% stake in the Lao Cai International Hotel, a boutique hotel and casino in northern Vietnam, on the border with Yunnan Province, China (population 46m)
 - Donaco has signed an MOU to increase its stake to 95%. Binding sales and purchase agreement due to be completed during December quarter
- 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
 - Only 36 slot machines currently operating. New hotel will have much higher number
- September 2013 quarter trading at the Lao Cai International Hotel has continued the strong growth trend of the June and March 2013 quarters
 - September 2013 quarter well ahead of September 2012 quarter, which was relatively weak due to a lower win rate at the Lao Cai International Hotel
- Construction of new hotel with 428 rooms and expanded casino business continues, under budget
 - Soft opening planned for early March 2014 (gaming floor and 200 hotel rooms)
- Vietnamese authorities have indicated that the new hotel will have up to 50 tables, with a minimum of 26 tables. Management plans to open the new casino with 40 tables
 - Final number of tables on opening still to be confirmed
- Successful raising of AUD25m in working capital to ensure sufficient liquidity to deploy 40 gaming tables at the new hotel, and to support the expanded casino business

Lao Cai International Hotel - Overview

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, mostly on a complimentary basis
- Bar and dining facilities
- Employs 450 staff. Senior management comprise long-term staff from the Genting Group

Gambling facilities

- Eight gaming tables with a minimum wager of RMB 200 (~A\$34) and maximum wager of RMB100,000 (A\$17,000), providing Baccarat and Sic Bo
- 36 electronic gaming machines (EGMs) sourced from Aristocrat, Weiki, and IGT. Max bet RMB60 (A\$10). Licence allows 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 (visa required)

Patrons

- Vietnam currently does not allow its citizens to gamble within the country
- Most patrons are from Yunnan Province, China (population 46m). All Yunnan residents may visit Lao Cai province using a border pass – no visa required
- Gamblers are typically sourced through junket operators. Typically “high roller” who checks in with A\$100k+
- Gamblers are booked into the hotel at the junket company’s expense, in exchange for a commission on the gamblers’ turnover
- To minimise risk, junket operators have to put up a deposit with the hotel. Any credit risk to the players is borne by the junket operator
- Casino cannot accommodate all approved junket operators at any one time, so a roster system is in place



Recap of 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 14*

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 acquired Gaming Technology businesses from 1 February 2013 (Two Way Limited), and 1 June 2013 (iSentric Sdn Bhd).

September 2013 Quarter – Trading Update

- September 2013 quarter maintained strong trend of June and March 2013 quarters. (September 2012 quarter was relatively weak due to a lower win rate at the Lao Cai International Hotel).
- September 2013 quarter also reflects growth from acquired Gaming Technology businesses

	Sep 13 Qtr	Sep 12 Qtr	% Change
Operating Revenue	\$6,314,078	\$1,607,787	↑293%
Other Income	\$269,938	\$61,500	
Operating Expenses	(\$3,217,869)	(\$1,052,825)	
EBITDA	\$3,366,147	\$616,462	↑446%
Depreciation & amortisation	(\$74,288)	(\$59,598)	
Income tax expense	(\$928,451)	(\$164,288)	
Net Profit after tax and before minority interest	\$2,363,408	\$392,576	
Minority interest	(\$696,337)	(\$121,300)	
Net Profit After Tax	\$1,667,071	\$271,276	↑515%

NOTES: (a) All figures converted to AUD at the average exchange rate during each year: FY14 year to date: 1 USD = 1.0911 AUD; FY13: 1 USD = 0.9736 AUD.

(b) September 2012 Quarter (FY13) comparatives are to Donaco Singapore Pte Ltd. FY13 includes acquired Gaming Technology businesses only from 1 February 2013 (Two Way Limited), and 1 June 2013 (iSentric Sdn Bhd).

New Hotel and Casino – Construction Update

Expansion

- New five star hotel and entertainment complex with 428 hotel rooms, 3 restaurants and retail shops
- Four room types from standard to executive suite. Room rate expected to be up to US\$100 per night

Current Status

- 12 story complex – full height now reached
- Glass installation has begun

Timing

- Soft opening now planned for early March 2014. This will include the gaming floor and at least 200 hotel rooms (ahead of previous target of 100 hotel rooms)
- Remainder of hotel will be completed over several months. Property expected to be fully open by July 2014
- Minimal disruptions due to proximity to existing casino

Budget

- Budget of US\$57m (for a 5-star hotel), which is fully funded
- Now expected to come in under budget at US\$53m
- Donaco is liable for 100% of construction cost. JV partner has contributed the land component
- US\$31.5m invested to the end of September 2013
- US\$20m cash on hand at end September includes unredeemed chips balance of US\$8.9m – so net cash of US\$11.1m
- Debt facility (US\$9m) in place with Ocean Bank. US\$3m drawn down in October. Additional US\$9m has been offered.



VIEW FROM MAIN ROAD



VIEW FROM CASINO

Construction Update cont.



Construction Update cont.



Licence Variation – Increase in Gaming Tables

- Lao Cai International Hotel has an existing gaming licence, granted in 2002, which expires in 2032
 - Donaco does not need to apply for a new licence
- Donaco has sought to amend the licence to increase the allowable number of casino tables from the current 8 tables, to a much larger number
 - Donaco has previously stated that it is confident of a minimum of 16 tables
- Ministry of Planning and Investment (**MPI**) has now indicated that up to 50 tables will be approved, with a minimum of 26 tables
- Based on these discussions, and management's knowledge of the business and the relationship with the Government, management plans to open the new casino with 40 tables
 - Gaming floor will comfortably accommodate 40 tables, with room to add more
- In order to open with 40 tables, Donaco has successfully raised additional working capital, to ensure sufficient liquidity in the event of player wins from time to time
 - Estimate is that USD0.5m per table is required
 - Additional funds raised will support marketing into Yunnan Province, and for working capital
- Formal approval of additional tables not yet received; due to be received in early 2014
- In addition MPI has indicated that the casino licence will be reset, extending the expiry date from 2032 to 2044



- 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 operates a leading mobile payments business in Malaysia and Singapore.
- Specialises in mobile micropayments for digital content, via partnerships with telco operators
- Clients include Huawei and Digi (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

Strategy

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 local Vietnamese to gamble at casinos

Future growth

- Vietnamese Government may be flexible on other gaming areas (eg. lotteries, sports betting, racing)
- Overseas expansion opportunities – the company could leverage on its expertise in South East Asia and expand into other regions
- Improved international reach and relationships through the Lim family
- Continued focus on gaming and leisure

Strong existing business

- Established track record in Vietnam
- Highly experienced management team
- Joint venture relationship with the Vietnamese Government
- Proximity to China
- Nearest competitor is in Ha Long Bay (approx 450km away)
- Increasing share of JV to 95%

Expansion project

- New Lai Cai Hotel will provide a more inclusive entertainment complex
- Highway and rail upgrades in Yunnan Province, China are bringing the target market closer
- Continue to expand junket marketing program
- Plan to open tourism offices in Yunnan (in conjunction with Vietnamese authorities) to promote tourism to the Sapa region (French Colonial resort town, c. 1 hour from Lao Cai – popular with Western tourists)

Strong Opportunity Strong Profitability

Summary and Outlook

- Lao Cai International Hotel is perfectly positioned to ride the wave of Chinese growth
 - ✓ Existing casino and hotel shows strong cash flow and profitability
- 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 under budget
 - ✓ USD53m cost expected – under budget of USD57m
 - ✓ Soft opening targeted for early March 2014
- 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
 - ✓ Successful capital raising to support expanded casino business
- Other Positive Developments:
 - ✓ 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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