

DONACO INTERNATIONAL LIMITED
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Donaco International Limited
ABN:	28 007 424 777
Reporting period:	For the year ended 30 June 2018
Previous period:	For the year ended 30 June 2017

2. Results for announcement to the market

Revenues from ordinary activities	down	32.1%	to	\$ 92,606,141
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Loss for the year attributable to the owners of Donaco International Limited	down	501.8%	to	(124,510,815)
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	30 Jun 2018 Cents	30 Jun 2017 Cents
Basic (loss)/earnings per share	(15.03)	3.73
Diluted (loss)/earnings per share	(15.03)	3.73

Dividends

The company paid a dividend on ordinary shares of 0.5 cents per share on 20 October 2017, to shareholders registered on 5 October 2017. The dividend is sourced 100% from conduit foreign income and unfranked.

Comments

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$124,510,815 (30 June 2017: profit of \$30,990,298). This includes an impairment loss of \$143,860,973. The profit before impairment loss is \$19,350,158.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	14.05	11.67

DONACO INTERNATIONAL LIMITED
Appendix 4E
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4. Control gained over entities

Name of entities (or group of entities)	Date control gained	
Donaco Investment (S) Pte Ltd	18 September 2017	
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material)		\$ -
Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) for the whole of the previous period (where material)		-

5. Loss of control over entities

Name of entities (or group of entities)	Date control lost	
Not applicable		
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material)		\$ -
Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) whilst controlled during the whole of the previous period (where material)		-

6. Dividends

Current period

The company paid a dividend on ordinary shares of 0.5 cents per share on 20 October 2017, to shareholders registered on 5 October 2017. The dividend is sourced 100% from conduit foreign income and unfranked.

Previous period

The company paid a dividend on ordinary shares of 1 cent per share on 19 October 2016, to shareholders registered on 4 October 2016. The dividend is sourced 100% from conduit foreign income and unfranked.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Reporting period %	Previous period %	Reporting period \$	Previous period \$
Lao Cai International Hotel Joint Venture Company	95.00%	95.00%	8,623,629	6,893,752
<i>Group's aggregate share of associates and joint venture entities' profit (where material)</i>				
Profit from ordinary activities before income tax			8,623,629	6,893,752
Income tax on operating activities			1,035,477	880,886

9. Foreign entities

Details of origin of accounting standards used in compiling the report

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):


This Preliminary Final Report for the year ended 30 June 2018 is based on accounts which are currently being audited by the company's Independent auditor, Crowe Horwath Sydney.

11. Attachments

Details of attachments (if any):

The Preliminary Final Report of Donaco International Limited for the year ended 30 June 2018 is attached.

12. Signed

Signed  _____

Date: 30 August 2018

Sydney

DONACO INTERNATIONAL LIMITED
ABN 28 007 424 777

Preliminary Final Report
30 June 2018

DONACO INTERNATIONAL LIMITED
Contents
30 June 2018

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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 ended 30 June 2018. 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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 August 2018. The directors have the power to amend and reissue the financial statements.

DONACO INTERNATIONAL LIMITED
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2018

		Consolidated	
	Note	2018	2017
		\$	\$
Revenue from continuing operations	3	92,606,141	136,443,789
Other income/(expense)	4	1,022,878	(4,867)
Total income		<u>93,629,019</u>	<u>136,438,922</u>
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	5	(9,981,320)	(10,129,299)
Impairment of intangible asset	8	(143,860,973)	-
Legal and compliance		(829,360)	(680,734)
Marketing and promotions		(6,756,555)	(4,618,018)
Professional & 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		<u>(214,216,223)</u>	<u>(101,713,397)</u>
(Loss)/profit before income tax expense from continuing operations		(120,587,204)	34,725,525
Income tax expense		<u>(3,661,667)</u>	<u>(3,536,476)</u>
(Loss)/profit after income tax expense from continuing operations		(124,248,871)	31,189,049
(Loss)/profit after income tax expense for the year		(124,248,871)	31,189,049
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>13,600,431</u>	<u>(15,422,693)</u>
Other comprehensive income/(loss) for the year, net of tax		<u>13,600,431</u>	<u>(15,422,693)</u>
Total comprehensive (loss)/income for the year		<u>(110,648,440)</u>	<u>15,766,356</u>
(Loss)/profit for the year is attributable to:			
Non-controlling interest		261,944	198,751
Owners of Donaco International Limited		<u>(124,510,815)</u>	<u>30,990,298</u>
		<u>(124,248,871)</u>	<u>31,189,049</u>
Total comprehensive (loss)/income from continuing operations for the year is attributable to:			
Non-controlling interest		261,944	198,751
Owners of Donaco International Limited		<u>(110,910,384)</u>	<u>15,567,605</u>
		<u>(110,648,440)</u>	<u>15,766,356</u>
Earnings per share for (loss)/profit attributable to the owners of Donaco International Limited			
		Cents	Cents
Basic (loss)/earnings per share	11	(15.03)	3.73
Diluted (loss)/earnings per share	11	(15.03)	3.73

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

DONACO INTERNATIONAL LIMITED
Statement of financial position
As at 30 June 2018

	Note	Consolidated 2018 \$	2017 \$
Assets			
Current assets			
Cash and cash equivalents	6	47,075,589	66,022,749
Trade and other receivables		10,545,030	20,402,807
Inventories		1,397,344	893,474
Prepaid construction costs		1,811,360	341,184
Other current assets		451,329	432,851
Total current assets		<u>61,280,652</u>	<u>88,093,065</u>
Non-current assets			
Property, plant and equipment	7	162,172,238	161,344,373
Intangibles (including licences)	8	254,064,321	389,140,234
Construction in progress		591,787	595,885
Other non-current assets		4,018	3,895
Total non-current assets		<u>416,832,364</u>	<u>551,084,387</u>
Total assets		<u>478,113,016</u>	<u>639,177,452</u>
Liabilities			
Current liabilities			
Trade and other payables		34,652,015	41,788,107
Borrowings		24,594,915	54,908,598
Financial liabilities		-	681,507
Income tax		2,008,402	1,127,767
Employee benefits		1,261,325	981,006
		<u>62,516,657</u>	<u>99,486,985</u>
Non-current liabilities			
Borrowings		45,806,572	53,553,627
Employee benefits		42,408	32,669
Total non-current liabilities		<u>45,848,980</u>	<u>53,586,296</u>
Total liabilities		<u>108,365,637</u>	<u>153,073,281</u>
Net assets		<u>369,747,379</u>	<u>486,104,171</u>
Equity			
Issued capital		358,656,945	359,968,884
Reserves		22,540,464	9,425,778
Retained profits		(13,250,020)	115,374,413
Equity attributable to the owners of Donaco International Limited		<u>367,947,389</u>	<u>484,769,075</u>
Non-controlling interest		1,799,990	1,335,096
Total equity		<u>369,747,379</u>	<u>486,104,171</u>

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

DONACO INTERNATIONAL LIMITED
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
<i>Transactions with owners in their capacity as owners:</i>					
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	<u>359,968,884</u>	<u>9,425,778</u>	<u>115,374,413</u>	<u>1,335,096</u>	<u>486,104,171</u>
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)
<i>Transactions with owners in their capacity as owners:</i>					
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	<u>358,656,945</u>	<u>22,540,464</u>	<u>(13,250,020)</u>	<u>1,799,990</u>	<u>369,747,379</u>

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

DONACO INTERNATIONAL LIMITED
Statement of cash flows
For the year ended 30 June 2018

	Note	Consolidated	
		2018	2017
		\$	\$
Cash flow from operating activities			
Receipts from customers		102,284,185	151,208,268
Payments to suppliers and employees		<u>(49,947,841)</u>	<u>(78,700,881)</u>
		52,336,344	72,507,387
 Interest received		 93,786	 100,011
Interest and other finance costs paid		(7,829,780)	(11,878,989)
Government levies, gaming taxes and GST		<u>(9,968,146)</u>	<u>(13,373,011)</u>
Net cash flows from operating activities		<u>34,632,204</u>	<u>47,355,398</u>
 Cash flow from investing activities			
Payments for property, plant and equipment		<u>(5,668,289)</u>	<u>(5,727,117)</u>
Net cash flows from investing activities		<u>(5,668,289)</u>	<u>(5,727,117)</u>
 Cash flow from financing activities			
Repayment of borrowings		(41,862,974)	(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		<u>(2,077,954)</u>	<u>-</u>
Net cash flows from financing activities		<u>(48,054,546)</u>	<u>(53,460,726)</u>
 Net decrease in cash and cash equivalents		 (19,090,631)	 (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		143,471	(365,825)
Cash and cash equivalents at the end of the financial year	6	<u>47,075,589</u>	<u>66,022,749</u>

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

Note 1. Significant accounting policies

These preliminary financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the company during the year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, 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.

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

Note 2. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into three operating segments: Casino Operations - Vietnam, Casino Operations - 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. The Casino operations are segmented geographically between casino operations in Vietnam and Cambodia.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). 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 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.

DONACO INTERNATIONAL LIMITED
Notes to the financial statements
30 June 2018

Note 2. Operating segments (continued)

	Casino Operations Vietnam \$	Casino Operations Cambodia \$	Corporate Operations \$	Total \$
Consolidated - 2018				
Revenue				
Sales to external customers	25,905,755	66,606,184	199	92,512,139
Interest	57,851	-	36,151	94,002
Total revenue	<u>25,963,606</u>	<u>66,606,184</u>	<u>36,350</u>	<u>92,606,141</u>
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	<u>8,623,629</u>	<u>(110,237,988)</u>	<u>(19,234,789)</u>	<u>(120,849,148)</u>
Income tax expense				(3,661,667)
Loss after income tax expense attributable to the owners of Donaco International Limited				<u>(124,510,815)</u>
Assets				
Segment assets	87,094,230	373,661,535	17,357,251	478,113,016
Total assets				<u>478,113,016</u>
Liabilities				
Segment liabilities	16,657,078	26,608,658	65,099,901	108,365,637
Total liabilities				<u>108,365,637</u>
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	<u>26,186,141</u>	<u>110,188,090</u>	<u>69,558</u>	<u>136,443,789</u>
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 losses	(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/(loss) before income tax expense	<u>6,893,752</u>	<u>56,565,750</u>	<u>(28,932,728)</u>	<u>34,526,774</u>
Income tax expense				(3,536,476)
Profit after income tax expense attributable to the owners of Donaco International Limited				<u>30,990,298</u>
Assets				
Segment assets	90,565,671	518,124,825	30,486,956	639,177,452
Total assets				<u>639,177,452</u>
Liabilities				
Segment liabilities	41,265,145	30,848,280	80,959,856	153,073,281
Total liabilities				<u>153,073,281</u>

DONACO INTERNATIONAL LIMITED
Notes to the financial statements
30 June 2018

	Consolidated	
	2018	2017
	\$	\$
Note 3. Revenue		
From continuing operations		
<i>Sales revenue</i>		
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
	<u>92,606,141</u>	<u>136,443,789</u>
Revenue from continuing operations		
	<u>92,606,141</u>	<u>136,443,789</u>
Note 4. Other income / (expense)		
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
	<u>1,022,878</u>	<u>(4,867)</u>
Other income / (expense)		
	<u>1,022,878</u>	<u>(4,867)</u>
Note 5. Expenses		
(Loss)/profit before income tax from continuing operations includes the following specific expenses:		
<i>Depreciation</i>		
Land, buildings and structures	4,216,435	4,115,611
Furniture and fittings	305,076	478,683
Machinery and equipment	3,328,285	1,936,041
Office equipment and other	539,637	1,519,440
Motor vehicles	248,188	303,678
Consumables	1,341,602	1,773,682
Land right	2,098	2,163
	<u>9,981,320</u>	<u>10,129,299</u>
Total depreciation		
	<u>9,981,320</u>	<u>10,129,299</u>

	Consolidated	
	2018	2017
	\$	\$
Note 6. Current assets - cash and cash equivalents		
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
	<u>47,075,589</u>	<u>66,022,749</u>

	Consolidated	
	2018	2017
	\$	\$
Note 7. Non-current assets - property, plant and equipment		
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)
	<u>142,455,067</u>	<u>139,310,121</u>
Furniture and fittings - at cost	4,905,381	4,597,726
Less: Accumulated depreciation for furniture and fittings	(4,753,580)	(4,160,572)
	<u>151,801</u>	<u>437,154</u>
Machinery and equipment - at cost	40,459,999	34,696,929
Less: Accumulated depreciation for machinery and equipment	(24,964,399)	(18,513,168)
	<u>15,495,600</u>	<u>16,183,761</u>
Motor vehicles - at cost	2,298,287	1,869,091
Less: Accumulated depreciation for motor vehicles	(1,528,435)	(1,312,898)
	<u>769,852</u>	<u>556,193</u>
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)
	<u>1,869,074</u>	<u>2,118,116</u>
Consumables	1,430,844	2,739,028
Less: Accumulated depreciation for consumables	-	-
	<u>1,430,844</u>	<u>2,739,028</u>
	<u>162,172,238</u>	<u>161,344,373</u>

Note 8. Non-current assets - intangibles		
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)
	<u>31,187</u>	<u>32,353</u>
Casino license	395,467,920	386,681,694
Less: Impairment	(143,860,973)	-
	<u>251,606,947</u>	<u>386,681,694</u>
	<u>254,064,321</u>	<u>389,140,234</u>

Note 8. Non-current assets - intangibles (continued)

Impairment testing of goodwill and intangibles with indefinite useful lives

Impairment of intangibles 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, Donaco Singapore and DNA Star Vegas. A business-level summary of the allocation of intangibles with indefinite useful lives is presented below:

	Consolidated	
	2018	2017
	\$	\$
Donaco Singapore - goodwill	2,426,187	2,426,187
Total goodwill	2,426,187	2,426,187

Donaco Singapore - goodwill

The recoverable amount of the cash generating unit of Donaco Singapore 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.

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

DNA Star Vegas - Casino License

The casino license relates to the license to operate the DNA Star Vegas casino acquired on 1 July 2015. The license 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 31 December 2017 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 5- 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 4 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 32.574 THB:1 USD. 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%.

Based on the valuation, the Directors reassessed the position during the 2018 financial year and determined an impairment loss of \$143,860,973 needed to be recognised as at 30 June 2018.

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.

Note 9. Events after the reporting period

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 FY2014, FY2015 and FY2016 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.

Note 10. 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 on 29 August 2018, contesting against the injunction. 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 3 to 6 months to resolve. The vendor has also commenced defamation proceedings in Thailand against Donaco and two of its directors. 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 USD120 million to USD190 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.

Note 11. Earnings per share

	Consolidated	
	2018	2017
	\$	\$
<i>(Loss)/earnings per share for profit from continuing operations</i>		
(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	<u>(124,510,815)</u>	<u>30,990,298</u>
	Number	Number
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 and warrants over ordinary shares which are dilutive	-	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>828,178,915</u>	<u>831,211,424</u>
	Cents	Cents
Basic (loss)/earnings per share	(15.03)	3.73
Diluted (loss)/earnings per share	(15.03)	3.73

DONACO INTERNATIONAL LIMITED
Notes to the financial statements
30 June 2018

Note 12. 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:

Name	Principal place of business/ Country of incorporation	Ownership interest	
		30 Jun 2018	30 Jun 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 Pte 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 Ltd - Operates Vietnamese casino operations.

Donaco Hong Kong Limited - Holding company for Cambodian casino operations.

Prime Standard Limited - Cost centre for corporate operations.

DNA Star Vegas Co. Limited - Operates Cambodian casino operations.

Donaco Entertainment & Marketing (Thailand) Ltd - Provision of 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.