donaco
INTERNATIONAL

2018
ANNUAL REPORT

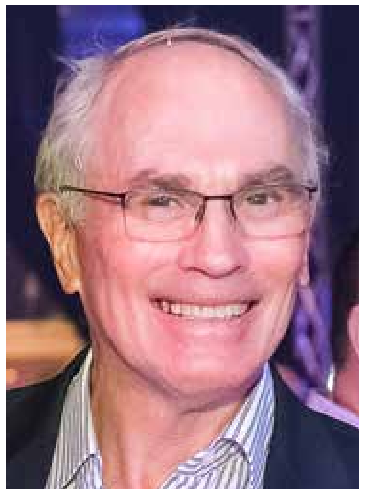
FULL YEAR STATUTORY ACCOUNTS – 30 JUNE 2018

Contents

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of Donaco International Limited will be held at Boardroom Pty Limited, Level 12, 225 George Street, Sydney NSW 2000 on 29 November 2018 at 2.30pm (Sydney time).

FROM THE CHAIRMAN



Dear fellow shareholders,

The 2018 financial year can be described as a year of challenges, changes and progress.

The challenges occurred early in the year when it became apparent that the vendor of the Star Vegas casino was operating two casinos in breach of the non-compete provisions in the sale contract. This challenge was compounded by the poaching of our VIP junkets by the vendor, which severely impacted our junket business at Star Vegas.

The Board acted swiftly when the issues were identified and we are actively pursuing all legal avenues to stop the illegal operation of the competing casinos, and to receive compensation for the financial impact that we have suffered as a result of the contract breaches.

The Company was successful in obtaining an injunction ordering the closure of the competing casinos. After the injunction was obtained, one of the casinos changed its name from 'Star Paradise' to 'Winsor', and at present continues to operate. The vendor's initial arguments against the injunction were rejected by the Cambodian court, but a further appeal by the vendor to a higher court is pending.

In late March 2018 the Company obtained a freezing order on the vendor's Donaco shares from the NSW Supreme Court, and this order has now been extended until 2 November 2018.

When the breaches became apparent the Board withheld the final management fee payment to the vendor in respect of the 2017 financial year. The vendor then made a claim for security rights over certain assets of Star Vegas, relating to this payment. This claim was rejected by the Cambodian court, but a few days later, a different firm of lawyers acting for the vendor filed an essentially identical claim. We have argued that this is an abuse of process, and should also be rejected.

The vendor then threatened to terminate the lease of the Star Vegas property, on what the Board considers to be contrived and spurious grounds. The Company has obtained an injunction to prevent the threatened termination, and the injunction continues in force. The vendor has now commenced arbitration proceedings in Cambodia over this matter. The Board is seeking a positive resolution within the next six months.

The vendor has also commenced defamation proceedings in Thailand against Donaco and two of our directors for damages of THB1 million (approximately $41,000). This frivolous claim relates to Donaco's ASX releases, which Donaco is legally required to issue. We will not be deterred from our obligations to keep our shareholders informed of the important issues and developments in relation to these matters.

Most significantly, the Board has commenced arbitration proceedings in Singapore for US$190 million, relating to the vendor's breaches of the sale agreements for Star Vegas, and the subsequent impairment charge that was incurred to the Star Vegas casino license. The Board would like a rapid resolution to this issue, but unfortunately the hearing date is currently set for 29 July 2019, due to unavailability of lawyers and the arbitrator.

The year has also seen a number of significant changes.

At the Board level, the directors appointed by the Star Vegas vendor have left, following the breaches by the vendor. We are comfortable with our present Board composition and experience of our Board members. Strong corporate governance remains the Board's most important area of focus at Donaco, and we retain our recognition in the Asian region as a group that operates with high standards of probity and good governance.

A significant change occurred when management of the Star Vegas casino was taken in-house in July 2018, following the expiration of the management contract with the vendor. The new management team have worked actively to address and rebuild the VIP business at Star Vegas, and to undertake a number of improvements at the property during the year.

Progress has also occurred during the year, with new junkets introduced at Star Vegas, new facilities being built and introduced at the property to attract new main floor and VIP patrons, the refurbishment of hotel rooms, the introduction of new gaming machines and gaming systems, and the recently announced launch of the online gaming operations. These initiatives will all hold the business in good stead over the next few years.

Despite the challenging conditions in our major market, the casinos continued to produce positive cash flows of $34.6 million, and this has been used to further strengthen our financial position through the repayment of debt.

The primary focus, given the challenges during the 2018 financial year, has been on further reducing the Mega Bank debt, which has now fallen to US$40 million, following the further repayment of US$8.55 million in August 2018.

The $143.9 million impairment charge which the Board deemed as prudent, given the breaches by the vendor, did result in the loss recorded in the statutory results. This has meant that the Board is unable to declare a dividend for the 2018 financial year, and cannot extend the current buy-back. Under the Mega Bank facility, these capital management initiatives are restricted to 100% of statutory net profit after tax (NPAT).

The Board recognises that capital allocation is one of the most important areas of value creation for shareholders, and aims to restore a range of capital management initiatives, such as buy backs and dividends, as the financial performance is restored.

On a separate note, despite the attention of the Board to the challenges presented to it during the 2018 financial year, we continued to make a positive contribution to the communities in which we operate both in Cambodia and Vietnam. For example, during the year we donated two mobile medical clinics to Samdech Techo Voluntary Youth Doctors Association. This is a not-for-profit organisation which mobilises medical professionals, medical students and volunteers to help provide free healthcare to rural Cambodians throughout the country. The two new mobile clinics will help to address a significant problem faced by poor families in remote areas of Cambodia, who often have difficulty accessing proper medical and dental treatment. At the Aristo in Vietnam, we made significant donations to local orphanages, schools and war veterans, assisting both with cash and with practical gifts.

In summary, the 2018 financial year was one of challenges, changes and significant progress. We expect that the encouraging signs that have emerged in the second half of the financial year in terms of restoring the VIP junket business at Star Vegas, the upgrades of facilities and slot machines and systems, together with the launch of the online gaming operations, and a further solid contribution from Aristo in Vietnam, should result in better performance in the next financial year. As a Board we aim to allow the management to focus on the business, as we attend to the issues of progressing and resolving the outstanding litigation against the vendor.

I thank our shareholders for their continuing support, and I assure you all that we will continue to pursue our legal rights aggressively, and demands for compensation, and will continue to keep you informed of our progress. I am pleased to say that management have taken up the challenge of restoring the financial performance of the group, and expect to see improved financial results for the 2019 financial year.

Stuart McGregor
Chairman

"Strong corporate governance remains the Board's most important area of focus at Donaco, and we retain our recognition in the Asian region as a group that operates with high standards of probity and good governance."

FROM THE MANAGING DIRECTOR

Dear fellow shareholders,

Donaco recorded a statutory loss of $124.5 million during the 2018 financial year, compared to a profit of $31 million the previous year. The primary factor was the Board's decision to incur a non-cash impairment charge of $143.9 million in the value of the Star Vegas casino license, as a result of the breaches of the non-compete provisions by the vendor.

Our underlying earnings result, after adjusting for the non-recurring items, produced a net profit of $18.3 million. This was below last year's levels of $54.6 million, again due to the significant drop in VIP turnover at Star Vegas as a consequence of the breaches by the vendor.

Aristo continued to perform solidly during the year, and despite a lower win rate than last year it recorded a higher profit than last year, with strong growth in the VIP turnover at the property.

Despite the negative headline result, our group financial position remains strong, retaining positive cash flows of $34.6 million. Our net debt to equity reduced to 6.3% at the end of June, and a further principal repayment of US$8.55 million was made in August.

During the year, the new management team efficiently managed the cost base across the group, and despite the challenges, both properties were profitable.

Revenue at Star Vegas dropped from $110.2 million to $66.6 million, due to the poaching of our junkets by the Star Vegas vendor. There was also a backdrop of continuing subdued domestic demand in Thailand, which held back growth in the main floor revenues. The Star Vegas VIP win rate of 3% was closer to the theoretical range, but significantly lower than the very high win rate of 3.54% recorded last year.

The new management team put in place at Star Vegas following the conclusion of the vendor's management contract was unexpectedly faced with the challenge of rebuilding the Thai junket business, as the former junkets were poached and went to competing casinos operated by the vendor. It was pleasing to see their response to the challenge. We finished the financial year with five new junket operators at Star Vegas, and that was reflected in the second half VIP turnover, which improved by 54% over the first half.

There has been a substantial upgrade to the non-gaming facilities at the Star Vegas, together with refurbished hotel rooms. The slot machine inventory has been refreshed during the year, and we expect this to increase revenue during the 2019 financial year. During the year we also introduced the Bally casino management system at the property, which has allowed us to introduce a new loyalty scheme. Despite all this activity, our operational costs were tightly managed and decreased by 11% compared to the previous financial year.

We have also reached agreement in principle for a new tour group operator to bring in Chinese tourists, with the aim of filling our second main hall.

I would also like to acknowledge the changing role of Vivo Tower during the year. We originally engaged them to fill unused space at Star Vegas, by marketing it to non-Thai junket operators and players, and to bring in tenants to operate non-gaming facilities. However, following the breaches by the Thai vendor, Vivo was redirected to bring in new Thai junkets, and also assist us in improving the non-gaming amenities. We have now established a new nightclub, karaoke bar, spa and sauna, and a Chinese restaurant. We have also engaged third party online gaming operators to take space under rental deals.

As the management transition from the vendor is now complete, we have restructured the arrangements with Vivo. Under a new agreement, Donaco will receive direct rental payments from tenants brought in by Vivo, and Vivo have now been engaged to market and manage the Donaco online gaming platform, in return for a revenue share.

"In August 2018, we were pleased to announce that we have now launched our long awaited on-line gaming operations. It has taken us some time to make sure we have the right model and system, and we have now gone live with an advanced software platform that has been optimized for both mobile and desktop devices."

In August 2018, we were pleased to announce that we have now launched our long awaited online gaming operations. It has taken us some time to make sure we have the right model and system, and we have now gone live with an advanced software platform that has been optimised for both mobile and desktop devices. The platform has a live dealer and sportsbook, supports multiple languages and currencies, and will be offered to downstream partners, who will market to their own customer bases. We look forward to this becoming a significant revenue driver for us over the medium term.

The performance of the Aristo has been pleasing, with the property level NPAT growing by 19% on last year, assisted by lower finance costs and depreciation and amortisation. Property level earnings before interest, tax, depreciation and amortisation (EBITDA) fell 4% to RMB71.8 million due to a lower win rate, but the normalised EBITDA (using the theoretical win rate) improved by 38% to RMB151.3 million.

The Aristo VIP turnover improved significantly by 46%, as new VIP junkets were selectively allowed into the property. However total revenues at Aristo slightly reduced, with net gaming revenue 10.8% below last year. This is due to the lower win rate of 1.9%, compared to 2.3% in FY17, which was caused by a single VIP player winning RMB22.6 million during July and August 2017. Since that time the win rate has stabilised.

Visitation at the Aristo was down 12% compared to last year, due to the cancellation of a marketing initiative which was not meeting our objectives.

Despite this, slot machine revenue was only down slightly. Non-gaming revenue increased by 12.7%, to now make up 46% of total revenue, reflecting initiatives put in place to diversify the business.

Looking forward into the new financial year, our management team will continue to focus on rebuilding and improving the Star Vegas business, with multiple initiatives in progress. Over the medium term, we expect to drive growth from the newly launched online gaming platform.

At Aristo, we aim to further increase the number of mass market players visiting the property, and will selectively allow junket play when appropriate.

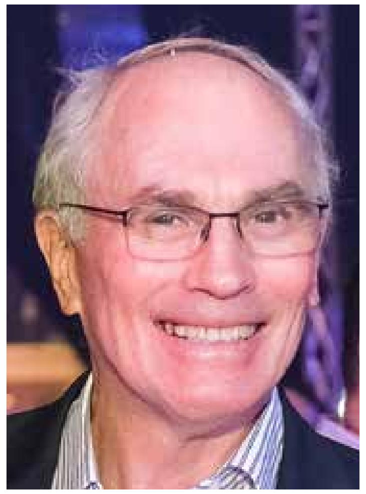
And at both properties, we are focused on growing non-gaming revenues to diversify earnings streams.

Our Board will continue to pursue the multiple legal actions which are in progress, and we remain confident of our position in these proceedings.

Overall, we look forward to restoring and growing the group earnings into the 2019 financial year and beyond.

Joey Lim
Managing Director and Chief Executive Officer

BOARD OF DIRECTORS



STUART JAMES McGREGOR

Independent Non-Executive Chairman
(appointed 19 November 2004)

BCom, LLB, MBA

Experience and expertise

Over the last 30 years, Mr McGregor has had a wide-ranging business career with active involvement across the Australasian and Asian Region. In business, he has been Company Secretary of Carlton United Breweries, Managing Director of Cascade Brewery Company Ltd in Tasmania and Managing Director of San Miguel Brewery Hong Kong Ltd, a publicly listed Hong Kong-based company with subsidiary businesses in China. In the public sector, he served as Chief of Staff to a Minister for Industry and Commerce in the Australian Federal Government, and as Chief Executive of the Tasmanian Government's economic development agency.

Other current directorships

EBOS Group Limited (ASX:EBO) (appointed in July 2013)

Former directorships (last three years)

None

Special responsibilities

Member of the Audit and Risk Management Committee and the Nominations, Remuneration and Corporate Governance Committee

Interests in shares

411,735 ordinary shares

Interests in options

None

JOEY LIM KEONG YEW

Managing Director and Chief Executive Officer
(appointed 1 February 2013)

BCompSci

Experience and expertise

Mr J Lim is the Managing Director and Chief Executive Officer of Donaco International Limited. He is also a director of Malahon Securities Limited, a stock brokerage company founded in 1984, and is a member and participant of the Hong Kong Exchange. He is also the principal of the Slingshot Group of Companies, which are investment companies based in Hong Kong. Relevant experience includes: working as an executive director to M3 Technologies (Asia) Bhd where he was responsible for strategic investments and corporate affairs; working at VXL Capital, China, a company whose business was focused on investing in and restructuring companies in Malaysia, Beijing, Shanghai and Hong Kong; and working as project manager for Glaxo Wellcome, London, UK.

Other current directorships

None

Former directorships (last three years)

None

Special responsibilities

None

Interests in shares

227,906,797 ordinary shares

Interests in options

1,931,757 unlisted employee options

BENEDICT PAUL REICHEL

Executive Director, Group General Counsel,
Company Secretary (appointed 20 July 2007)

BA, LLB(Hons), LLM(Hons)

Experience and expertise

Mr Reichel is an executive and company director in the gaming, media, and technology sectors, with more than twenty years' experience in major Australian listed public companies and law firms. Mr Reichel held the position of CEO and Managing Director of the company (then called Two Way Limited) from July 2007 to January 2012, and has remained on the Board since then. Previously, Mr Reichel was General Counsel of Tab Limited, a $2 billion ASX-listed company with operations in wagering, gaming and media. Prior to that, he was General Counsel of racing broadcaster Sky Channel Pty Limited, and held a number of executive positions at Publishing and Broadcasting Limited.

Other current directorships

None

Former directorships (last three years)

None

Special responsibilities

None

Interests in shares

918,245 ordinary shares

Interests in options

1,026,593 unlisted employee options

BENJAMIN LIM KEONG HOE

Non-executive Director
(appointed 1 February 2013)

BBus (InternatBus)

Experience and expertise

Mr B Lim is a director of Donaco Singapore Pte Ltd, and a major shareholder of Genting Development Sdn Bhd, a substantial property development business in Malaysia. He has a bachelors degree in international business with design management from Regent Business School in the United Kingdom.

Other current directorships

None

Former directorships (last three years)

None

Special responsibilities

Member of the Audit and Risk Management Committee and the Nominations, Remuneration and Corporate Governance Committee.

Interests in shares

107,311,200 ordinary shares

Interests in options

None

BOARD OF DIRECTORS

ROBERT ANDREW HINES

Independent Non-executive Director
(appointed 1 November 2013)

Experience and expertise

Mr Hines is one of Australia's leading gaming and wagering executives. As CEO of Racing Victoria Limited from 2008 to 2012, he led and managed the Victorian racing industry through a period of substantial change. Mr Hines also held CEO roles at Jupiters Limited (2000 to 2004), which was acquired by Tabcorp; and at AWA Limited (1997 to 2000), which was acquired by Jupiters. From 2005 to 2008, he was CEO UK and Europe for Vecommerce Limited, a natural language speech recognition company providing services to wagering operators. Mr Hines currently holds the positions of Chairman Sportsbet Australia Pty Ltd advisory group, and Non-executive Director of the Sporting Chance Cancer Foundation.

Other current directorships

None

Former directorships (last three years)

None

Special responsibilities

Chair of the Audit and Risk Management Committee and the Nominations, Remuneration and Corporate Governance Committee

Interests in shares

195,321 ordinary shares

Interests in options

None

HAM TECHATUT SUKJAROENKRAISRI

Executive Director (retired 23 November, 2017)

BSc (ChemEng)

Experience and expertise

Mr Sukjaroenkraisri is Vice President, Casino at Star Vegas Casino & Resorts Co, Ltd. He has more than nine years' experience in gaming and casino management. In his role at Star Vegas, one of Cambodia's largest and most successful casino resorts, Mr Sukjaroenkraisri has been responsible for developing the model for the slot machine business. This has become one of the most successful and profitable businesses for Star Vegas, and has helped to put Star Vegas into its current leadership position in the Cambodian gaming market.

Other current directorships

None

Former directorships (last three years)

None

Special responsibilities

None

Interests in shares

74,599,764 ordinary shares

Interests in options

None

PAUL PORNTAT AMATAVIVADHANA

Non-executive Director (resigned 3 July 2017)

MSc (MgtSc), BA (Banking&Finance)

Experience and expertise

Mr Amatavivadhana is a founding principal and the CEO of Infinite Capital, a successful boutique corporate advisory firm based in Bangkok. He has considerable experience in mergers and acquisitions, corporate restructuring and capital raisings. Mr Amatavivadhana is currently an independent director at Sansiri Plc., one of the largest real estate developers in Thailand, which is listed on the Stock Exchange of Thailand. His previous roles include: senior positions at Ayudhya Securities Plc (Managing Director); Ploenchit Advisory Co Ltd (Assistant Managing Director); UOB KayHian Securities (Thailand) Ltd; BNP Paribas Peregrine Securities (Thailand) Ltd and Securities One Plc.

Other current directorships

Sansiri Plc (SET: SIRI) (appointed 13 June 2008)

Former directorships (last three years)

None

Special responsibilities

None

Interests in shares

None

Interests in options

None

'Other current directorships' and 'Former directorships (last three years)' quoted above are directorships for listed entities only, and exclude directorships of all other types of entities, unless otherwise stated.

24 JULY 2017

Aristo presented gifts for war invalids and martyr's relatives with total amount of VND10 million (20 persons with VND500,000 each) at Duyen Hai ward, Lao Cai city on the occasion of the 70th anniversary of the martyr's day of Vietnam.

5 SEPTEMBER 2017

Aristo presented uniforms for 500 pupils of Phin Ngan Primary School and Junior school of Bat Xat district worth a total of VND121 million on the occasion of New School Year 2017–2018.

9 FEBRUARY 2018

Aristo presented 100 blankets, 100kg of rice, 10 piglets, 100 chickens, six chicken houses and VND15 million in cash with total value of over VND120 million to the Orphan Center of Lao Cai province on the occasion of New Year 2018.

> "We are committed to contributing to our local communities through engagement, purposeful charitable activities and supporting targeted development and wellbeing initiatives to enhance the welfare and quality of life for people in our region. Making a positive contribution helps build resilience and provides our employees with a sense of pride."

In Cambodia, the previous casino management at Star Vegas was not engaged in charitable work. We have changed this and have engaged in a number of charitable activities in the past year.

In December 2017, Donaco gave two mobile medical clinics to Samdech Techo Voluntary Youth Doctors Association. This is a not-for-profit organisation which mobilises medical professionals, medical students and volunteers to help provide free health care to rural Cambodians throughout the country.

With the two new mobile clinics, the association will be able to conduct minor surgeries and tests in the villages of rural Cambodia. This helps to address a significant problem faced by poor families in remote areas of Cambodia, who often have difficulty accessing proper medical and dental treatment.

The mobile clinics were assembled in Thailand from parts sourced from around the world. Donaco is pleased to be able to make this significant contribution to the wellbeing of the Cambodian people.

Other charitable activities included donations of cash and materials for flood victims in Banteay Meanchey province, Cambodia.

DIRECTORS' REPORT

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'group') consisting of Donaco International Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2018.

DIRECTORS

The following persons were directors of Donaco International Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Stuart James McGregor – Chairman
Joey Lim Keong Yew
Benedict Paul Reichel
Benjamin Lim Keong Hoe
Robert Andrew Hines
Ham Techatut Sukjaroenkraisri (retired 23 November 2017)
Paul Porntat Amatavivadhana (resigned 3 July 2017)

PRINCIPAL ACTIVITIES

During the financial year the principal continuing activities of the consolidated entity consisted of the operation of leisure and hospitality businesses across the Asia-Pacific region. This included:

- operation of a hotel and casino in northern Vietnam
- operation of a hotel and casino in Cambodia.

DIVIDENDS

A dividend of $4,113,618 (AUD 0.5 cent per ordinary share) was paid on 20 October 2017. The dividend was 100% conduit foreign income and was unfranked.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

RESULT HIGHLIGHTS

Underlying net profit after tax (NPAT) was $18.3 million, down from $54.6 million in FY17. Revenue at Star Vegas was significantly affected by the breach of contract by the vendor as well as subdued spending due to weak demand in Thailand.

	2018 $ million	2017 $ million
Statutory NPAT	(124.5)	31.0
Contribution of non-recurring items in NPAT result	(142.8)	(23.6)
Underlying NPAT	18.3	54.6
Group revenue	92.6	136.4
– Star Vegas revenue	66.6	110.2
– Aristo revenue	26.0	26.2
Group earnings before interest, tax, depreciation, amortisation and impairment (EBITDA)	42.4	65.3
Underlying Group EBITDA	42.4	84.4
Strong balance sheet with		
– cash	47.1	66.0
– borrowings	70.4	108.4
– net debt	23.3	42.4
– net debt to equity ratio	6.3%	8.7%

Reported loss after tax was $124.5 million, which included non-recurring items totalling negative $142.8 million. In contrast, the reported NPAT in FY17 was $31.0 million which included non-recurring items totalling negative $23.6 million.

The non-recurring items in FY18 were largely due to the Star Vegas impairment of $143.9 million. There was no further management fee expense payable to the Star Vegas vendor. In addition, there was positive non-cash warrant revaluation income of $0.7 million (vs. $1.1 million in FY17) and a net foreign exchange gain of $0.3 million (vs. loss of $1.1 in FY17). The working capital facility has now been repaid and fully amortised.

Excluding the non-recurring items, underlying NPAT for the group was $18.3 million, down from $54.6 million in FY17.

VENUE PERFORMANCES

Star Vegas vs. FY17

- net gaming revenue down 44.7% to THB1,519.7 million
- non-gaming revenue up 2.7% to THB153.3 million
- EBITDA down 53.9% to THB971.1 million
- property level NPAT down 46.4% to THB785.2 million
- VIP gross win rate of 3.0%.

Gaming revenue at Star Vegas was affected by the breach of non-compete clauses by the previous Thai vendor, which had a significant adverse impact on business. Spending was also subdued due to weak domestic demand in Thailand. Property level NPAT was down, reflecting lower VIP turnover. However, operating expenses were also down 11% which reflects more efficient management by Donaco compared to the former Thai vendor. The VIP gross win rate of 3.0% is a better reflection of the normal theoretical range of 2.7–3.0%, compared to FY17's win rate of 3.54%.

Overall, for the full 12 month period, the EBITDA at Star Vegas declined by 53.9% in local currency terms to THB971.1 million.

Aristo International Hotel vs. FY17

- net gaming revenue down 10.8% to RMB71.4 million
- non-gaming revenue up 12.7% to RMB60.4 million
- EBITDA down 4.1% to RMB71.8 million
- property level NPAT up 19.3% to RMB38.0 million
- VIP gross win rate 1.91%

Gaming revenue declined by 10.8% while non-gaming revenue increased by 12.7%, reflecting management initiatives to diversify the business. The increase of 19.3% in property level NPAT was primarily due to lower finance, depreciation and amortisation costs. EBITDA decreased by 4.1% in local currency terms to RMB71.8 million, due to a lower win rate.

CAPITAL MANAGEMENT

No FY18 dividend is payable due to the impairment charge, as dividends are restricted to 100% of NPAT under the Mega Bank loan facility.

Borrowings under the Mega Bank loan have been reduced to US$40 million, following a repayment in August 2018.

Further capital management strategies, including any extension of the current buyback, will require approval from Mega Bank.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

DIVIDEND

There will be no dividends declared for FY18.

SHARE OPTIONS

On 29 June 2018, the company announced the expiration of 2,930,625 options in accordance with their terms. The options were part of the FY14, FY15 and FY16 option series. Currently, there are 2,514,186 remaining options on issue.

TERMINATION OF VIVO ARRANGEMENT

On 23 August 2018, the contract between DNA Star Vegas Co., and Ltd and Vivo Tower Holdings Limited ('Vivo'), announced to the market on 16 June 2017, was terminated. DNA Star Vegas will now receive direct rental payments from the sub-licensees brought into the Star Vegas property by Vivo, which will substantially replace the fixed fee previously paid by Vivo. Under a new agreement, Vivo's role is to market and manage the online gaming platform owned by DNA Star Vegas, in return for a revenue share.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The company operates leisure and entertainment businesses across the Asia-Pacific region.

Our largest business is the Star Vegas Resort & Club, a successful casino and hotel complex in Poipet, Cambodia, on the border with Thailand. Star Vegas was established in 1999, and is the largest and highest quality of the Poipet casino hotels. The property has more than 100 gaming tables, more than 1,000 slot machines, and 385 hotel rooms.

Our flagship business is the Aristo International Hotel, a successful boutique casino in northern Vietnam, located on the border with Yunnan Province, China. Established in 2002, the property has recently been expanded to a brand new five star resort complex with 400 hotel rooms. Donaco is a pioneer casino operator in Vietnam, and owns a 95% interest in the business, in a joint venture with the government of Vietnam.

The operation and marketing of both of these properties will underpin our growth during the next 12 months.
Our strategy is to take advantage of the demand for leisure and entertainment in the Asia-Pacific region, and to leverage the experience of the Board and management in the gaming sector. This will complement the growth at the expanded casinos in both Cambodia and Vietnam, and provide for diversification.

The company continues to rebuild and improve the business at Star Vegas, with multiple initiatives in progress. Medium-term growth is expected from the newly launched online gaming platform. Marketing strategies for Aristo continue to be focused on increasing the number of mass market players visiting the property, while selectively allowing junket play where appropriate. The company is also focused on growing non-gaming revenues at both Star Vegas and Aristo to diversify earnings streams.

Material risks to the company's strategy include those affecting listed entities generally, and companies operating in Thailand, Cambodia and Vietnam generally. These risks include the possibility of adverse macroeconomic developments, such as exchange rate declines; cross-border disputes; or terrorist attacks affecting the company's key target markets. Other material risks include the possibility of adverse regulatory change affecting casino operators, such as changes in tax rates, and the possibility of breach of licence or legislation. These risks are carefully monitored by the Board and management team.

Multiple legal actions are in progress involving the Star Vegas vendor. The company is of the opinion that its position is strong, as shown by favourable court decisions issued to date. An injunction continues in force to prevent the vendor's attempt to terminate the Star Vegas lease. The company also believes that this matter will be resolved in its favour within the next six months. The arbitration in Singapore for the company's US$190 million damages claim is likely to exceed 12 months, with a hearing due to commence on 29 July 2019.

These key risks should not be taken as the only risks that may affect the company's operations, and many risks are outside the control of the Board and management team.

Except as noted above, information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

ENVIRONMENTAL REGULATIONS

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or state law.

COMPANY SECRETARY

Benedict Paul Reichel is an Executive Director and the Company Secretary. His qualifications and experience are set out above under 'Board of Directors'.

MEETINGS OF DIRECTORS

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2018, and the number of meetings attended by each director were as follows.

	Full board		Audit & Risk Management Committee		Nominations, Remuneration and Corporate Governance Committee		Special Committee[1]	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held
Stuart James McGregor	9	9	3	3	1	1	2	2
Joey Lim Keong Yew	6	9	–	–	–	–	2	2
Benedict Paul Reichel	9	9	–	–	–	–	2	2
Benjamin Lim Keong Hoe	7	9	2	3	1	1	–	–
Robert Andrew Hines	9	9	3	3	1	1	2	2
Ham Techatut Sukjaroenkraisri	3	4	–	–	–	–	–	–
Paul Porntat Amatavivadhana	–	–	–	–	–	–	–	–

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.
[1]During the year, a special committee was established on a temporary basis to deal with the management transition at Star Vegas.

REMUNERATION REPORT (AUDITED)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the *Corporations Act 2001* and its regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- executive summary
- principles used to determine the nature and amount of remuneration
- details of remuneration
- share-based compensation
- additional disclosures relating to key management personnel.

EXECUTIVE SUMMARY

Donaco uses a simple framework for executive remuneration, consisting of three elements:

1. Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits (if any).
2. Short-term incentives, which are paid in cash, but only if executives satisfy applicable key performance indicators ('KPIs').
3. Long-term incentives, under which executives may receive annual grants of restricted shares purchased on market, but only if applicable KPIs are satisfied. The shares vest over a three-year period.

For short-term incentives in FY18, the following KPIs applied:

1. Achievement of the budgeted EBITDA target for the Donaco Group (30%).
2. Achievement of the budgeted revenue target for the Star Vegas property, in Thai baht terms (25%).
3. Achievement of the budgeted revenue target for the Aristo property, in Chinese renminbi terms (25%).
4. Achievement of a personal KPI relating to the executive's individual areas of responsibility (20%).

The first three KPIs were not satisfied. Two executives did satisfy their personal KPI, and thus are entitled to be paid 20% of their potential incentive. Accordingly, two executives forfeited 80%, and the others forfeited 100%, of their potential incentive.

For long-term incentives in FY18, the following KPI was required to be satisfied: Achievement of the budgeted EBITDA target for the Donaco Group.

This KPI was not satisfied, and accordingly no long-term incentives were awarded.

Shareholders should note that share price movements per se are not an applicable KPI. Share prices are affected by many factors beyond the control of management. However all of the applicable KPIs should, if achieved, have a positive impact on Donaco's performance, which would normally be reflected in the share price, subject to any external factors. Accordingly, the remuneration framework focuses executives on matters that they can control, which are expected to provide benefits to shareholders through a higher share price.

In addition, the award of restricted shares under the long-term incentive plan aligns the interests of executives with shareholders. Executives benefit directly if the share price increases, and also suffer directly if the share prices decreases.

PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

Introduction

The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract and retain high-quality personnel, and motivate them to achieve high performance.

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward.

Board oversight

The Board has an established Nominations, Remuneration and Corporate Governance Committee (the 'Remuneration Committee'), consisting only of non-executive directors, with a majority of independent directors. It is primarily responsible for setting the overall remuneration policy and guidelines for the company, and its functions include:

- reviewing and recommending to the Board for approval, the company's general approach towards remuneration, and to oversee the development and implementation of remuneration programs
- reviewing and recommending to the Board for approval, corporate goals and objectives relevant to the remuneration of the Managing Director/CEO, and evaluating the performance of the Managing Director/CEO in light of those goals and objectives;
- reviewing and recommending to the Board for approval, remuneration programs applicable to the company executives, and ensuring that these programs differ from the structure of remuneration for non-executive directors
- reviewing the remuneration of non-executive directors, and ensuring that the structure of non-executive directors' remuneration is clearly distinguished from that of executives by ensuring that non-executive directors are remunerated by way of fees, do not participate in schemes designed for the remuneration of executives, do not receive options or bonus payments, and are not provided with retirement benefits other than statutory superannuation.

Remuneration framework

In consultation with external remuneration consultants when necessary (refer to the section 'Use of Remuneration Consultants' below), the Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity. The framework is designed to satisfy the following key criteria for good reward governance practices:

- aligned to shareholders' interests
- competitiveness and reasonableness
- performance linkage/alignment of executive compensation
- transparency.

DIRECTORS' REPORT

The remuneration framework is aligned to shareholders' interests:

- has economic profit as a core component of plan design
- focuses on sustained growth in shareholders wealth, consisting of growth in share price, as well as focusing the executive on key nonfinancial drivers of values
- attracts and retains high calibre executives.

The remuneration framework is also aligned to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholders' wealth
- provides a clear structure for earning rewards.

All remuneration paid to directors and executives is valued at cost to the company and expensed.

In accordance with best practice corporate governance, the structures of remuneration for non-executive directors and for executives are separate.

Non-executive directors' remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Remuneration Committee. The Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market.

There are no bonuses payable to non-executive directors, and there are no termination payments for non-executive directors on retirement from office, other than statutory superannuation entitlements. Non-executive directors are not granted options or shares.

ASX Listing Rules require that the aggregate of non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the 2013 Annual General Meeting, where the shareholders approved a maximum aggregate remuneration of $750,000 including statutory superannuation contributions.

Executive remuneration

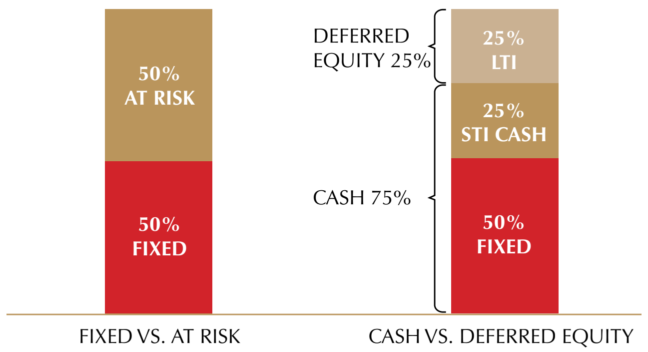
The consolidated entity's remuneration policy is to ensure that executive remuneration packages properly reflect a person's duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating executives of the highest calibre. As a result, remuneration packages for the Managing Director/CEO and senior executives include both fixed and performance-based remuneration.

The executive remuneration and reward framework has three components:

- fixed remuneration, consisting of base salary and non-monetary benefits, together with other statutory forms of remuneration such as superannuation and long service leave
- short-term incentives, paid in cash
- long-term incentives, currently consisting of restricted shares purchased on market.

The combination of these components comprises the executive's total remuneration.

SENIOR EXECUTIVES' REMUNERATION MIX



Fixed remuneration

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits (if any), is determined by considering the scope of the executive's responsibility, importance to the business, competitiveness in the market, and assessed potential. The total remuneration package for executives includes superannuation and other non-cash benefits to reflect the total employment cost to the company, inclusive of any fringe benefits tax.

Fixed remuneration is reviewed annually by the Remuneration Committee, based on individual and business unit performance, the overall performance of the consolidated entity, and comparable market remuneration.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example, motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The objective of the fixed remuneration component is to attract and retain high-quality executives, and to recognise market relativities and statutory requirements.

Short-term incentives

The short-term incentive STI framework provides senior executives with the opportunity to earn an annual cash bonus, up to a maximum amount of 50% of base salary. Clear KPIs have been established by the Remuneration Committee. Achievement of these KPIs gives the executive an opportunity to earn a fixed percentage of their maximum STI, subject to final review and approval by the Board.

For FY18, the KPIs applied and the applicable percentage of STI were:

1. Achievement of the budgeted EBITDA target for the group. The applicable EBITDA target was $65.6 million. (This KPI is worth 30% of the potential incentive.)
2. Achievement of the budgeted revenue target for the Star Vegas property, in Thai baht terms. The applicable revenue target was THB2.52 billion (25%).
3. Achievement of the budgeted revenue target for the Aristo property, in Chinese renminbi terms. The applicable revenue target was RMB141.2 million (25%).
4. Achievement of a personal KPI relating to the executive's individual areas of responsibility (20%).

The objective of these KPIs is clearly designed to focus on financial criteria, including top-line revenue growth, while maintaining a focus on disciplined cost control, as expressed through the EBITDA target for the group. In addition, executives also maintained a focus on key non-financial criteria, relating to the personal KPI applicable to the individual executive's area of responsibility.

During FY18, the first three KPIs were not satisfied. Two executives did satisfy their personal KPI, and thus are entitled to be paid 20% of their potential incentive. Accordingly, two executives forfeited 80%, and the others forfeited 100%, of their potential incentive.

Long-term incentives

The long-term incentive ('LTI') program currently consists of restricted shares purchased on market. This plan was adopted in FY17 to replace the former option plan, which was thought to be excessively complex, and could potentially result in significant dilution of shareholders.

The objective of the LTI component is to focus on sustainable shareholder value creation, as expressed through share price growth.

Under the LTI plan, the Board has actively sought to align senior executive remuneration with shareholder interests. Shares are purchased on market and held in an employee share trust ('the Trust'). The shares will vest to the employees over the vesting period of three years. The aim of the scheme is to ensure that executives are motivated to think like shareholders, with a focus on taking actions that will lead to sustainable increases in the share price. The structure of the scheme also ensures that there is no dilution of shareholders.

The total annual dollar value of shares to be purchased is a maximum of $1 million. The number of shares to be purchased each year will depend on the share price at the time that purchases take place.

The scheme is executed in a similar manner to an on-market buy back, allowing the Trust to stand in the market and purchase shares at appropriate times. However, the shares will not be cancelled, but will be held in the Trust, to be distributed to employees over the vesting period of three years.

LTI awards are made on an annual basis, subject to achievement of applicable KPIs. This ensures that at any given time, the executives have at risk a number of LTI awards, with different vesting periods and amounts. This helps to smooth out both the risk and the cash flow for the company and for executives.

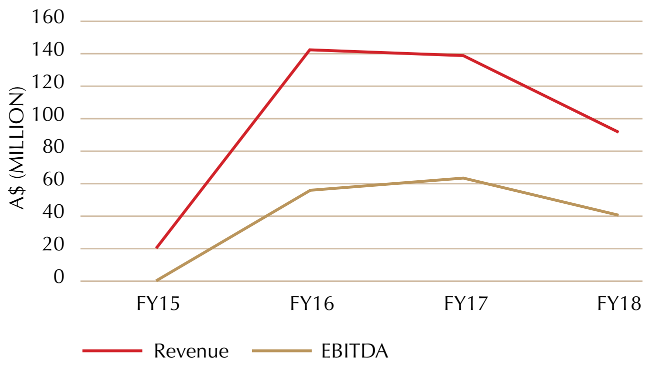
The LTI scheme allows for an award of a maximum of 50% of base salary in the form of restricted shares, subject to achievement of applicable KPIs which are set annually. For FY18, the applicable KPI related to the achievement of the budgeted EBITDA target for the group.

During FY18 the Trust did not purchase any shares on market. The applicable KPI was not satisfied, and accordingly no awards of shares were made.

RELATIONSHIP BETWEEN REMUNERATION POLICY AND COMPANY PERFORMANCE

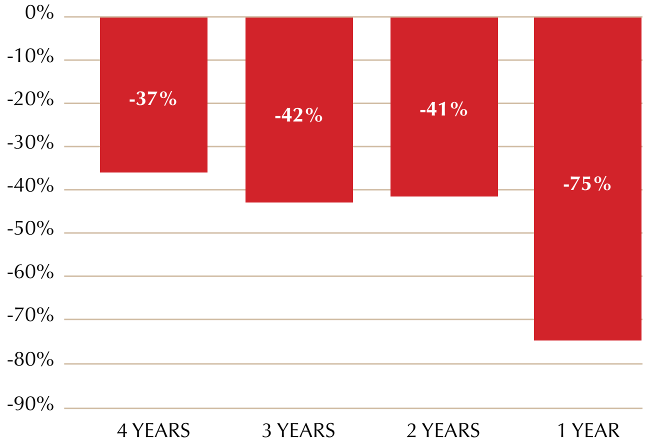
As detailed above, Donaco's remuneration policy is directly linked to company performance, particularly in relation to top-line revenue growth and cost control, to ultimately create long-term shareholder value. STI and LTI awards are dependent on defined KPIs being met, which are primarily financial in nature, and are at the discretion of the Remuneration Committee.

DONACO REVENUE AND EBITDA



Donaco's share price decrease during FY18, which also dragged down the share price performance over recent years, reflects lower earnings brought on by the Star Vegas vendor's breaches of the non-compete agreement, and market concerns over the resulting legal disputes.

DNA SHARE PRICE GROWTH PER ANNUM



The Remuneration Committee considers that the remuneration framework has an appropriate mix of fixed and performance-based remuneration. Since performance during FY18 did not meet expectations, executives forfeited all or the majority of their short term incentive (except where personal KPIs were met), and all of their long term incentive.

The Renumeration Committee also considers that the remuneration framework in place will assist to increase shareholder wealth if maintained over the coming years, subject to any adjustments that are necessary or desirable to reflect the company's circumstances.

Use of remuneration consultants

There were no remuneration consultants engaged during FY17 and FY18.

DETAILS OF REMUNERATION

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of Donaco International Limited:

- Stuart James McGregor – Non-executive Director and Chairman
- Joey Lim Keong Yew – Managing Director and Chief Executive Officer
- Benedict Paul Reichel – Executive Director, General Counsel and Company Secretary
- Benjamin Lim Keong Hoe – Non-executive Director
- Robert Andrew Hines – Non-executive Director
- Ham Techatut Sukjaroenkraisri – Executive Director (retired 23 November 2017)
- Paul Porntat Amatavivadhana – Non-executive Director (resigned 3 July 2017)

And the following persons:

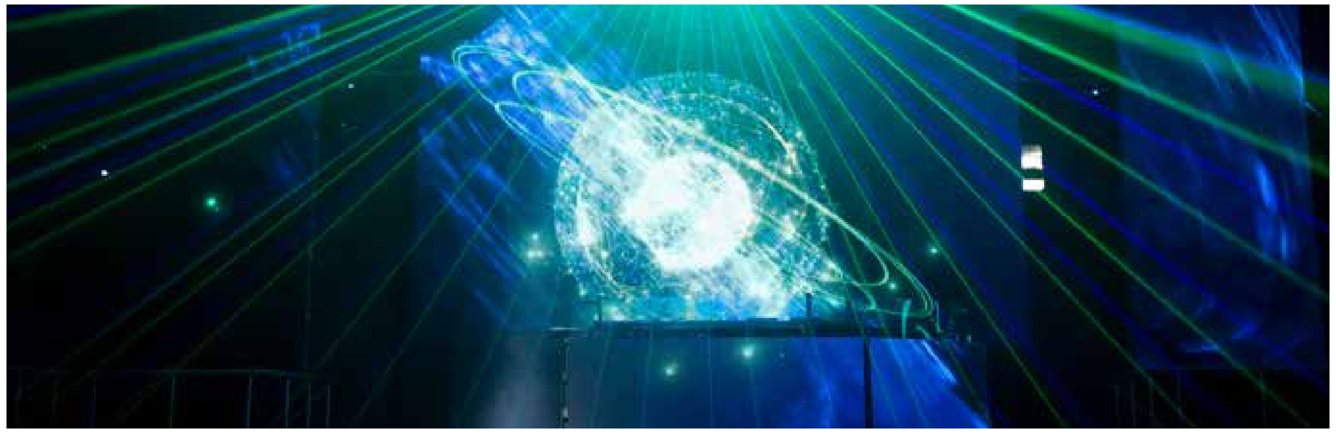
- Kenny Goh Kwey Biaw – Deputy Chief Financial Officer and CEO of Donaco Singapore (retired 31 March 2018)
- Chong Kwong Yang – Chief Financial Officer
- Att Asavanund – Chief Operating Officer and Deputy Chief Executive Officer (resigned 31 August 2017)

	SHORT-TERM BENEFITS		POST EMPLOYMENT BENEFITS	LONG-TERM BENEFITS	SHARE-BASED PAYMENTS	
	Cash salary and fees	Bonus	Super	Leave entitlements	Equity-settled	Total
2018	$	$	$	$	$	$
Non-executive Directors						
S J McGregor	155,606	–	14,783	–	–	170,389
Lim K H	174,110	–	–	–	–	174,110
R A Hines	137,300	–	13,044	–	–	150,344
Executive Directors						
Lim K Y	581,211	326,931	–	–	122,072	1,030,214
B P Reichel	332,700	166,350	25,000	–	61,468	585,518
H T Sukjaroenkraisri	32,243	–	–	–	–	32,243
Other key management personnel						
Goh K B (retired 31 March 2018)	256,917	145,945	250,191	–	41,207	694,260
Chong K Y	252,000	126,000	23,940	–	34,769	436,709
A Asavanund	56,747	–	–	–	–	56,747
	1,978,834	765,226	326,958	–	259,516	3,330,534

The bonuses set out above were paid during FY18, but relate to performance during FY17. The KPIs applicable were set out in the FY17 annual report.

For performance during FY18, bonuses are not payable until October 2018. The bonus amounts accrued to directors and key management personnel in FY19 are shown below.

	Total
	$
Executive Directors	
B P Reichel	33,270
Other key management personnel	
Chong K Y	25,200
	58,470



	SHORT-TERM BENEFITS		POST EMPLOYMENT BENEFITS	LONG-TERM BENEFITS	SHARE-BASED PAYMENTS	
	Cash salary and fees	Bonus	Super	Leave entitlements	Equity-settled	Total
2017	$	$	$	$	$	$
Non-executive Directors						
S J McGregor	155,606	–	14,783	–	–	170,389
Lim K H	178,929	–	–	–	–	178,929
R A Hines	137,300	–	13,044	–	–	150,344
P P Amatavivadhana	101,809	–	–	–	–	101,809
Executive Directors						
Lim K Y	671,962	288,935	–	–	115,368	1,076,265
B P Reichel	327,170	125,000	42,406	–	57,684	552,260
H T Sukjaroenkraisri	79,524	–	–	–	–	79,524
Other key management personnel						
Goh K B	257,117	96,920	–	–	23,752	377,789
Chong K Y	252,000	96,000	33,060	–	–	381,060
A Asavanund	310,144	69,584	–	–	–	379,728
	2,471,561	676,439	103,293	–	196,804	3,448,097

The proportion of remuneration linked to performance and the fixed proportion are shown below.

	FIXED REMUNERATION		AT RISK – STI		AT RISK – LTI	
Name	2018	2017	2018	2017	2018	2017
	%	%	%	%	%	%
Non-executive Directors						
S J McGregor	100	100	–	–	–	–
Lim K H	100	100	–	–	–	–
R A Hines	100	100	–	–	–	–
P P Amatavivadhana	–	100	–	–	–	–
Executive Directors						
Lim K Y	56	62	32	27	12	11
B P Reichel	61	67	28	23	10	10
H T Sukjaroenkraisri	100	100	–	–	–	–
Other key management personnel						
Goh K B	73	68	21	26	6	6
Chong K Y	63	75	29	25	8	–
A Asavanund	100	82	–	18	–	–

The proportion of the cash bonus paid/payable or forfeited is shown below.

	CASH BONUS PAID/PAYABLE		CASH BONUS FORFEITED	
Name	2018	2017	2018	2017
	%	%	%	%
Executive Directors				
Lim K Y	100	100	–	–
B P Reichel	100	100	–	–
Other key management personnel				
Goh K B	100	100	–	–
Chong K Y	100	100	–	–
A Asavanund	–	–	–	–

In relation to performance during FY18, the proportions of the cash bonus paid/payable or forfeited are shown below.

	CASH BONUS PAID/PAYABLE	CASH BONUS FORFEITED
Name	2019	2019
	%	%
Executive Directors		
Lim K Y	–	100
B P Reichel	20	80
Other key management personnel		
Goh K B	–	100
Chong K Y	20	80

Criteria for performance-based remuneration

The STI program is designed to align the targets of executives with the targets of the consolidated entity. STI payments are granted to executives based on specific annual targets and KPIs being achieved. The Board, advised by the Remuneration Committee, applied these criteria in determining the award of performance-based remuneration during the year.

Performance-based bonuses were paid in October 2017. $765,226 cash bonuses were awarded to the executive directors and other key management personnel. A break up of the bonuses paid is in the tables above.

For performance during FY18, the relevant criteria for the award of bonuses relate to revenue growth at each operating business, namely the Star Vegas and the Aristo International Hotel, as well as the achievement of budgeted EBITDA targets for the consolidated entity, and a personal KPI for each executive.

The proportion of the share options granted or forfeited is shown below.

	SHARE OPTIONS GRANTED		SHARE OPTIONS FORFEITED	
Name	2018	2017	2018	2017
Executive Directors				
Lim K Y	–	–	–	–
B P Reichel	–	–	–	–
Other key management personnel				
Goh K B	–	–	–	–

The proportion of the shares granted or forfeited is shown below.

	SHARES GRANTED		SHARES FORFEITED	
Name	2018	2017	2018	2017
Executive Directors				
Lim K Y	784,872	–	–	–
B P Reichel	396,166	–	–	–
Other key management personnel				
Goh K B	300,320	–	–	–
Chong K Y	300,071	–	–	–

Service agreements

Remuneration and other terms of employment for the Managing Director, Chief Financial Officer and the other key management personnel are formalised in contracts of employment. The service agreements specify the components of remuneration, benefits and notice periods. The specified executives are employed under contracts with no fixed term. The company may terminate the contracts immediately if the executive is guilty of serious misconduct or wilful neglect of duties. Otherwise, the company may terminate the contracts by giving three months' notice or paying three months' salary, or six months in the case of Mr Reichel. In the case of Mr Lim, termination for any reason other than just cause will result in a termination payment of 24 months' base salary (subject to shareholder approval).

SHARE-BASED COMPENSATION

Shares

1,781,429 shares were granted as part of compensation during the year ended 30 June 2018.

Options

There were no options issued as part of compensation during the year ended 30 June 2018.

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2018 are shown below.

Name	NO. OF OPTIONS GRANTED DURING FY18	NO. OF OPTIONS GRANTED DURING FY17	NO. OF OPTIONS VESTED DURING FY18	NO. OF OPTIONS VESTED DURING FY17
Lim K Y	–	–	634,828	872,059
B P Reichel	–	–	317,414	496,744
Goh K B	–	–	130,700	552,020

DIRECTORS' REPORT

ADDITIONAL DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is shown below.

	BALANCE AT THE START OF THE YEAR	RECEIVED AS PART OF REMUNERATION	ADDITIONS	DISPOSALS/ OTHER	BALANCE AT THE END OF THE YEAR
Ordinary shares					
S J McGregor	411,735	–	–	–	411,735
Lim K Y	267,559,325	784,872	562,600	(37,500,000)	231,406,797
B P Reichel	522,079	396,166	–	–	918,245
Lim K H	144,811,200	–	–	(37,500,000)	107,311,200
R A Hines	145,321	–	50,000	–	195,321
H T Sukjaroenkraisri	148,199,529	–	–	–	148,199,529
Goh K B	700,000	300,320	–	(200,000)	800,320

Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is shown below.

	BALANCE AT THE START OF THE YEAR	GRANTED	EXERCISED	EXPIRED/ FORFEITED/ OTHER	BALANCE AT THE END OF THE YEAR	VESTED	UNVESTED
Options over ordinary shares							
Lim K Y	2,257,873	–	–	(326,116)	1,931,757	1,506,887	424,870
B P Reichel	1,256,389	–	–	(229,796)	1,026,593	814,158	212,435
Goh K B	1,212,292	–	–	(442,099)	770,193	682,720	87,473
	4,726,554	–	–	(998,011)	3,728,543	3,003,765	724,778

TRANSACTIONS WITH RELATED PARTIES AND KEY MANAGEMENT PERSONNEL

The following transactions occurred with related parties during 2018.

	CONSOLIDATED 2018 $	CONSOLIDATED 2017 $
Leasing fees paid to Lee Hoe Property Co., Ltd – a director-related entity	77,382	156,012
Rental received from director's immediate family	58,332	111,734
Technical support fees paid by Lao Cai JVC to iSentric Limited – a director-related entity	139,243	187,214
Management fees received for Star Paradise Casino property from MMD Travel Co Ltd – a director-related entity	477,992	2,338,782
Disposal of property, plant and equipment to previous owner of DNA Star Vegas Co, Ltd – a director-related entity	141,351	586,237

The above transactions occurred at commercial rates.

This concludes the remuneration report, which has been audited.

SHARES UNDER OPTION

Unissued ordinary shares of Donaco International Limited under option at the date of this report are shown below.

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	NUMBER UNDER OPTION
1 July 2015	1 July 2019	$0.890	349,377
25 August 2015	1 July 2019	$0.770	1,156,784
25 August 2015	1 July 2020	$0.770	1,008,025
			2,514,186

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

In addition to the above, on 7 July 2015 Donaco International Limited issued 70 warrants to subscribe for its ordinary shares. Each warrant has a notional value of US$100,000. The warrants have a term of 39 months and expire on 6 October 2018. The exercise price is $0.7579 cents and the maximum number of ordinary shares which may be issued is 12,339,408. The company may elect to settle the difference between the share price and exercise price in cash.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

The were no ordinary shares of Donaco International Limited issued, during the year ended 30 June 2018 and up to the date of this report, on the exercise of options granted (2017: nil).

INDEMNITY AND INSURANCE OF AUDITOR

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 30 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are of the opinion that the services as disclosed in note 30 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF CROWE HORWATH

There are no officers of the company who are former partners of Crowe Horwath.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on the following page.

AUDITOR

Crowe Horwath Sydney continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(1) of the *Corporations Act 2001*.

On behalf of the directors,

Mr Stuart McGregor – Chairman
28 September 2018, Melbourne

AUDITOR'S INDEPENDENCE DECLARATION

Crowe Horwath

Crowe Horwath Sydney
ABN 97 895 683 573
Member Crowe Horwath International

Audit and Assurance Services

Level 15 1 O'Connell Street
Sydney NSW 2000
Australia

Tel +61 2 9262 2155
Fax +61 2 9262 2190
www.crowehorwath.com.au

28 September 2018

The Board of Directors
Donaco International Limited
Level 18
420 George Street
Sydney NSW 2000

Dear Board Members

Donaco International Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of Donaco International Limited.

As lead audit partner for the audit of the financial report of Donaco International Limited for the financial year ended 30 June 2018, I declare that to the best of my knowledge and belief, that there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Crowe Horwath Sydney

CROWE HORWATH SYDNEY

SUWARTI ASMONO
Partner

Crowe Horwath Sydney is a member of Crowe Horwath International, a Swiss verein. Each member of Crowe Horwath is a separate and independent legal entity. Liability limited by a scheme approved under Professional Standards Legislation. Liability limited other than for the acts or omissions of financial services licensees.

donaco INTERNATIONAL

2018

FINANCIALS

2018 FINANCIALS

for the year ended 30 June 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2018

	Note	CONSOLIDATED 2018	2017
		$	$
Revenue from continuing operations	4	92,606,141	136,443,789
Other income/(expense)	5	1,022,878	(4,867)
Total income		93,629,019	136,438,922
Expenses			
Food and beverages		(5,112,751)	(6,018,409)
Employee benefits expense		(22,902,710)	(22,891,204)
DSV management fee		-	(19,045,688)
Depreciation and amortisation expense	6	(9,981,320)	(10,129,299)
Impairment of intangible asset	14	(143,860,973)	-
Legal and compliance		(829,360)	(680,734)
Marketing and promotions		(6,756,555)	(4,618,018)
Professional and consultants		(1,924,893)	(1,338,743)
Property costs		(6,114,966)	(5,952,199)
Telecommunications and hosting		(497,219)	(382,062)
Gaming costs		(1,488,052)	(2,970,244)
Other expenses		(4,491,571)	(7,127,174)
Finance costs		(10,255,853)	(20,559,623)
Total expenses		(214,216,223)	(101,713,397)
(Loss)/profit before income tax expense from continuing operations		(120,587,204)	34,725,525
Income tax expense	7	(3,661,667)	(3,536,476)
(Loss)/profit after income tax expense for the year		(124,248,871)	31,189,049
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		13,600,431	(15,422,693)
Other comprehensive income/(loss) for the year, net of tax		13,600,431	(15,422,693)
Total comprehensive (loss)/income for the year		(110,648,440)	15,766,356
(Loss)/profit for the year is attributable to:			
Non-controlling interest		261,944	198,751
Owners of Donaco International Limited		(124,510,815)	30,990,298
		(124,248,871)	31,189,049
Total comprehensive (loss)/income for the year is attributable to:			
Non-controlling interest		261,944	198,751
Owners of Donaco International Limited		(110,910,384)	15,567,605
		(110,648,440)	15,766,356

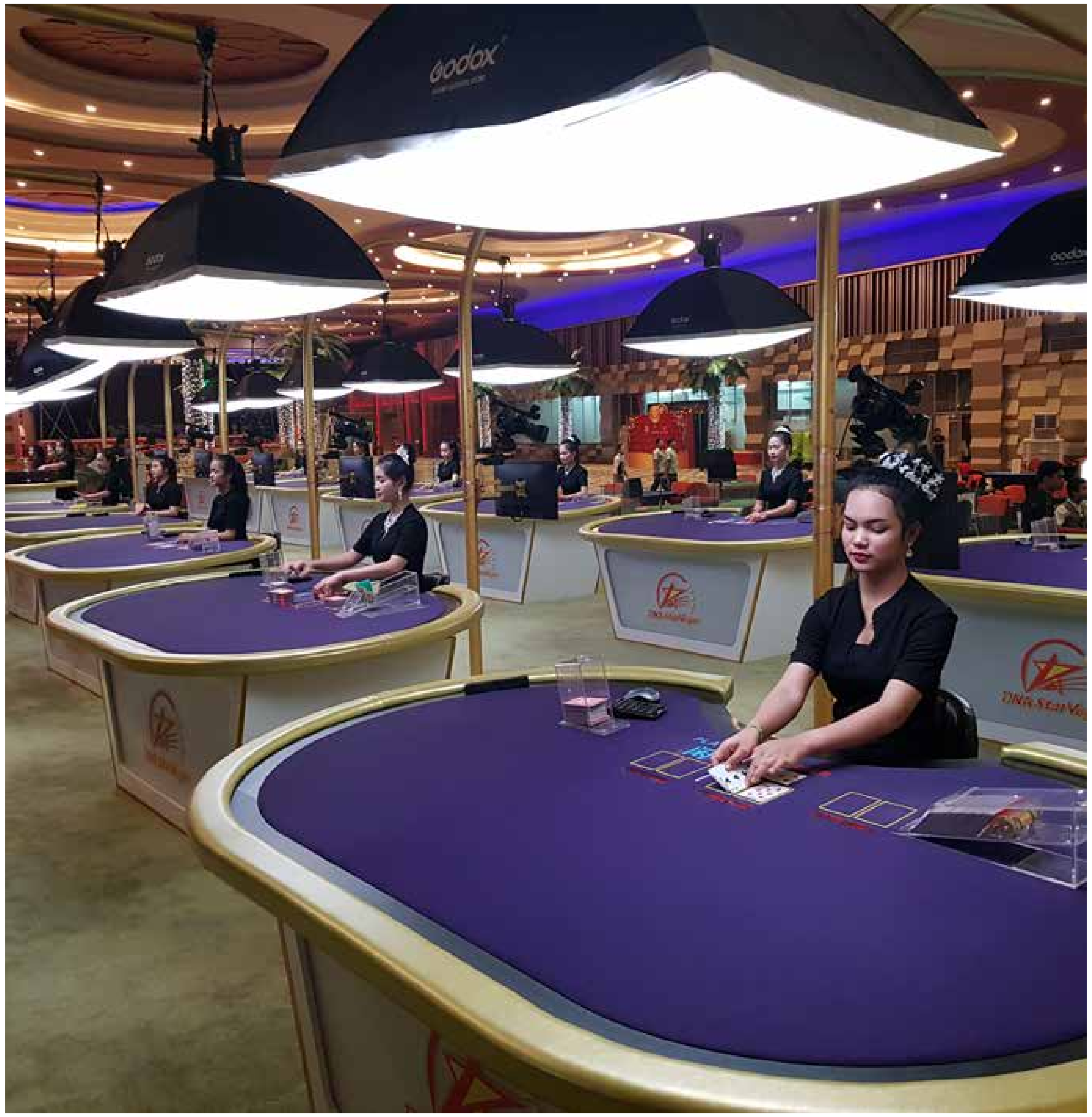
The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2018

	Note	CONSOLIDATED 2018	2017
		Cents	Cents
(Loss)/earnings per share for (loss)/profit attributable to the owners of Donaco International Limited			
Basic earnings per share	37	(15.03)	3.73
Diluted earnings per share	37	(15.03)	3.73

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.



STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

		CONSOLIDATED	
	Note	2018	2017
		$	$
ASSETS			
Current assets			
Cash and cash equivalents	8	47,075,589	66,022,749
Trade and other receivables	9	10,545,030	20,402,807
Inventories	10	1,397,344	893,474
Prepaid construction costs	11	1,811,360	341,184
Other current assets	12	451,329	432,851
Total current assets		61,280,652	88,093,065
Non-current assets			
Property, plant and equipment	13	162,172,238	161,344,373
Intangibles (including licences)	14	254,064,321	389,140,234
Construction in progress	15	591,787	595,885
Other non-current assets	16	4,018	3,895
Total non-current assets		416,832,364	551,084,387
Total assets		478,113,016	639,177,452
LIABILITIES			
Current liabilities			
Trade and other payables	17	34,652,015	41,788,107
Borrowings	18	24,594,915	54,908,598
Financial liabilities	19	-	681,507
Income tax	20	2,008,402	1,127,767
Employee benefits	21	1,261,325	981,006
		62,516,657	99,486,985
Non-current liabilities			
Borrowings – non current	22	45,806,572	53,553,627
Employee benefits – non current	23	42,408	32,669
Total non-current liabilities		45,848,980	53,586,296
Total liabilities		108,365,637	153,073,281
Net assets		369,747,379	486,104,171
EQUITY			
Issued capital	24	358,656,945	359,968,884
Reserves	25	22,540,464	9,425,778
Retained profits	26	(13,250,020)	115,374,413
Equity attributable to the owners of Donaco International Limited		367,947,389	484,769,075
Non-controlling interest		1,799,990	1,335,096
Total equity		369,747,379	486,104,171

The above statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018

CONSOLIDATED	ISSUED CAPITAL	RESERVES	RETAINED PROFITS	NON–CONTROLLING INTEREST	TOTAL EQUITY
	$	$	$	$	$
Balance at 1 July 2016	360,968,368	24,574,755	92,630,958	1,136,345	479,310,426
Profit after income tax expense for the year	–	–	30,990,298	198,751	31,189,049
Other comprehensive loss for the year, net of tax	–	(15,422,693)	–	–	(15,422,693)
Total comprehensive income for the year	–	(15,422,693)	30,990,298	198,751	15,766,356
Transactions with owners in their capacity as owners:					
Acquisition of shares for Employee Share Trust	(999,484)	–	–	–	(999,484)
Dividends paid	–	–	(8,246,843)	–	(8,246,843)
Share–based payments	–	273,716	–	–	273,716
Balance at 30 June 2017	359,968,884	9,425,778	115,374,413	1,335,096	486,104,171
Balance at 1 July 2017	359,968,884	9,425,778	115,374,413	1,335,096	486,104,171
Loss after income tax expense for the year	–	–	(124,510,815)	261,944	(124,248,871)
Other comprehensive income for the year, net of tax	–	13,600,431	–	–	13,600,431
Total comprehensive loss for the year	–	13,600,431	(124,510,815)	261,944	(110,648,440)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	–	–	–	202,950	202,950
Shares issued to employees	766,014	(766,014)	–	–	–
Share buyback	(2,077,953)	–	–	–	(2,077,953)
Dividend paid	–	–	(4,113,618)	–	(4,113,618)
Share–based payments	–	280,269	–	–	280,269
Balance at 30 June 2018	358,656,945	22,540,464	(13,250,020)	1,799,990	369,747,379

The above statement of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

for the year ended 30 June 2018

		CONSOLIDATED	
	Note	2018	2017
		$	$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		102,284,185	151,208,268
Payments to suppliers and employees		(49,947,841)	(78,700,882)
		52,336,344	72,507,386
Interest received		93,786	100,011
Interest and other finance costs paid		(7,829,780)	(11,878,988)
Government levies, gaming taxes and GST		(9,968,146)	(13,373,011)
Net cash flows from operating activities	36(a)	34,632,204	47,355,398
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(5,668,289)	(5,727,117)
Net cash flows from investing activities		(5,668,289)	(5,727,117)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of borrowings	36(b)	(44,326,139)	(69,817,576)
Drawdown of borrowings		–	25,603,177
Payments of dividends		(4,113,618)	(8,246,843)
Payments of acquisition of employee shares		–	(999,484)
Payments for share buyback		(2,077,954)	–
Net cash flows from financing activities		(50,517,711)	(53,460,726)
Net decrease in cash and cash equivalents		(21,553,796)	(11,832,445)
Cash and cash equivalents, beginning of the financial year		66,022,749	78,221,019
Effects of exchange rate changes on cash and cash equivalents		2,606,636	(365,825)
Cash and cash equivalents at the end of the financial year	8	47,075,589	66,022,749

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

NEW, REVISED OR AMENDING ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any material impact on the financial performance or position of the consolidated entity.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the AASB and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for the revaluation of financial assets and liabilities at fair value through profit or loss and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

PARENT ENTITY INFORMATION

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 33.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Donaco International Limited ('company' or 'parent entity') as at 30 June 2018 and the results of all subsidiaries for the year then ended. Donaco International Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

OPERATING SEGMENTS

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

FOREIGN CURRENCY TRANSLATION

The financial statements are presented in Australian dollars, which is Donaco International Limited's functional and presentation currency.

DNA Star Vegas Co Ltd, a subsidiary within the group, has casino and hotel operations in Cambodia. Its functional currency is Thai baht.

Donaco Singapore Pte Ltd has an interest in the Lao Cai International Hotel Joint Venture Company which operates a casino and hotel in Vietnam. The functional currency of the Joint Venture Company is Vietnamese Dong.

The subsidiaries of Donaco that operate in the aforementioned foreign countries are consolidated into the Hong Kong group (Star Vegas Group) and the Singapore Group (Aristo Group). At this level, the presentation currency is US dollar.

Subsequently, these consolidated groups are consolidated with the Australian operations and converted to Australian dollars.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

Goodwill, casino licence and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operations and translated at the closing rate.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Casino revenue

Revenue at the playing tables is recognised upon the differences between chips at the closing and chips at the opening of each table plus chips transferred from the playing table to the cage, less chips transferred from the cage to the playing table. Revenue is recognised on a net basis after commission and profit sharing is paid to junket operators.

Revenue from slot machines represents the amount received over the exchange counter less the amount returned to customers and profit-sharing paid.

Sale of goods

The consolidated entity sale of goods consist of food and beverages sales. Revenue from the sale of goods is recognised at the point of sale, when a group entity sells a product to the customer.

Rendering of services

Revenue from the provision of accommodation and hospitality services is recognised in the accounting period in which the services are rendered.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

INCOME TAX

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

CURRENT AND NON-CURRENT CLASSIFICATION

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes: cash on hand; deposits held at call with financial institutions; other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

TRADE AND OTHER RECEIVABLES

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short- term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

INVENTORIES

Inventories include consumable stores, food and beverages and are carried at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis and comprises all costs of purchases, conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised in the statement of profit or loss and other comprehensive income, in the period in which the reversal occurs.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings and structures	25–50 years
Leasehold improvements	2–5 years
Machinery and equipment	5–15 years
Motor vehicles	5–6 years
Office equipment and other	3–8 years
Furniture and fittings	3–8 years
Consumables	1–8 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

LEASES

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Operating lease payments, net of any incentives received from the lessor, are charged to the statement profit or loss and other comprehensive income, on a straight-line basis over the term of the lease.

INTANGIBLE ASSETS

Land rights

The intangible asset includes costs incurred to acquire interests in the usage of land in the Socialist Republic of Vietnam for the original hotel, located in Lao Cai. The term of the agreement is 30 years from the initial licencing date of 19 July 2002. These land use rights are stated at cost less accumulated amortisation. Amortisation is calculated on a straight line basis over a period of 30 years, from the licencing date. At the expiry of the land term it is expected, that the relevant state body will consider an application for extension.

Casino license

The group consider casino licenses to be intangible assets with indefinite useful lives. Accordingly, they are not amortised and are tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on casino licenses are recognised in the profit or loss.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

PREPAID CONSTRUCTION COSTS

Amounts recognised as prepaid construction costs relate to tranche payments made to third party developers in connection with the construction of the new Lao Cai Casino. Tranche payments are made in advance of construction work being performed, in accordance with the terms of the contractor agreements however, once associated works have been completed an amount equal to the tranche payment is transferred from prepaid construction costs to construction in progress. Once recognised as part of construction in progress the amounts are then carried on the statement of financial position at cost, until such time as the asset is completed and ready for its intended use. Work in progress is not depreciated, but tested for impairment annually. Once ready for its intended use an amount equal to the cost of the completed asset will be transferred to property plant and equipment and accounted for in accordance with the consolidated entity's accounting policy for property plant and equipment.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

BORROWINGS

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

WARRANTS

Warrants issued as part of financing arrangements, which may be net settled in cash or through the issue of shares of the parent entity are recognised as derivative financial liabilities measured at fair value through profit or loss. The fair value of the warrants is determined using the Black-Scholes model.

At each reporting date the warrants are revalued to fair value with any difference recognised in the profit or loss.

As the warrants were issued in connection with a loan facility, on initial recognition the fair value of the related loan facility is calculated as the difference between the proceeds and the fair value of the warrants.

The difference between the fair value of the loan facility and the proceeds is then amortised over the term of the loan using the effective interest rate method.

FINANCE COSTS

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred including interest on short-term and long-term borrowings.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

EMPLOYEE BENEFITS

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be wholly settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled. Non-accumulating sick leave is expensed to profit or loss when incurred.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be wholly settled within 12 months of the reporting date are recognised in non- current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled share-based compensation benefits are provided to employees. Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using an amended Black-Scholes Merton model that takes into account the exercise price, the term of the option, an exercise price multiple, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

FAIR VALUE MEASUREMENT

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The financial instruments recognised at fair value in the consolidated statement of financial position have been analysed and classified using a fair value hierarchy

reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consist of the following levels:

a. quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

b. inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2)

c. inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

During the FY16 reporting period, the group issued warrants which are classified as derivative financial liabilities and which are measured at fair value through profit or loss. The warrants (as detailed in note 19) are classified as level 2 in the fair value hierarchy, as the value is based on an adjustment to quoted market prices.

The warrants are measured using a Black-Scholes model.

There were no transfers between the levels of the fair value hierarchy during either the current or previous reporting period.

The directors consider that the carrying amount of all other financial assets and liabilities recorded in the financial statements approximate their fair value.

ISSUED CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where the consolidated entity purchases the company's equity instruments, for example as the result of a share buy back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Donaco International Limited as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of Donaco International Limited.

DIVIDENDS

Provision is made for the amount of any dividend declared, determined or announced by the directors on or before the end of the financial year but not distributed at balance date.

BUSINESS COMBINATIONS

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Donaco International Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

GOODS AND SERVICES TAX ('GST') AND OTHER SIMILAR TAXES

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case, it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented gross of GST and similar taxes. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET MANDATORY OR EARLY ADOPTED

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2018. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments

AASB 9 Financial Instruments and applicable amendments, effective from 1 January 2018, address the classification, measurement and derecognition of financial assets and financial liabilities. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. It has now also introduced revised rules around hedge accounting and impairment. The impairment model under the new standard requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under AASB 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The consolidated entity is currently assessing the impact of the adoption of this standard and will adopt it from 1 July 2018. The standard will primarily result in the recognition of loss allowance for trade debtors; however the consolidated entity does not expect there to be a significant impact.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer.

The consolidated entity has assessed the impact of the adoption of this standard and will adopt it from 1 July 2018. Recognition of both gaming and non-gaming revenue under the previous requirements already reflects the concept of transfer of control of goods or services to customers (that is, revenue is recognised at the time that the performance obligation has been satisfied). The consolidated entity therefore does not expect any impact to the financial statements on adoption of this standard.

AASB 16 Leases

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16. AASB 16 will primarily affect the accounting by lessees and will result in the recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts. The accounting by lessors, however, will not significantly change.

The consolidated entity is currently assessing the impact of the adoption of this standard and will adopt it from 1 July 2019. The standard will primarily affect the accounting for the consolidated entity's operating leases. As at the reporting date, the consolidated entity has non-cancellable operating lease commitments of $8,550,607, as disclosed in note 31. This relates entirely to the lease for the casino premises for a 50-year term. Based on preliminary assessment, the current arrangement will meet the definition of lease under AASB 16. The consolidated entity will recognise a right-of-use asset and a corresponding liability in respect of the property lease, and intends to apply the simplified transition approach and will not restate the comparative amounts for the year prior to adoption.

IFRS 2 – Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

This standard amends IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. Adoption of IFRS 2 is not mandatory until the annual period beginning on or after 1 January 2018 and the consolidated entity is assessing the impact of its adoption, however it does not expect there to be a material impact.

NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative Amendments to AASB 107

This standard requires entities to explain changes in their liabilities from financing activities. This includes changes arising from cash flows (for example, drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences. The adoption of this amendment has no significant impact on the consolidated entity's financial statements.

NOTE 2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

SHARE-BASED PAYMENT TRANSACTIONS

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted.

NOTE 2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS CONTINUED

The fair value of options is determined by using an amended Black-Scholes Merton model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

The value of shares issued to employees is based on the market value of shares traded on the ASX at the time of issue.

ESTIMATION OF USEFUL LIVES OF ASSETS

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

The casino licence is stated at cost less impairment losses, if any. The licence issued by the Royal Government of Cambodia is renewable annually and deemed to be with indefinite useful life, and therefore should not be amortised. Its useful life is reviewed at each reporting period to determine whether events and circumstances continue to exist to support indefinite useful life assessment. Impairment testing by comparing its recoverable amount with its carrying amount is performed annually. In the event that the expected future economic benefits are no longer probable of being recovered, the licences are written down to their recoverable amount.

GOODWILL AND OTHER INDEFINITE LIFE INTANGIBLE ASSETS

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash generating units have been determined based on the higher of value-in-use calculations and fair value less costs of disposal. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

INCOME TAX

The consolidated entity is subject to income taxes in the jurisdictions in which it operates, including Cambodia, Vietnam and Hong Kong. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

WARRANTS

The consolidated entity measures the cost of warrants issued by the reference to the fair value of the equity instruments at the date at which they are granted. The fair value of warrants is determined by using an amended Black-Scholes Merton model taking into account the terms and conditions upon which the instruments were granted.

EMPLOYEE SHARE TRUST AND OPTION TRUST

The consolidated entity has engaged an external unrelated third party to form trusts to administer the group's employee share schemes. The consolidated entity has no ownership interest in the trusts and the trusts are not consolidated as they are not controlled by the consolidated entity. In determining whether or not the consolidated entity had control over the trusts, management considered the trust's status as an independent trust with an independent trustee, which holds the assets for the benefit of the employees rather than the consolidated entity.

IMPAIRMENT OF TRADE AND OTHER RECEIVABLES

The consolidated entity reviews the collectability of trade receivables on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant judgement is required to determine if a receivable amount is impaired, based on indicators such as significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue). The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

NOTE 3. OPERATING SEGMENTS

IDENTIFICATION OF REPORTABLE OPERATING SEGMENTS

The consolidated entity is organised into three operating segments: casino operations in Vietnam, casino operations in Cambodia and corporate operations. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

There is no aggregation of operating segments.

The consolidated entity is domiciled in Australia and operates predominantly in six countries: Australia, Cambodia, Vietnam, Singapore, Malaysia and Hong Kong. Casino operations are segmented geographically between casino operations in Vietnam and Cambodia.

The CODM reviews EBITDA. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

TYPES OF PRODUCTS AND SERVICES

The principal products and services of each of these operating segments are as follows:

Casino Operations – Vietnam	Comprises the Aristo International Hotel operating in Vietnam. These operations include hotel accommodation and gaming and leisure facilities.
Casino Operations – Cambodia	Comprises the Star Vegas Resort and Club, operating in Cambodia. These operations include hotel accommodation and gaming and leisure facilities.
Corporate Operations	Comprises of the development and implementation of corporate strategy, commercial negotiations, corporate finance, treasury, management accounting, corporate governance and investor relations functions.

INTERSEGMENT TRANSACTIONS

Intersegment transactions were made at market rates. Intersegment transactions are eliminated on consolidation.

NOTE 3. OPERATING SEGMENTS CONTINUED

OPERATING SEGMENT INFORMATION FOR CONTINUING OPERATIONS

	CASINO OPERATIONS VIETNAM	CASINO OPERATIONS CAMBODIA	CORPORATE OPERATIONS	TOTAL
Consolidated – 2018	$	$	$	$
Revenue				
Sales to external customers	25,905,756	66,606,184	199	92,512,139
Interest and other income	57,851	–	36,151	94,002
Total revenue	25,963,607	66,606,184	36,350	92,606,141
EBITDA	14,532,245	38,670,344	(10,808,527)	42,394,062
Depreciation and amortisation	(4,719,576)	(5,047,359)	(214,385)	(9,981,320)
Impairment of intangible asset	–	(143,860,973)	–	(143,860,973)
Interest revenue	57,851	–	36,151	94,002
Non-recurring items	–	–	681,507	681,507
Net exchange gains	171,936	–	169,435	341,371
Non-controlling interest	(261,944)	–	–	(261,944)
Finance costs	(1,156,882)	–	(9,098,971)	(10,255,853)
Profit/(loss) before income tax expense	8,623,630	(110,237,988)	(19,234,790)	(120,849,148)
Income tax expense				(3,661,667)
Loss after income tax expense attributable to the owners of Donaco International Limited				(124,510,815)
Assets				
Segment assets	87,094,230	373,661,535	17,357,251	478,113,016
Total assets				478,113,016
Liabilities				
Segment liabilities	16,657,078	26,608,658	65,099,901	108,365,637
Total liabilities				108,365,637

	CASINO OPERATIONS VIETNAM	CASINO OPERATIONS CAMBODIA	CORPORATE OPERATIONS	TOTAL
Consolidated – 2017	$	$	$	$
Revenue				
Sales to external customers	26,156,663	110,188,090	235	136,344,988
Interest	29,478	–	69,323	98,801
Total revenue	26,186,141	110,188,090	69,558	136,443,789
EBITDA	14,676,730	61,190,103	(10,546,321)	65,320,512
Depreciation and amortisation	(5,294,247)	(4,624,353)	(210,698)	(10,129,298)
Interest revenue	29,478	–	69,323	98,801
Non-recurring items	–	–	1,113,012	1,113,012
Net exchange gains	(727,577)	–	(390,302)	(1,117,879)
Non-controlling interest	(198,751)	–	–	(198,751)
Finance costs	(1,591,881)	–	(18,967,742)	(20,559,623)
Profit before income tax expense	6,893,752	56,565,750	(28,932,728)	34,526,774
Income tax expense				(3,536,476)
Profit after income tax expense attributable to the owners of Donaco International Limited				30,990,298
Assets				
Segment assets	90,565,671	505,688,488	42,923,293	639,177,452
Total assets				639,177,452
Liabilities				
Segment liabilities	41,265,145	25,039,076	86,769,060	153,073,281
Total liabilities				153,073,281

	SALES TO EXTERNAL CUSTOMERS		GEOGRAPHICAL NON-CURRENT ASSETS	
	2018	2017	2018	2017
Geographical Information	$	$	$	$
Australia	199	235	2,761,664	2,828,823
Vietnam	25,905,756	26,156,663	68,654,062	71,201,964
Cambodia	66,606,184	110,188,090	345,416,638	477,053,600
	92,512,139	136,344,988	416,832,364	551,084,387

NOTE 3. OPERATING SEGMENTS CONTINUED

	CONSOLIDATED	
	2018	2017
	$	$
Revenue and other income		
Total reportable segment revenues	92,512,139	136,344,988
Other segment revenues	1,116,880	93,934
Total revenue and other income	93,629,019	136,438,922

MAJOR CUSTOMERS

Transactions involving a single external customer amounting to 10% or more of the consolidated entity's revenue during the current and previous financial years are shown below.

2018

There was no single external customer that contributed 10% or more of the consolidated entity's revenue during 2018.

2017

	NUMBER OF CUSTOMERS	% OF REVENUE	$
Casino operations – Cambodia	1	23	31,417,980

NOTE 4. REVENUE

	CONSOLIDATED	
	2018	2017
	$	$
From continuing operations		
Sales revenue		
Casino		
– gaming revenue	74,514,551	120,217,587
– non-gaming revenue	17,997,389	13,788,384
Management fee from Star Paradise	–	2,338,782
Corporate operations	199	235
Interest	94,002	98,801
Revenue from continuing operations	92,606,141	136,443,789

NOTE 5. OTHER INCOME/(EXPENSE)

	CONSOLIDATED	
	2018	2017
	$	$
Net foreign exchange gain/(loss)	341,371	(1,117,879)
Gain on derivative financial instrument at fair value through the profit and loss	681,507	1,113,012
Other income/(expense)	1,022,878	(4,867)

NOTE 6. EXPENSES

	CONSOLIDATED	
	2018	2017
	$	$
Profit/(loss) before income tax from continuing operations includes the following specific expenses:		
Depreciation		
Land, buildings and structures	4,216,434	4,115,611
Furniture and fittings	305,076	478,683
Machinery and equipment	1,897,605	1,936,041
Office equipment and other	1,970,317	1,519,440
Motor vehicles	248,188	303,678
Consumables	1,341,602	1,773,683
	9,979,222	10,127,136
Amortisation		
Land right	2,098	2,163
Total depreciation and amortisation	9,981,320	10,129,299
Operating lease payments	353,355	267,906
Superannuation expense		
Defined contribution superannuation expense	76,766	103,292
Impairment of assets		
Leasehold buildings	–	160,011
Furniture and fittings	–	22,348
Other equipment and other	–	16,426
Casino licence	143,860,973	–
	143,860,973	198,785

NOTE 7. INCOME TAX EXPENSE

	CONSOLIDATED	
	2018	2017
	$	$
Income tax expense		
Current tax	3,661,667	3,536,476
Aggregate income tax expense	3,661,667	3,536,476
Income tax expense is attributable to:		
Profit from continuing operations	3,661,667	3,536,476
Aggregate income tax expense	3,661,667	3,536,476
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense from continuing operations	(120,587,204)	34,725,525
Profits tax using Australian corporation tax at the statutory tax rate of 30% (2017: 30%)	(36,176,162)	10,417,658
Tax effect of difference in overseas corporation tax at the statutory tax rate of 20% (2017: 20%)	11,524,310	(4,270,855)
Tax effect amounts which are not deductible in calculating taxable income	30,560,656	1,254,958
Losses not brought to account	2,941,532	5,333,402
Tax exempt profits from Cambodian operations (note (a))	(7,005,429)	(11,313,150)
Obligation payments in Cambodia (note (a))	2,620,496	2,654,361
Adjustment for investment spending in Vietnam	(803,736)	(539,898)
Income tax expense	3,661,667	3,536,476

(a) Income tax in profit or loss

Income tax includes obligation payments totalling $2,620,496 (2017: $2,654,361) payable to the Ministry of Economy and Finance of Cambodia ('MOEF').

As at the date of this report, the Casino Law in respect of casino taxes in Cambodia is yet to be introduced. The MOEF levies an Obligatory Tax Payment, payable on a monthly basis. The Obligatory Tax Payment is comprised of a fixed gaming tax and a fixed non–gaming tax payment. In addition, an annual casino licence fee of US$30,000 is paid.

In respect of gaming activities, DNA Star Vegas Co., Ltd (DNA Star Vegas) has to pay the Obligatory Tax Payment which is a fixed gaming tax, and with the payment of this fixed gaming tax, DNA Star Vegas will be exempted from all categories of taxes on gaming activities including advance profits tax, minimum tax and advance tax on distribution of dividends.

As for non–gaming obligatory payment, it is considered as a composite of various other taxes such as salary tax, fringe benefit tax, withholding tax, value–added tax, tax on rental of moveable and unmoveable assets, minimum tax, advance profit tax, advertising tax and specific tax on entertainment services.

Monthly payments for the obligatory payment are due on the first week of the following month. DNA Star Vegas has made the obligatory payment on timely manner.

In the event of late payment within seven days from the due date, there will be a penalty of 2% on the late payment and interest of 2% per month. In addition, after 15 days when official government notice is issued to DNA Star Vegas for the late payment and additional penalty of 25% will be imposed. In the case where DNA Star Vegas does not comply with the above–mentioned requirements, the MOEF will not issue the casino licences to DNA Star Vegas in the successive years.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

Certain amendments to the Law of Investment ('LOI') and Law of Taxation ('LOT') were promulgated in March 2003. Under the amendments made to the LOT, distribution of dividends to non–residents will be subject to a withholding tax on the distribution of net of 20% corporate tax, at a rate of 14%, resulting in a net distribution tax of 31.2%. These amendments are not applicable to DNA Star Vegas as they will be regulated by the Casino Law which is yet to be enacted.

(b) The parent entity has not brought to account tax losses with a tax effect of $1,612,835 (2017: $1,449,439).

NOTE 8. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2018	2017
	$	$
Cash on hand	28,360,270	21,300,658
Cash at bank	16,130,913	41,835,143
Cash in transit	840,465	1,203,118
Short–term deposit	1,743,941	1,683,830
	47,075,589	66,022,749

NOTE 9. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2018	2017
	$	$
Trade receivables	2,389,633	17,581,840
Other receivables	8,132,629	2,806,040
Interest receivable on bank deposits	683	467
Tax-related receivables	22,085	14,460
	10,545,030	20,402,807

IMPAIRMENT OF RECEIVABLES

The consolidated entity has not recognised any loss in profit or loss in respect of impairment of receivables for the year ended 30 June 2018 (2017: $nil).

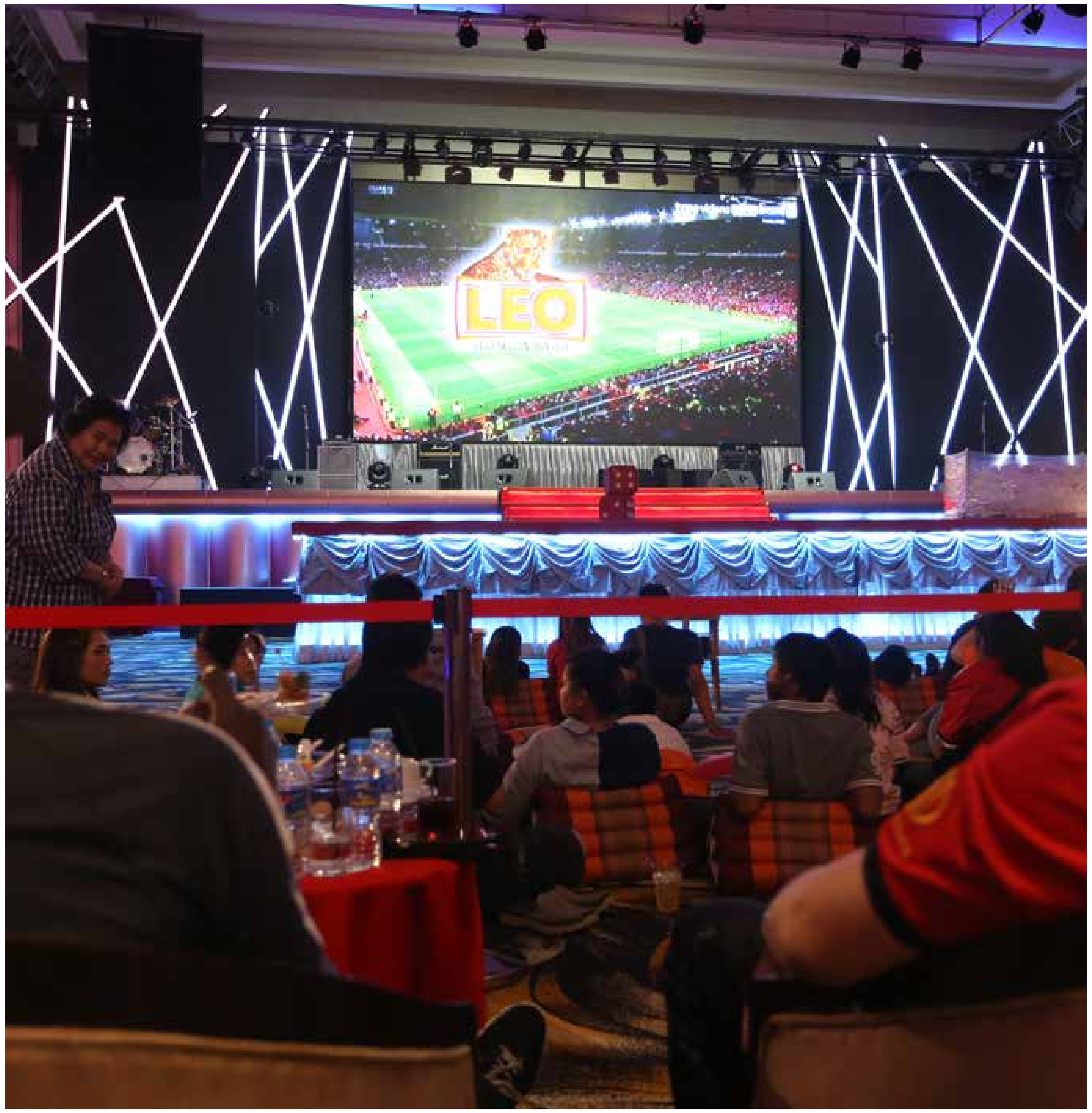
NOTE 10. CURRENT ASSETS – INVENTORIES

	CONSOLIDATED	
	2018	2017
	$	$
Food and beverage – at cost	1,397,344	893,474

NOTE 11. CURRENT ASSETS – PREPAID CONSTRUCTION COSTS

	CONSOLIDATED	
	2018	2017
	$	$
Prepaid construction costs	1,811,360	341,184

Amounts recognised as prepaid construction costs relate to tranche payments made to third party developers in connection with the construction of the new Aristo Casino. Tranche payments are made in advance of construction work being performed in accordance with the terms of the contractor agreements; however, once associated works have been completed an amount equal to the tranche payment is transferred from prepaid construction costs to non–current construction in progress.



NOTE 12. CURRENT ASSETS – OTHER

	CONSOLIDATED	
	2018	2017
	$	$
Bonds and security deposits	5,379	5,379
Prepayments	324,245	226,565
Other current assets	121,705	200,907
	451,329	432,851

NOTE 13. NON–CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED	
	2018	2017
	$	$
Leasehold buildings and structures – at cost	160,430,636	152,241,908
Less: Accumulated depreciation for leasehold buildings and structures	(17,975,569)	(12,931,787)
	142,455,067	139,310,121
Furniture and fittings – at cost	4,905,381	4,597,726
Less: Accumulated depreciation for furniture and fittings	(4,753,580)	(4,160,572)
	151,801	437,154
Machinery and equipment – at cost	40,459,999	34,696,929
Less: Accumulated depreciation for machinery and equipment	(24,964,399)	(18,513,168)
	15,495,600	16,183,761
Motor vehicles – at cost	2,298,287	1,869,091
Less: Accumulated depreciation for motor vehicles	(1,528,435)	(1,312,898)
	769,852	556,193
Office equipment and other – at cost	3,463,739	4,702,496
Less: Accumulated depreciation for office equipment and other	(1,594,665)	(2,584,380)
	1,869,074	2,118,116
Consumables	1,430,844	2,739,028
Less: Accumulated depreciation for consumables	–	–
	1,430,844	2,739,028
	162,172,238	161,344,373

NOTE 13. NON–CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT CONTINUED

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are shown below.

	LEASEHOLD BUILDINGS	FURNITURE AND FITTINGS	MACHINERY AND EQUIPMENT	MOTOR VEHICLES	OFFICE EQUIPMENT AND OTHER	CONSUMABLES	TOTAL
Consolidated	$	$	$	$	$	$	$
Balance at 1 July 2016	147,459,568	956,691	17,237,000	620,492	1,337,378	4,104,829	171,715,958
Additions	1,461,303	7,045	693,813	319,835	1,168,053	–	3,650,049
Disposals	(480,951)	(20,817)	–	(66,429)	(21,604)	(1,224,055)	(1,813,856)
Impairment	(160,011)	(22,348)	–	–	(16,426)	–	(198,785)
Exchange differences	(4,854,177)	(4,734)	(3,509,508)	(14,027)	2,791,554	1,631,937	(3,958,955)
Transfers in/(out)	–	–	3,698,497	–	(1,621,399)	–	2,077,098
Depreciation expense	(4,115,611)	(478,683)	(1,93s6,041)	(303,678)	(1,519,440)	(1,773,683)	(10,127,136)
Balance at 30 June 2017	139,310,121	437,154	16,183,761	556,193	2,118,116	2,739,028	161,344,373
Additions	1,394,907	–	2,447,269	572,456	202,874	4,560	4,622,066
Disposals	–	–	(368,940)	(136,702)	–	–	(505,642)
Exchange differences	5,966,473	19,723	(868,885)	26,093	1,518,401	28,858	6,690,663
Depreciation expense	(4,216,434)	(305,076)	(1,897,605)	(248,188)	(1,970,317)	(1,341,602)	(9,979,222)
Balance at 30 June 2018	142,455,067	151,801	15,495,600	769,852	1,869,074	1,430,844	162,172,238

Consumables represent low value, high turnover items that are depreciated in accordance with company policy and local legislation.

NOTE 14. NON–CURRENT ASSETS – INTANGIBLES

	CONSOLIDATED	
	2018	2017
	$	$
Goodwill – at cost	2,426,187	2,426,187
Land right – at cost	69,449	67,004
Less: Accumulated amortisation for land right	(38,262)	(34,651)
	31,187	32,353
Casino license	395,467,920	386,681,694
Less: Impairment	(143,860,973)	–
	251,606,947	386,681,694
	254,064,321	389,140,234

RECONCILIATIONS

Reconciliations of the written down values at the beginning and end of the current and previous financial year are shown below.

	GOODWILL	LAND RIGHT	CASINO LICENSE	TOTAL
Consolidated	$	$	$	$
Balance at 1 July 2016	2,426,187	36,397	400,543,357	403,005,941
Disposals	–	–	–	–
Exchange differences	–	(1,881)	(13,861,663)	(13,863,544)
Amortisation expense	–	(2,163)	–	(2,163)
Balance at 30 June 2017	2,426,187	32,353	386,681,694	389,140,234
Disposals	–	–	–	–
Impairment of assets	–	–	(143,860,973)	(143,860,973)
Exchange differences	–	932	8,786,226	8,787,158
Amortisation expense	–	(2,098)	–	(2,098)
Balance at 30 June 2018	2,426,187	31,187	251,606,947	254,064,321

IMPAIRMENT TESTING OF GOODWILL

Goodwill is monitored by the Chief Operating Decision Maker ('CODM') at the cash generating unit level. CODM reviews the business performance based on geography and type of business. It has identified two reportable cash generating units, Lao Cai and DNA Star Vegas. A business–level summary of the goodwill allocation is shown below.

	CONSOLIDATED	
	2018	2017
	$	$
Lao Cai International Hotel JVC	2,426,187	2,426,187
Total goodwill	2,426,187	2,426,187

LAO CAI – GOODWILL

The recoverable amount of the cash generating unit of Lao Cai has been determined based on the value in use calculation. To calculate this, cash flow projections are based on financial budgets approved by senior management covering a five year period.

The group determines whether goodwill is impaired at least on an annual basis. To do so, the group employs a value in use calculation using cash flow projections from financial budgets approved by senior management. Management has forecast a strong growth rate in budgeted gross margin for FY19 based on the growth in revenue from Aristo's main gaming floor, VIP gaming, and the increase in the number of slot machines. The new hotel room, entertainment, restaurant and bar revenue lines, with associated marketing programs, will increase visitation to the new hotel, which will also contribute to overall revenue growth. Gross margin projections for future years are based on past performance and management's expectations for future performance in each segment.

Management determined budgeted gross margin based on past performance and its expectations for the future and are considered to be reasonably achievable. The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used reflect specific risks relating to the relevant segments and the countries in which they operate.

The recoverable amount calculation for goodwill is most sensitive to changes in growth rate and earnings before interest and taxes (EBIT) margin on sales. Based on sensitivity analysis performed, no reasonable change in these assumptions would give rise to an impairment.

No impairment has been recognised for the year ended 30 June 2018 (2017:nil).

DNA STAR VEGAS – CASINO LICENCE

The casino licence relates to the licence to operate the DNA Star Vegas casino acquired on 1 July 2015. The licence is stated at cost less any impairment losses. This intangible asset is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of the cash generating unit of DNA Star Vegas has been determined based on the fair value less costs of disposal. An independent valuation of the 100% equity interest in DNA Star Vegas Company Limited was undertaken as at 31 December 2017. Adjustments were made to determine the fair value less cost of disposal of the cash generating unit which was reasonably determined to be $330,204,466 (US$257,550,000 converted at the spot rate). This amounts to $348,465,150 at the 30 June 2018 spot rate.

The valuation was determined using budgeted gross margin based on past performance and its expectations for the future and are considered to be reasonably achievable. The valuation is classified as level 3 fair values in the fair value hierarchy as it was based on a five-year cash flow forecast period. The weighted average growth rates used are consistent with forecasts included in industry reports. The valuation uses a growth rate of 11% in the first year, 3% in the following four years and a terminal growth rate of 3%. The discount rates used of 15.06% reflect specific risks relating to the relevant segments and the countries in which they operate. The valuation was determined using a foreign exchange rate between Thai baht and US dollar of THB32.574: US$1. A capital expenditure percentage of 2.52% has also been included in the valuation. Furthermore, the valuation includes a Discount for Lack of Marketability ('DLOM') of 20.4%.

Apart from the impairment loss, the movement in the historical cost of the casino license is due to foreign exchange translation as the licence is denominated in foreign currency.

LAND RIGHT

Intangible asset of $31,187 (2017: $32,353) which relates to a 30-year land use right in the Socialist Republic of Vietnam. Land use right is stated at cost less accumulated amortisation and any impairment losses. The amortisation period is 30 years. This intangible asset is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

NOTE 15. NON-CURRENT ASSETS – CONSTRUCTION IN PROGRESS

	CONSOLIDATED	
	2018	2017
	$	$
Property construction works in progress – at cost	591,787	595,885

RECONCILIATIONS

Reconciliations of the written down values at the beginning and end of the current and previous financial year are shown below.

	CONSTRUCTION WIP
Consolidated	$
Balance at 1 July 2016	1,143,158
Additions	1,612,657
Exchange differences	(82,832)
Transfer in/(out)	(2,077,098)
Balance at 30 June 2017	595,885
Additions	270,209
Disposals	(261,366)
Exchange differences	23,912
Transfers out	(36,853)
Balance at 30 June 2018	591,787

Construction relates to costs incurred for the new construction of the Aristo Casino.

Amounts previously recognised as prepaid construction costs are transferred to construction in progress, once associated works have been completed.

Once recognised as part of construction in progress the amounts are then carried on the statement of financial position at cost, until such time as the asset is completed and ready for its intended use. Work in progress is not depreciated, but tested for impairment annually. Once ready for its intended use an amount equal to the cost of the completed asset will be transferred to property plant and equipment or non current prepayment and accounted for in accordance with the consolidated entity's accounting policy for each asset class.

NOTE 16. NON-CURRENT ASSETS – OTHER

	CONSOLIDATED	
	2018	2017
	$	$
Other debtors	4,018	3,895

NOTE 17. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2018	2017
Trade payables (note 28)	4,842,651	4,472,103
Deposits received	97,285	101,974
Floating chips (note 28)	6,624,856	13,013,770
Interest payable	646,922	2,060,154
Other payables and accrued expenses	22,440,301	22,140,106
	34,652,015	41,788,107

Refer to note 28 for further information on financial instruments.

FLOATING CHIPS

The number of floating chips is determined as the difference between the number of chips in use and the actual chips counted by the casino as at reporting date.

NOTE 18. CURRENT LIABILITIES – BORROWINGS

	CONSOLIDATED	
	2018	2017
	$	$
Joint Stock Commercial Ocean Bank	2,882,374	2,791,979
Mega International Commercial Bank Co Ltd	21,712,541	52,116,619
	24,594,915	54,908,598

Refer to note 28 for further information on financial instruments.

Total secured liabilities

The total secured current liabilities are as follows:

Joint Stock Commercial Ocean Bank	2,882,374	2,791,979
Mega International Commercial Bank Co Ltd	21,712,541	52,116,619
	24,594,915	54,908,598

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

The loan from Mega International Commercial Bank Co Ltd, which was initially drawn down on 1 July 2015, was refinanced under a new loan agreement dated 14 August 2017 for a total amount of US$57 million. The new loan was drawn down on 28 August 2017, the proceeds of which were used to settle the previous loan. Under the refinancing terms, the loan has been extended for a further three years with a final settlement date of 28 August 2020.

The consolidated entity complied with loan covenants as amended by Mega Bank during the year and consequently continued to present the outstanding loan balance expected to be settled more than 12 months after the reporting period as a non-current liability as at 30 June 2018 (note 22).

ASSETS PLEDGED AS SECURITY

The loan from Mega International Commercial Bank Co. Ltd is secured by the following:

i. A parent company guarantee from the parent entity for the debt owed by Donaco Hong Kong Limited

ii. A pledge of the shares in Donaco Hong Kong Limited owned by the parent entity (carrying value $293,608,393, 2017: $293,608,393)

iii. A pledge of the shares in DNA Star Vegas Co. Ltd owned by Donaco Hong Kong Limited (carrying value $443,615,198, 2017: $426,270,598)

iv. A pledge of the debt service reserve account maintained by Donaco Hong Kong Limited

v. A security assignment of contractual rights held by the parent entity under the purchase agreement for DNA Star Vegas

vi. A security agreement over the assets of DNA Star Vegas

vii. A hypothec agreement over the land and buildings of DNA Star Vegas.

MORTGAGE TO JOINT STOCK COMMERCIAL OCEAN BANK

A mortgage was registered by the Ocean Bank of Vietnam over the assets of the Aristo International Hotel on 11 July 2011. Total borrowings as per the statement of financial position as at 30 June 2018 under this arrangement were $7,205,935 (2017: $9,771,928).

Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn down at any time.

	CONSOLIDATED	
	2018	2017
	$	$
Financing arrangements		
Unrestricted access was available at the reporting date to the following lines of credit (current and non current):		
Total facilities		
Bank loans	70,401,487	108,462,225
Used at the reporting date		
Bank loans	70,401,487	108,462,225
Unused at the reporting date		
Bank loans	–	–

NOTE 19. CURRENT LIABILITIES – FINANCIAL LIABILITIES

	CONSOLIDATED	
	2018	2017
	$	$
Derivative financial liability at fair value through profit and loss		
Warrants	–	681,507

As a requirement of the terms of the group's facility previously provided by OL Master Limited, the company as guarantor has issued 70 warrants to subscribe for its ordinary shares. Each warrant has a notional value of US$100,000. The warrants have a term of 39 months and expire on 6 October 2018. The exercise price is $0.7579 and the maximum number of ordinary shares which may be issued is 12,334,408, and the company may elect to settle the difference between the share price and exercise price in cash.

The warrants associated with this transaction are classified as a derivative financial liability. On initial recognition the warrants issued are measured at fair value. At each reporting date the derivative financial liability is re-valued to fair value with the movement in the fair value recorded in profit or loss.

For the warrants granted during the 2016 financial year, fair value at grant date was $4,403,859. The valuation model inputs used to determine the fair value at the balance date are shown below.

GRANT DATE	EXPIRY DATE	SHARE PRICE AT REPORTING DATE	EXERCISE PRICE	EXPECTED VOLATILITY	DIVIDEND YIELD	RISK-FREE INTEREST RATE	FAIR VALUE
07/07/2015	07/10/2018	$0.145	$0.76	83.17%	–	2.00%	–

The remaining contractual life at 30 June 2018 is 0.27 years (2017: 1.27 years). Given the fair value of the warrants at 30 June 2018 is immaterial in nature, no derivative financial liability has been disclosed at the reporting date.

NOTE 20. CURRENT LIABILITIES – INCOME TAX

	CONSOLIDATED	
	2018	2017
	$	$
Provision for income tax	2,008,402	1,127,767

NOTE 21. CURRENT LIABILITIES – EMPLOYEE BENEFITS

	CONSOLIDATED	
	2018	2017
	$	$
Annual leave	140,590	95,613
Accrued salaries, wages and other benefits	1,120,735	885,393
	1,261,325	981,006

NOTE 22. NON-CURRENT LIABILITIES – BORROWINGS

	CONSOLIDATED	
	2018	2017
	$	$
Joint Stock Commercial Ocean Bank	4,323,561	6,979,949
Mega International Commercial Bank Co Ltd	41,483,011	46,573,678
	45,806,572	53,553,627

Refer to note 28 for further information on financial instruments.

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

Joint Stock Commercial Ocean Bank	7,205,935	9,771,928
Mega International Commercial Bank Co Ltd	63,195,552	98,690,297
	70,401,487	108,462,225

NOTE 23. NON-CURRENT LIABILITIES – EMPLOYEE BENEFITS

	CONSOLIDATED	
	2018	2017
	$	$
Long service leave	42,408	32,669
	42,408	32,669

NOTE 24. EQUITY – ISSUED CAPITAL

	CONSOLIDATED			
	2018	2017	2018	2017
	Shares	Shares	$	$
Ordinary shares – fully paid	823,592,773	831,211,424	358,656,945	359,968,884

DETAILS	SHARES	ISSUE PRICE	$
Balance at 30 June 2016	831,211,424		360,968,368
Acquisition of shares for employee share scheme	–		999,484)
Balance at 30 June 2017	831,211,424		359,968,884
Employee short term incentive	–		766,014
Share buybacks	(7,618,651)		(2,077,953)
Balance at 30 June 2018	823,592,773		358,656,945

ORDINARY SHARES

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

CAPITAL RISK MANAGEMENT

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment.

The consolidated entity is subject to certain financing arrangements and meeting these is given priority in all capital risk management decisions. The financing arrangements contain certain covenants relating to interest cover (the ratio of consolidated EBITDA to consolidated finance charges), and debt ratio (the ratio of consolidated net debt to EBITDA), which apply to Donaco Hong Kong Limited. In addition, covenants relating to the debt equity ratio (the ratio of consolidated total debt to consolidated total equity), and minimum cash holdings, apply to the consolidated entity.

There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 2017 financial statements.

Treasury shares are shares in Donaco International Limited that are held by Smartequity EIS Pty Ltd for the purpose of issuing shares under the employee share scheme. Shares issued to employees are recognised on a first-in-first-out basis.

DETAILS	NUMBER OF SHARES	$
Opening balance 1 July 2016	–	–
Acquisition of shares by the Trust (average price: $0.4199 per share)	2,376,653	999,484
Balance 30 June 2017	2,376,653	999,484
Shares issued to employees	(1,781,429)	(766,014)
Balance 30 June 2018	595,224	233,470

NOTE 25. EQUITY – RESERVES

	CONSOLIDATED	
	2018	2017
	$	$
Revaluation surplus reserve	1,855,327	1,855,327
Foreign currency reserve	17,875,486	4,275,055
Employee share option reserve	2,809,651	3,295,396
	22,540,464	9,425,778

	REVALUATION SURPLUS RESERVE	SHARE-BASED PAYMENT RESERVE	FOREIGN CURRENCY RESERVE	TOTAL
Consolidated	$	$	$	$
Balance at 1 July 2016	1,855,327	3,021,680	19,697,748	24,574,755
Foreign currency translation	–	–	(15,422,693)	(15,422,693)
Employee share option expense	–	273,716	–	273,716
Balance at 30 June 2017	1,855,327	3,295,396	4,275,055	9,425,778
Foreign currency translation			13,600,431	13,600,431
Shares allocated to employees	–	(766,014)	–	(766,014)
Employee share options	–	280,269	–	280,269
Balance at 30 June 2018	1,855,327	2,809,651	17,875,486	22,540,464

NATURE AND PURPOSE OF EQUITY RESERVES

Revaluation surplus

The revaluation surplus reserve is used to record increments and decrements in the fair value of net assets of disposed entities.

Share-based payment

The reserve is used to recognise:

- the grant date fair value of options issued to key management personnel but not exercised
- the issue of options held by the Employee Share Option Trust to key management personnel.

Foreign currency

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1 and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

NOTE 26. EQUITY – RETAINED PROFITS

	CONSOLIDATED	
	2018	2017
	$	$
Retained profits at the beginning of the financial year	115,374,413	92,630,958
(Loss)/profit after income tax expense for the year	(124,510,815)	30,990,298
Dividends paid	(4,113,618)	(8,246,843)
(Accumulated losses)/retained profits at the end of the financial year	(13,250,020)	115,374,413

NOTE 27. EQUITY – DIVIDENDS

A new dividend policy was announced on 29 August 2017, which stated that the consolidated entity intends to pay out 10–30% of net profit after tax as dividends to shareholders, with the intention to provide regular half-yearly dividend payments, subject to the consolidated entity's then current working capital requirements and growth plans. Shareholders should note that the payment of dividends is not guaranteed.

A dividend of $4,113,618 (0.5 cents per ordinary share) was paid on 20 October 2017. The dividend was 100% conduit foreign income and was unfranked.

FRANKING CREDIT BALANCE

The dividend recommended after 30 June 2018 is fully unfranked and 100% conduit foreign income.

	CONSOLIDATED	
	2018	2017
	$	$
Franking credits available for subsequent reporting periods after payment of tax liability based on a tax rate of 30% (2017: 30%)	471,682	471,682

NOTE 28. FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT OBJECTIVES

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board. These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

MARKET RISK

Market risk is the risk that changes in market prices, such as interest rate and foreign exchange rate will affect the consolidated entity's income.

FOREIGN CURRENCY RISK

The consolidated entity is exposed to foreign exchange fluctuations in relation to cash generated for working capital purposes, denominated in foreign currencies and net investments in foreign operations, in which the functional currencies are Vietnamese dong and Thai baht.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. An assessment of the sensitivity of the consolidated entity's exposure to interest rate movements was performed, and was found to be immaterial for the purposes of this disclosure.

Exchange rate exposures are managed within approved policy parameters and material movements are not expected. The consolidated entity does not enter into any forward exchange contracts to buy or sell specified foreign currencies.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

The average exchange rates and reporting date exchange rates applied are shown below.

AUSTRALIAN DOLLARS	AVERAGE EXCHANGE RATE		REPORTING DATE EXCHANGE RATE	
	2018	2017	2018	2017
USD	1.2897	1.3254	1.3530	1.3001
THB	0.0397	0.0380	0.0409	0.0382
VND	0.0001	0.0001	0.0001	0.0001
CNY	0.1982	0.1946	0.2045	0.1921
MYR	0.3163	0.3093	0.3352	0.3028
SGD	0.9608	0.9520	0.9923	0.9436
HKD	0.1648	0.1707	0.1724	0.1666

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date are shown below.

	ASSETS		LIABILITIES	
Consolidated	2018	2017	2018	2017
USD	13,044,387	39,885,279	(61,506,058)	(101,805,116)
VND	5,299,495	6,666,217	(9,690,246)	(11,036,948)
CNY	12,133,109	14,514,911	(6,175,459)	(13,013,771)
MYR	800,324	34,749	(72,731)	(82,477)
THB	27,070,484	26,675,967	(26,610,202)	(25,316,206)
SGD	132,179	203,720	(16,382)	(13,219)
EUR	–	6,685	–	–
HKD	257,378	183,740	(67,324)	(55,193)
	58,737,356	88,171,268	(104,138,402)	(151,322,930)

A 5% strengthening of the Australian dollar against the various foreign currencies at the balance date would increase/(decrease) the company's profit/(loss) after tax by the amounts shown below. The analysis assumes that all other variables remain constant.

		AUD STRENGTHENED	
Consolidated	% change	Effect on profit after tax 2018	Effect on profit after tax 2017
USD	5	2,423,084	3,095,992
VND	5	219,538	218,537
CNY	5	(297,883)	(75,057)
MYR	5	(36,380)	2,386
THB	5	(23,014)	(67,988)
SGD	5	(5,790)	(9,525)
EUR	5	–	(334)
HKD	5	(9,503)	(6,427)
		2,270,052	3,157,584

A 5% weakening of the Australian dollar against the various currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

NOTE 28. FINANCIAL INSTRUMENTS
CONTINUED

INTEREST RATE RISK

The consolidated entity's exposure to the risk of changes in market interest rates relates primarily to the consolidated entity's bank loans and debt obligations and its cash and cash equivalents. The consolidated entity manages its interest rate risk by using a combination of variable and fixed rate borrowings.

As at the reporting date, the consolidated entity had the cash and cash equivalents shown below.

CONSOLIDATED	WEIGHTED AVERAGE INTEREST RATE	BALANCE	WEIGHTED AVERAGE INTEREST RATE	BALANCE
	2018		2017	
	%	$	%	$
Bank loans	8.19	(70,401,487)	8.09	(108,462,225)
Cash on hand and cash at bank	0.18	45,331,648	0.41	64,338,919
Fixed deposits	5.05	1,743,941	4.80	1,683,830
Net exposure to cash flow interest rate risk		(23,325,898)		(42,439,476)

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

An assessment of the sensitivity of the consolidated entity's exposure to interest rate movements was performed, and was found to be immaterial for the purposes of this disclosure.

CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

LIQUIDITY RISK

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable. The consolidated entity maintains cash to meet all its liquidity requirements and manages its liquidity by carefully monitoring cash outflows due in a day-to-day and week-to-week basis. Furthermore, the consolidated entity's long-term liquidity needs are identified in its annual Board approved budget, and updated on a quarterly basis through revised forecasts.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid.

	WEIGHTED AVERAGE INTEREST RATE	1 YEAR OR LESS	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	OVER 5 YEARS	TOTAL CONTRACTUAL MATURITIES
Consolidated – 2018	%	$	$	$	$	$
Non-derivatives						
Non-interest bearing						
Trade payables	–	4,842,651	–	–	–	4,842,651
Floating chips	–	6,624,856	–	–	–	6,624,856
Interest bearing – variable						
Bank loans	8.19	24,594,915	45,806,572	–	–	70,401,487
Total non-derivatives		36,062,422	45,806,572	–	–	81,868,994

	WEIGHTED AVERAGE INTEREST RATE	1 YEAR OR LESS	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	OVER 5 YEARS	TOTAL CONTRACTUAL MATURITIES
Consolidated – 2017	%	$	$	$	$	$
Non-derivatives						
Non-interest bearing						
Trade payables	–	4,472,103	–	–	–	4,472,103
Floating chips	–	13,013,770	–	–	–	13,013,770
Interest bearing – variable						
Bank loans	8.09	54,908,598	53,553,627	–	–	108,462,225
Total non-derivatives		72,394,471	53,553,627	–	–	125,948,098

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

NOTE 29. KEY MANAGEMENT PERSONNEL DISCLOSURES

DIRECTORS

The following persons were directors of Donaco International Limited during the financial year:

Stuart James McGregor	Non-executive Director and Chairman
Joey Lim Keong Yew	Managing Director and CEO
Benedict Paul Reichel	Executive Director and Company Secretary
Benjamin Lim Keong Hoe	Non-executive Director
Robert Andrew Hines	Non-executive Director
Ham Techatut Sukjaroenkraisri	Executive Director (retired 23 November 2017)
Paul Porntat Amatavivadhana	Non-executive Director (resigned 3 July 2017)

OTHER KEY MANAGEMENT PERSONNEL

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Kenny Goh Kwey Biaw	Deputy Chief Financial Officer and CEO of Donaco Singapore (retired 31 March 2018)
Chong Kwong Yang	Chief Financial Officer
Att Asavanund	Chief Operating Officer and Deputy CEO (resigned 31 August 2017)

COMPENSATION

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is shown below.

	CONSOLIDATED	
	2018	2017
	$	$
Short-term employee benefits	2,744,060	3,148,000
Post-employment benefits	326,958	103,293
Share-based payments	259,516	196,804
	3,330,534	3,448,097

NOTE 30. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by Crowe Horwath the auditor of the company, and unrelated firms.

	CONSOLIDATED	
	2018	2017
	$	$
Audit services – Crowe Horwath Sydney		
Audit or review of the financial statements	97,500	97,500
	97,500	97,500
Audit services – related firms		
Audit or review of the financial statements	206,044	239,202
Preparation of the tax return	984	1,022
	207,028	240,224
Audit services – unrelated firms		
Audit or review of the financial statements	72,660	74,135
Other services – unrelated firms		
Preparation of the tax return	1,803	5,019
	74,463	79,154

NOTE 31. COMMITMENTS

	CONSOLIDATED	
	2018	2017
	$	$
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Property construction works	599,871	637,089
Property, plant and equipment	37,914	–
Car	–	44,028
	637,785	681,117
Lease commitments – operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	311,063	371,396
One to five years	659,182	792,453
More than five years	7,580,362	7,443,115
	8,550,607	8,606,964

Operating lease commitments includes contracted amounts for various offices and sites within Australia and South-East Asia under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated

NOTE 32. RELATED PARTY TRANSACTIONS

PARENT ENTITY

Donaco International Limited is the legal parent entity. Donaco International Limited is listed on the Australian Securities Exchange (ASX: DNA).

Interests in subsidiaries are set out in note 34.

KEY MANAGEMENT PERSONNEL

Disclosures relating to key management personnel are set out in note 29 and the remuneration report included in the directors' report.

TRANSACTIONS WITH RELATED PARTIES

The following transactions occurred with related parties during 2018.

	CONSOLIDATED	
	2018	2017
	$	$
Leasing fees paid to Lee Hoe Property Co., Ltd – a director-related entity	77,382	156,012
Rental received from director's immediate family	58,332	111,734
Technical support fees paid by Lao Cai JVC to iSentric Limited – a director-related entity	139,243	187,214
Management fees received for Star Paradise Casino property from MMD Travel Co Ltd – a director-related entity	477,992	2,338,782
Disposal of property, plant and equipment to previous owner of DNA Star Vegas Co, Ltd – a director-related entity	141,351	586,237

The above transactions occurred at commercial rates.

In 2017, the following transactions occurred with parties who ceased to be related parties during 2018:

Labour hire fee paid to Star Vegas Resort & Club Co, Ltd – a director-related entity	–	11,959,472
Licence agreement for occupation of office space paid to Infinite Capital Co., Ltd – a director-related entity	–	45,840
Management fees accrued to previous owner of DNA Star Vegas Co, Ltd – a director-related entity	–	19,045,688

There were no other payables or receivables from related parties at the current or previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

NOTE 33. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

	PARENT	
	2018	2017
	$	$
Statement of profit or loss and other comprehensive income		
Profit after income tax	(344,111)	2,015,705
Total comprehensive income	(344,111)	2,015,705
Statement of financial position		
Total current assets	22,588,546	19,672,065
Total assets	372,987,687	370,065,828
Total current liabilities	43,137,126	33,990,140
Total liabilities	43,179,534	33,982,653
Equity		
Issued capital	406,620,031	407,931,972
Employee share option reserve	2,809,651	3,295,396
Accumulated losses	(79,621,529)	(75,144,193)
Total equity	329,808,153	336,083,175

GUARANTEES ENTERED INTO BY THE PARENT ENTITY IN RELATION TO THE DEBTS OF ITS SUBSIDIARIES

As at 30 June 2018, the parent entity acts as a guarantor for the facility provided by Mega International Commercial Bank Co. Ltd to a controlled entity, Donaco Hong Kong Limited.

CONTINGENT LIABILITIES

The parent entity had no contingent liabilities as at 30 June 2018 and 30 June 2017.

CAPITAL COMMITMENTS – PROPERTY, PLANT AND EQUIPMENT

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2018 and 30 June 2017.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity
- dividends received from subsidiaries are recognised as other income by the parent entity.

NOTE 34. INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1.

		OWNERSHIP INTEREST	
Name	Principal place of business/ Country of incorporation	2018	2017
		%	%
Donaco Australia Pty Ltd	Australia	100	100
Donaco Singapore Pte Ltd	Singapore	100	100
Donaco Holdings Ltd *	British Virgin Islands	100	100
Donaco Holdings Sdn Bhd *	Malaysia	100	100
Lao Cai International Hotel Joint Venture Company *	Vietnam	95	95
Donaco Hong Kong Limited	Hong Kong	100	100
Prime Standard Limited	Hong Kong	100	100
Donaco Holdings (Hong Kong) Pte Ltd *	Hong Kong	100	100
DNA Star Vegas Co. Limited **	Cambodia	100	100
Donaco Entertainment & Marketing (Thailand) Ltd *	Thailand	49	49
Donaco Investment (S) Pte Ltd *	Singapore	100	–

* Subsidiary of Donaco Singapore Pty Ltd
** Subsidiary of Donaco Hong Kong Limited

The principal activities of each subsidiary are:

Donaco Australia Pty Ltd	Dormant (previously operated New Zealand games service, discontinued in January 2015).
Donaco Singapore Pte Ltd	Holding company for Vietnamese casino operations.
Donaco Holdings Ltd	Cost centre for corporate operations.
Donaco Holdings Sdn Bhd	Cost centre for corporate operations.
Donaco Holdings (Hong Kong) Pte Ltd	Cost centre for corporate operations and marketing activities.
Lao Cai International Hotel Joint Venture Company	Operates Vietnamese casino operations.
Donaco Hong Kong Limited	Holding company for Cambodian casino operations.
Prime Standard Limited	Dormant (previously cost centre for corporate operations).
DNA Star Vegas Co. Limited	Operates Cambodian casino operations.
Donaco Entertainment & Marketing (Thailand) Ltd	Dormant (previously provided marketing services). While the ownership of this entity is below 50%, it is considered a controlled entity due to the provisions of the shareholders agreement which give the consolidated entity the right to appoint a majority of the board.
Donaco Investment (S) Pte Ltd	Investment company.

NOTE 34. INTERESTS IN SUBSIDIARIES CONTINUED

SUMMARISED FINANCIAL INFORMATION

Summarised financial information of the subsidiary with non-controlling interests that are material to the consolidated entity are shown below.

LAO CAI INTERNATIONAL HOTEL JOINT VENTURE COMPANY

	2018	2017
	$	$
Summarised statement of financial position		
Current assets	18,440,168	14,894,013
Non-current assets	68,654,062	54,766,529
Total assets	87,094,230	69,660,542
Current liabilities	20,065,651	18,413,616
Non-current liabilities	11,816,389	13,326,362
Total liabilities	31,882,040	31,739,978
Net assets	55,212,190	37,920,564
Summarised statement of profit or loss and other comprehensive income		
Revenue	25,963,606	26,186,141
Expenses	(17,078,032)	(19,093,638)
Profit before income tax expense	8,885,574	7,092,503
Income tax expense	(1,035,477)	(880,886)
Profit after income tax expense	7,850,097	6,211,617
Statement of cash flows		
Net cash from operating activities	6,077,364	13,982,466
Net cash used in investing activities	(1,529,638)	(1,556,309)
Net cash used in financing activities	(7,652,100)	(9,897,377)
Net (decrease)/increase in cash and cash equivalents	(3,104,374)	2,528,780
Other financial information		
Profit attributable to non-controlling interests	261,944	198,751
Accumulated non-controlling interests at the end of reporting period	1,799,990	1,335,096

NOTE 35. EVENTS AFTER THE REPORTING PERIOD

SHARE OPTIONS

On 29 June 2018 the company announced the expiration of 2,930,625 options on 1 July 2018 in accordance with their terms. The options were part of the FY14, FY15 and FY16 option series. Currently, there are 2,514,186 remaining options on issue.

TERMINATION OF VIVO ARRANGEMENT

On 23 August 2018, the contract between DNA Star Vegas Co., Ltd and Vivo Tower Holdings Limited ('Vivo'), announced to the market on 16 June 2017, was terminated. DNA Star Vegas will now receive direct rental payments from the sub-licensees brought into the Star Vegas property by Vivo, which will substantially replace the fixed fee previously paid by Vivo. Under a new agreement, Vivo's role is to market and manage the online gaming platform owned by DNA Star Vegas, in return for a revenue share.

The directors are not aware of any other events subsequent to the reporting period that may have a material impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

NOTE 36. NET CASH FLOWS FROM OPERATING ACTIVITIES

	CONSOLIDATED	
	2018	2017
	$	$
a) Reconciliation of (loss)/profit after income tax to net cash from operating activities		
(Loss)/profit after income tax expense for the year	(124,248,871)	31,189,049
Adjustments for:		
Depreciation and amortisation	9,981,320	10,129,299
Impairment of assets	143,860,973	198,785
Share-based payments	280,269	273,716
Non-cash finance costs	3,839,305	8,037,166
Gain on revaluation of derivative financial liability	(681,507)	(1,113,012)
Change in operating assets and liabilities:		
Decrease in trade and other receivables	9,505,655	5,581,440
(Increase)/decrease in inventories	(503,870)	525,402
(Increase)/decrease in other operating assets	(1,390,974)	38,057
Decrease in trade and other payables	(7,180,789)	(7,587,489)
Increase/(decrease) in provision for income tax	880,635	(432,382)
Increase in provisions for employee benefits	290,058	515,367
Net cash from operating activities	34,632,204	47,355,398

b) Change in liabilities arising from financing activities

	2018
	$
Borrowings at beginning of the year (note 22)	108,462,225
Repayments	(44,326,139)
Foreign exchange adjustments	2,426,096
Other non-cash movements	3,839,305
Borrowings at end of the year (note 22)	70,401,487

NOTE 37. EARNINGS PER SHARE

	CONSOLIDATED	
	2018	2017
	$	$
Earnings per share for (loss)/profit from continuing operations		
(Loss)/profit after income tax	(124,248,871)	31,189,049
Non-controlling interest	(261,944)	(198,751)
(Loss)/profit after income tax attributable to the owners of Donaco International Limited	(124,510,815)	30,990,298

	CONSOLIDATED	
	2018	2017
	Numbers	Numbers
Weighted average number of ordinary shares used in calculating basic earnings per share	828,178,915	831,211,424
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	–	–
Weighted average number of ordinary shares used in calculating diluted earnings per share	828,178,915	831,211,424

	CONSOLIDATED	
	2018	2017
	Cents	Cents
Basic earnings per share	(15.03)	3.73
Diluted earnings per share	(15.03)	3.73

An additional 5,444,811 options over ordinary shares and 12,339,408 shares subject to warrants are anti-dilutive and have been excluded from the above calculations as the exercise price of these options and warrants exceeds the average market share price during the year.

NOTE 38. SHARE-BASED PAYMENTS

EMPLOYEE SHARES

Share allocation FY18

Under the employee share scheme, 1,781,429 shares were issued to employees on 3 October 2017, held by an employee share trust. These shares were issued at 41.99 cents per share and will vest over the three-year vesting period commencing on 1 July 2017.

EMPLOYEE OPTIONS

Employee option allocation FY14

At the Annual General Meeting on 21 November 2013, shareholders approved the establishment of a LTI plan for executives, consisting of the annual grant of units under an option share trust (OST). On 23 December 2013, the company announced that it had issued options amounting to 1% of its then issued capital (a total of 4,010,511 options) under the LTI plan. Approval for the issue of these options under an employee incentive scheme was obtained pursuant to ASX Listing Rule 10.14.

These options were not contributed to the OST until 1 July 2014. Accordingly employees were not allocated units in the OST until 1 July 2014.

Employee option allocation FY15

Pursuant to the approval granted by shareholders at the FY13 Annual General Meeting, further options were contributed to the OST for FY15. These options were not contributed to the OST until 1 July 2015, and accordingly employees were not allocated additional units in the OST until 1 July 2015.

Employee option allocation FY16

Pursuant to the approval granted by shareholders at the FY13 Annual General Meeting, further options were contributed to the OST for FY16. These options were contributed to the OST and employees were allocated additional units on 25 August 2015.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

Set out below are summaries of options outstanding under the plan during the year ended 30 June 2018:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	BALANCE AT START OF THE YEAR	GRANTED	EXERCISED	EXPIRED/ FORFEITED/ OTHER	BALANCE AT THE END OF THE YEAR
01/07/2014	01/07/2017	$0.59	1,194,836	–	–	(1,194,836)	–
01/07/2014	01/07/2018	$0.59	1,149,717	–	–	–	1,149,717
01/07/2015	01/07/2017	$0.89	457,047	–	–	(457,047)	–
01/07/2015	01/07/2018	$0.89	395,208	–	–	–	395,208
01/07/2015	01/07/2019	$0.89	349,377	–	–	–	349,377
25/08/2015	01/07/2018	$0.77	1,385,700	–	–	–	1,385,700
25/08/2015	01/07/2019	$0.77	1,156,784	–	–	–	1,156,784
25/08/2015	01/07/2020	$0.77	1,008,025	–	–	–	1,008,025
			7,096,694	–	–	(1,651,883)	5,444,811

Set out below are the options exercisable at the end of the financial year:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	NUMBER	NUMBER
		$	2018	2017
01/07/2014	01/07/2017	0.59	–	1,194,836
01/07/2014	01/07/2018	0.59	1,149,717	1,149,717
01/07/2015	01/07/2017	0.89	–	457,047
01/07/2015	01/07/2018	0.89	395,208	395,208
25/08/2015	01/07/2018	0.77	1,385,700	1,385,700
01/07/2015	01/07/2019	0.89	349,377	–
			3,280,002	4,582,508

The weighted average share price during the financial year was $0.34 (2017: $0.43).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 0.65 years (2017: 1.27 years).

The weighted average exercise price for all outstanding options is $0.75 (2017: $0.73).

NOTE 39. CONTINGENT ASSETS AND LIABILITIES

COURT PROCEEDINGS

During the year to 30 June 2018, the company commenced proceedings against the vendor for breach of non-competition clauses under the agreements of the sale and purchase of Star Vegas. The company obtained an injunction on 25 December 2017, ordering the closure of the Star Paradise and Star Paramax casinos which were illegally operated by the vendor. A further appeal was submitted to a higher court by the vendor, contesting against the injunction. As at the date of this report, the appeal has not been resolved. The vendor had also attempted to seek security rights over certain assets of Star Vegas in relation to his claim for the unpaid FY2017 management fee, however this was rejected by the court on 6 July 2018.

The vendors are also joint owners of a Cambodian company, Lee Hoe Property Co. Ltd, which owns and leases the land occupied by the Star Vegas business. During the reporting period, threats were made by the vendor to terminate the lease, however an injunction against this was granted in favour of the company. The vendor has commenced arbitration proceedings in Cambodia which is likely to take three to six months to resolve. On 20 August 2018, the lessor obtained an order allowing him to develop the land outside the Star Vegas boundary, which was always agreed under the lease, provided that no competing casino or gaming business is built. The vendor has also commenced defamation proceedings in Thailand against Donaco and two of its directors, seeking damages of THB1 million (equivalent to $40,900). No amounts have been recognised as at 30 June 2018 in relation to these proceedings as they are still in the early stages and no damages have been determined.

As at 30 June 2018, Donaco was also in the process of enforcing its legal rights via arbitration proceedings in Singapore. Having considered expert legal and financial advice, the company has increased the size of its damages claim from US$120 million (equivalent to $162 million) to US$190 million (equivalent to $257 million). The hearing date is currently set for July 2019. No amount receivable has been recognised as at 30 June 2018 given the delayed hearing date and the uncertainty over the outcome of the proceedings.

"As at 30 June 2018, Donaco was also in the process of enforcing its legal rights via arbitration proceedings in Singapore. Having considered expert legal and financial advice, the company has increased the size of its damages claim from US$120 million (equivalent to $162 million) to US$190 million (equivalent to $257 million)."

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors

Mr Stuart McGregor
Chairman

28 September 2018
Melbourne

Crowe Horwath™

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Donaco International Limited (the company) and its subsidiaries (the consolidated entity), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the consolidated entity is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Crowe Horwath Sydney is a member of Crowe Horwath International, a Swiss verein. Each member of Crowe Horwath is a separate and independent legal entity. Liability limited by a scheme approved under professional standards legislation. Liability limited other than for the acts or omissions of financial services licensees.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF DONACO INTERNATIONAL LIMITED

Crowe Horwath™

Decentralised operations

KEY AUDIT MATTER	HOW WE ADDRESSED THE KEY AUDIT MATTER
The consolidated entity comprises subsidiaries (components) whose operations are spread across Cambodia, Vietnam and Hong Kong. The decentralised and varied nature of these operations require significant oversight by management to monitor the activities, to review financial reporting by the components, and to undertake the consolidated entity's consolidation. This matter has been identified as a key audit matter given the following: • number and significance of the subsidiaries to the consolidated entity • varied nature of the operations and accounting systems and processes • manual nature of the consolidation process • multiple foreign currencies involved.	Our audit procedures included, amongst others, the following: • visited and held discussion with the component auditor of DNA Star Vegas Co. Limited • held discussions with the component auditors of Donaco Hong Kong Limited and Lao Cai International Hotel Joint Venture Company • tailored our group reporting instructions and designed audit procedures based on information obtained during audit planning and our assessment of the consolidated entity's overall audit risks • maintained communication with the component auditors throughout the audit process • evaluated the work performed by the component auditors for sufficiency for our overall group audit purpose • agreed the financial data used in the consolidation to the component auditors' group reporting • tested the mathematical accuracy of the consolidation workings, including reperforming foreign currency translations and evaluating the completeness and accuracy of the consolidation elimination entries.

Crowe Horwath

Impairment assessment of intangible assets (Note 14)

KEY AUDIT MATTER	HOW WE ADDRESSED THE KEY AUDIT MATTER
The consolidated entity recorded a casino licence asset of $251.61 million as at 30 June 2018. The licence is classified as an intangible asset with indefinite useful life and is subject to annual impairment assessment. Impairment of $143.86 million was recognised in the statement of profit or loss and other comprehensive income for the year based on the annual impairment assessment made as at 31 December 2017. At 30 June 2018, management performed an impairment indicators assessment and concluded that no further impairment testing was required. The impairment assessment of the intangible asset is a key audit matter because of the complexity and subjectivity involved, specifically in relation to the Fair Value less Cost of Disposal model adopted by management and the key assumptions that are used to determine the inputs to the assessment.	Our audit procedures included, amongst others, the following: *Annual impairment assessment made as at 31 December 2017* • Assessed management's determination of the cash generating unit ('CGU') and the CGU's carrying value. • Assessed reasonableness of cash flow forecasts by comparing the base year in the forecast calculation to the current period's actual results. • Assessed the appropriateness of the currency used in the model. The cash flow forecast is calculated in the Thai baht (THB) and translated to the US dollar (USD) at the valuation date. • Together with our valuation specialists, assessed reasonableness of the key assumptions used, being revenue growth rate, discount rate, terminal growth rate and discount for lack of marketability. • Together with our valuation specialists, tested the mathematical accuracy and components of the model that supports the impairment assessment. • Checked the sensitivity of the impairment assessment by focusing on the discount for lack of marketability and THB/USD translation rate. • Evaluated the adequacy of the judgements and sources of estimation uncertainty disclosures in the consolidated financial report. *Management's conclusion that there was no further impairment indications as at 30 June 2018* • Held discussions with management and assessed the reasonableness of the management's impairment indicators assessment. • Assessed the reasonableness of the market inputs used by management in calculating the discount rate as at 30 June 2018. • Reviewed reasonableness of the management's forecast for the year ending 30 June 2019.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF DONACO INTERNATIONAL LIMITED

Crowe Horwath

Contingent assets and liabilities (Note 39)

KEY AUDIT MATTER	HOW WE ADDRESSED THE KEY AUDIT MATTER
The group is a party to several ongoing legal actions both initiated by and directed against its subsidiaries. Outcomes of these proceedings were uncertain at 30 June 2018. We determined this to be a key audit matter given the materiality of the amounts involved together with the level of judgement required in assessing the developments to ensure they are appropriately reflected in the financial report.	Our audit procedures, amongst others, included the following: • obtained a list of litigation matters and held discussions with management on the status and outcome of each matter up to the date of this audit report • reviewed all solicitor's representation letters, including those received by the component auditors of DNA Star Vegas Co. Limited and Donaco Hong Kong Limited • held discussions with the component auditors of DNA Star Vegas Co. Limited and Donaco Hong Kong Limited to gain understanding of the impact on the consolidated financial report. Reviewed group reporting package received • ensured completeness and accuracy of the disclosures included in the consolidated financial report.

Bank loan covenant compliance (Notes 18 and 22)

KEY AUDIT MATTER	HOW WE ADDRESSED THE KEY AUDIT MATTER
The group's liabilities included a bank loan from Mega International Commercial Bank Co Ltd of $63,195,552 at 30 June 2018, with $41,483,011 classified a non-current. The loan agreement included certain covenants that, if breached by the group, permitted the lender to demand repayment before the loan's normal maturity date. We determined this to be a key audit matter given the magnitude of the potential impact on the consolidated statement of financial position and the going concern assessment if the covenants were breached and the borrowings were to be reclassified as a current liability.	Our procedures included, amongst others: • reviewed bank loan agreements to identify covenants requirements • reviewed a letter from Mega International Commercial Bank Co Ltd that approved an amended covenant ratio to be effective for 30 June 2018 compliance reporting • reviewed the management's covenant calculation and assessed compliance to the amended covenant ratio • assessed appropriateness of the bank loan classification in the consolidated statement of financial position as at 30 June 2018 and adequacy of the disclosures in Notes 18 and 22.

Other information

The directors are responsible for the other information. The other information comprises the information included in the consolidated entity's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Crowe Horwath™

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the consolidated entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the consolidated financial report. The auditor is responsible for the direction, supervision and performance of the group audit. The auditor remains solely responsible for the audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF DONACO INTERNATIONAL LIMITED

Crowe Horwath™

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

Opinion on the remuneration report

We have audited the remuneration report included in pages 11 to 19 of the directors' report for the year 30 June 2018.

In our opinion, the remuneration report of Donaco International Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Crowe Horwath Sydney

CROWE HORWATH SYDNEY

SUWARTI ASMONO
Partner

28 September 2018
Sydney

SHAREHOLDER INFORMATION

for the year ended 30 June 2018

The shareholder information set out below was applicable as at 31 August 2018.

DISTRIBUTION OF EQUITABLE SECURITIES

Analysis of number of equitable security holders by size of holding:

	NUMBER OF HOLDERS OF ORDINARY SHARES
1 to 1,000	333
1,001 to 5,000	509
5,001 to 10,000	309
10,001 to 100,000	718
100,001 and over	162
	2,031

EQUITY SECURITY HOLDERS

The names of the twenty largest security holders of quoted equity securities are shown below.

	ORDINARY SHARES	
Twenty largest quoted equity security holders	Number held	% of total shares issued
HSBC Custody Nominees (Australia) Limited	359,033,138	43.59
Convent Fine Limited	60,353,318	7.33
Total Alpha Investments Limited	56,962,025	6.92
Slim Twinkle Limited	46,937,882	5.70
Citicorp Nominees Pty Limited	41,521,511	5.04
J P Morgan Nominees Australia Limited	39,588,305	4.81
Mr Keong Yew Lim	34,208,800	4.15
National Nominees Limited	28,585,456	3.47
Max Union Corporate Development Ltd	26,000,000	3.16
BNP Paribas Noms Pty Ltd <DRP>	17,767,451	2.16
HSBC Custody Nominees (Australia) Limited – A/C 2	12,951,352	1.57
BNP Paribas Noms Pty Ltd <UOB KH P/L AC UOB KH DRP>	5,832,443	0.71
BNP Paribas Nominees Pty Ltd <IB AU NOMS RETAILCLIENT DRP>	5,501,769	0.67
BNP Paribas Noms Pty Ltd <UOB KAY HIAN PRIV LTD DRP>	3,686,147	0.45
Mrs Antonia Collopy	3,000,000	0.36
Smartequity EIS Pty Ltd	2,376,653	0.29
Vintage Crop Pty Ltd	2,348,338	0.29
Holdex Nominees Pty Ltd <No 392 A/C>	2,000,000	0.24
N2 Global (HK) Limited	1,650,000	0.20
Bt Portfolio Services Limited <Warrell Holdings S/F A/C>	1,500,000	0.18
Mr Michael Stewart Bunker	1,500,000	0.18
	753,304,588	91.47

	NUMBER ON ISSUE
Unquoted equity securities	
Employee options	5,444,810
Warrants	70

SHAREHOLDER INFORMATION
for the year ended 30 June 2018

SUBSTANTIAL HOLDERS

Substantial holders in the company are shown below.

	ORDINARY SHARES	
	Number held	% of total shares issued
Lim Keong Yew	231,406,797	28.10
Lim Keong Hoe (jointly held as part of Lim Keong Yew's holding)	107,311,200	13.03
Perpetual Limited and subsidiaries	120,080,387	14.56
Fidelity International and subsidiaries	68,554,883	8.31
Lee Bug Tong	73,599,765	8.93
Lee Bug Huy	74,599,764	9.06

VOTING RIGHTS

The voting rights attached to ordinary shares and options are discussed below.

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options

There are no voting rights attached to options. Upon exercise of the option, the issued shares will confer full voting rights.

Warrants

There are no voting rights attached to warrants. Upon conversion of the warrant, the issued shares will confer full voting rights.

There are no other classes of equity securities.

CORPORATE DIRECTORY

for the year ended 30 June 2018

DIRECTORS	Stuart James McGregor – Non-executive Chairman Joey Lim Keong Yew – Managing Director and CEO Benedict Paul Reichel – Executive Director Benjamin Lim Keong Hoe – Non-executive Director Robert Andrew Hines – Non-executive Director
COMPANY SECRETARY	Benedict Paul Reichel
REGISTERED OFFICE	Level 18, 420 George Street Sydney NSW 2000, Australia
PRINCIPAL PLACE OF BUSINESS	Level 18, 420 George Street Sydney NSW 2000, Australia
SHARE REGISTER	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000 +61 2 9290 9600
AUDITOR	Crowe Horwath Sydney Level 15, 1 O'Connell Street Sydney NSW 2000, Australia
STOCK EXCHANGE LISTING	Donaco International Limited shares are listed on the Australian Securities Exchange (ASX code: DNA)
WEBSITE	www.donacointernational.com
CORPORATE GOVERNANCE STATEMENT	The Corporate Governance Statement of Donaco International Limited is available from our website www.donacointernational.com, under the tab headed 'Investor Relations'.

GENERAL INFORMATION

The financial statements cover Donaco International Limited as a consolidated entity consisting of Donaco International Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Donaco International Limited's functional and presentation currency.

Donaco International Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 18
420 George Street
Sydney NSW 2000
Australia

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 September 2018. The directors have the power to amend and reissue the financial statements.

donaco
INTERNATIONAL

Donaco International Limited ABN: 28 007 424 777

Level 18, 420 George Street, Sydney NSW 2000, Australia
Phone: +61 2 9106 2149 Fax: +61 2 9106 2106
Email: enquiries@donacointernational.com

www.donacointernational.com