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## GRAND DESIGNS

Vietnam is undergoing a gaming resurgence thanks to new legislation and the latest mega resort developments

The first hotel casino at Vietnam's biggest ever tourism development; the Ho Tram Strip, opened for business in late July, marking the country's first integrated resort, The Grand – Ho Tram Strip.

The 541 room resort includes live table and electronic gaming facilities, meeting and convention space, 13 bars and restaurants, a spa, teen's and children's areas, three swimming pools and luxury retail shops.

Work commenced in October 2012 on the second tower of The Grand, which will add another 559 rooms along with additional entertainment amenities, and bring the resort to a total of 1,100 rooms.

Colin Pine, General Director of the Ho Tram Project Company, the developer of the Ho Tram Strip, said: "This has been a monumental effort, and we stand here not just launching a hotel, not just launching a casino- we are launching a new era of tourism for Vietnam – and I owe a huge debt of thanks to all of the team at the Ho Tram Project Company and all of our partners around the nation, all of the authorities that have been so supportive of this amazing property that we are opening."

The Grand – Ho Tram Strip Vice President of Hospitality, John Webb concurred, saying that: "Nothing like this has ever been attempted here – and I can say it is both exciting and humbling to be creating history. A little piece of history starts now. I have lost track of the number of visitors we have had through here in the past few months, and everyone has the same reaction as they take in the size and scale of Vietnam's first truly integrated resort. It is over-awing. It is utterly magnificent. The response to our project has been phenomenal," said Mr. Webb. "We are fully booked already, to the point where we have had to reserve rooms at nearby resorts to deal with the overflow of people who are Ho Tram bound."



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Indeed this reception has been widely shared by international tourism operators, who will form a key target audience for bringing high-end customers to the rooms, restaurants and tables of The Grand – Ho Tram Strip.

"I have personally led over 40 international tour companies through The Grand and I am excited by the incredible response to our integrated resort. Everyone who has walked through our doors has commented on our unique, elegant style and lavish casino gaming facilities. One tour company actually tripled its original booking within 24 hours of visiting our site – a commitment of over 400 guests a month," said Michael Santangelo, The Grand – Ho Tram Strip Vice President and Chief Operating Officer.

The resort opened its doors in an invite-only VIP event on July 26, featuring the who's who of Vietnam's social scene, along with visitors from around the world. The property is off to a roaring start, with August and September beginning to fill up already.

The Grand represents the first integrated resort to open on the Ho Tram Strip, which will ultimately include a second integrated resort to be operated by Pinnacle Entertainment Group, and three other five star resorts, all to be set along a 2.2km beach-front, surrounded by protected forest, and located around 2.5 hours from Ho Chi Minh City.

The complex further includes a Greg Norman designed golf course, The Bluffs, which Mr. Norman himself recently described as "one of the three most beautiful courses" that he has ever been associated with.

### VIETNAM MOVES THE GOALPOSTS

The development of The Grand – Ho Tram Strip has energised the Vietnamese government into taking action to update its gaming legislation and taxation systems. The country's Ministry of Finance earlier this year adopted a new taxation model with respect to casino enterprises and has also tightened the operating requirements for locations siting electronic gaming machines.

Regarding taxes, a casino enterprise must pay: a special sales tax (SST) at 30 per cent; plus value added tax (VAT): 10 per cent; and corporate income tax (CIT): 25 per cent, subject to a declaration method combined with a minimum tax on a deemed basis to be issued by the MoF. No tax incentives or reductions apply to casinos and prize-winning electronic games, as well as the purchase of gaming machines or tables.

Investors planning to establish new casino businesses must have at least 10 years of relevant experience in recreational complex activities and register at least US\$4bn in investment capital. The area of the casinos must not exceed three per cent of the total area of the construction in the resort, tourism and entertainment location. In addition, an investor can only obtain an operation permit for casino activities after it has completed the construction of the core work under the investment license (resort/tourism area).

- 01 The opening night party at The Grand Ho Tram.
- 02 The Steelman Partners designed casino.
- 03 Interior of The Grand's Night Club.
- 04 Robert Wolfe, Executive Chairman of ACDL at the ribbon-cutting ceremony.
- 05 The Ginger restaurant
- 06 The spectacular infinity pool.



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Regarding advertising and promotion, a casino enterprise may advertise as per the Law on Advertisement, which came into effect January 1, 2013. This new rule allows casino enterprises to advertise with few limitations (in the past, many casino enterprises have faced issues with the authorities regarding certain advertisement). In addition, casino enterprises are allowed to provide discounts to players at a cap of two per cent of the total value of conventional money exchanged by the players, and such discount is utilised to reduce taxable revenue.

The casino enterprises can also provide accommodation, food, transportation and other services to the players as promotions. The enterprise may not provide any other forms of promotion. There is also currently a cap for CIT deduction on for advertising and promotional expenses.

Concerning admittance into casinos, the MoF Decree confirms that only foreigners and



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overseas Vietnamese (those with foreign passports) are allowed to enter casinos. It had been widely expected that this rule would be amended to allow high income local Vietnamese to gamble, but that's not been the case.

### LICENCED GAMING TIGHTENED

Having consulted for over a year, the Vietnamese government has issued a new decree regulating the operations of electronic gaming service providers thereby creating a comprehensive regulatory framework for the industry in Vietnam. The new decree will narrow the facilities entitled to offer electronic games.

The governmental Decree 86/2013/ND-CP dated July 29, stipulates that all 5-star or equivalent hotels and resorts are free to offer electronic gaming services as long as they are in a separate facility and satisfy security requirements. This means hospitality businesses with less than five stars will no longer be allowed to operate such services.

According to the Ministry of Finance, the new decree replaces Decision 32/2003/QĐ-TTg, issued almost a decade ago, which was the only legal framework regulating electronic gaming service providers. The new decree however does not include the operations of casinos, only electronic gaming machines.

Decree 86 is unchanged regarding the prohibition of Vietnamese from entering gaming facilities, but it is a significant step forward in the development of the gaming industry according to the recently opened The Grand – Ho Tram Strip.

"We are very pleased with the new decree, as it shows the Vietnamese government is taking the gaming business seriously and protecting both people and businesses with an appropriate legal framework. From what we understand, the government intended to start with electronic games and will subsequently develop a structure for the casino business as a whole," said Colin Pine.



Mr. Pine believes that to build a successful, safe, and organised gaming industry, it is important to have an adequate legal framework that applies to all enterprises operating in the industry.

"Decree 86 is a strong first step towards Vietnam having an international standard gaming industry," he added.

The Vietnamese government's decision to narrow down businesses eligible for electronic gaming to 5-star and 'high-grade' hotels means there will be fewer businesses of this type in urban areas.

"This strategy will create more interest in tourist destinations outside of the major urban centres, which will help diversify tourism and promote economic development outside major cities. Also, this will help focus gaming tourism to specific areas with large-scale casinos that can be more carefully and effectively monitored and managed," Mr. Pine explained.

Electronic gaming services were first allowed in Vietnam in 1992, and since then, 50 gaming businesses have been licensed nationwide. The largest in the country is the Grand Ho Tram, the first resort of the Ho Tram Strip project, which includes 90 gaming tables and 1,000 slot machines.

The Ministry of Finance reports that the total revenue from electronic gaming services reached around \$72m per year, with the industry contributing \$11.5m per year to the state budget.

Under the new Decree, electronic games are reserved only for foreigners and overseas Vietnamese who hold valid foreign passports granted by foreign competent agencies and legally enter Vietnam.

The above subjects must have full civil act capacity and voluntarily obey gaming rules and regulations prescribed in the Decree.

Vietnam's northern province of Ha Giang announced plans to host a casino as part of a 2.7sq.km tourism complex in the Dong Van highlands that will include hotels, restaurants and other leisure attractions. The project, due for completion in 2020, has been approved by the central government as a 'preservation' project aimed at boosting the local economy, which is composed of about 250,000 people.

Businesses offering electronic gaming services are allowed to set up only one establishment where only one machine for the game is installed per five rooms offered by the five-star establishment and as stipulated in their business certificates.

Under the Decree, administrative infringements shall receive a fine of VND 100m (US\$4,700) for each individual violator and VND 200m (US\$94,000) for each violated organisation. In case of violation, in addition to monetary fines, casinos may have their business licenses withdrawn from six months to one year. If the violation is repeated, they will be suspended up to two years. The Decree will take effect from October 1, 2013.

Statistics showed that 43 establishments including three-or-more star hotels and tourist agencies with jackpot machines and slot machines are in operation in Vietnam, mainly in Ha Noi and HCM City.

#### MEGA-RESORT DOWNSIZED AND DELAYED

In addition to The Grand - Ho Tram Strip, further developments are ongoing, including the stalled South Hoi An project. Investment management and real estate development firm VinaCapital is



seeking approval for changes to the development plan of its \$4bn integrated resort in an effort to help the firm find a new partner to replace Malaysian casino operator Genting, which pulled out in 2012.

The first phase of South Hoi An is said to be similar to the first phase of Ho Tram Strip project. According to officials from the central province of Quang Nam's Chu Lai Economic Zone Management Authority, VinaCapital has proposed a one third reduction of South Hoi An's land site, downscaling to 1,000 hectares from the previous 1,500 hectares. Furthermore, the developer has asked permission from the provincial people's committee to delay the completion of the entire project to 2035.

VinaCapital hopes that the change of the project's development plan will be supportive in finding new partners to replace Genting, with the company intent on finding a major partner within the third quarter of this year.

VinaCapital and Genting Malaysia Berhad (GENM), a subsidiary of Genting Group, gained an investment certificate to develop the \$4bn integrated resort in Quang Nam three years ago. VinaCapital holds an 80 per cent stake in the joint venture, with GENM holding the remaining 20 per cent.

According to Quang Nam Provincial People's Committee, the project consists of five-star



Donaco International (DNA) owns a 75 per cent stake in the Lao Cai Hotel in Vietnam which includes a licensed casino. The remaining 25 per cent held by the state-owned PetroVietnam Sapa Tourism Joint Stock Company (PVST). Donaco and PVST have reached agreement in principle for Donaco to buy an additional 20 per cent interest in the joint venture, leaving the Government of Vietnam with the remaining 5 per cent. Donaco's total cost to acquire the 20 per cent stake is US\$4m.

hotels, resorts, villas and a gaming facility for foreigners. VinaCapital was founded in 2003 and is now managing \$1.5bn of assets in Vietnam. South Hoi An is VinaCapital's largest property project in Vietnam, and one of only four licenced integrated resort projects in the country having the total investment capital exceeding \$4bn.

VinaCapital and Genting previously planned to start the construction of the project last year after completing site clearance work. However, the construction has not begun yet, as Genting announcing their withdrawal from the project in September 2012, forcing VinaCapital to find other partners. VinaCapital has since introduced local authorities to several foreign companies to replace Genting, but none have seriously discussed investing in the project.

VinaCapital is still committed to pursuing the project and had made plans to open the first phase in the fourth quarter of 2015.

The first phase covers an area of 23ha and will comprise 500 hotel-rooms, 90 gaming tables and other tourism facilities. This is said to be similar to the first phase of Ho Tram Strip project opened by Asia Coast Development Limited.

#### FURTHER EXPANSION IN THE NORTH

Further north in Lao Cai province, Donaco International is making moves to boost its stake in the Lao Cai International Hotel, in which Vietnam's first licensed table gaming operation was launched in 2002. Donaco International (DNA) owns a 75 per cent stake in the Lao Cai Hotel in Vietnam which includes a licensed casino. The remaining 25 per cent held by the state-owned PetroVietnam Sapa Tourism Joint Stock Company (PVST). Donaco and PVST have reached agreement in principle for Donaco to buy an additional 20 per cent interest in the joint venture, leaving the Government of Vietnam with the remaining 5 per cent. Donaco's total cost to acquire the 20 per cent stake is US\$4m. The dominant shareholders of DNA are the grandsons

of the founder of the Genting Group. Donaco is currently constructing a new hotel and casino in Lao Cai which is scheduled to be operational in early 2014. The Lao Cai property is to be boosted from 34 to 428 rooms and upgraded from three-star to five-star standards. Most of the property's existing rooms are provided free of charge to visiting VIP gamblers, while the new rooms will cater for mass market players who will be able to play on the expanded table gaming offer from the present eight tables to an estimated 30-40 tables and 100 slot machines. The new hotel is expected to cost US\$43m upon completion and the complete redevelopment and expanded share ownership of the property is expected to cost Donaco around US\$52m, of which \$24.7m has already been allocated, and the remainder to be furnished via cash on hand or generated from ongoing operations.

Donaco's other gaming holdings include the Way2Bet online wagering comparison site, which features input from major Australian bookies.