

DONACO INTERNATIONAL LIMITED**Appendix 4D****Half-year financial report****1. Company details**

Name of entity: Donaco International Limited
 ABN: 28 007 424 777
 Reporting period: For the half-year ended 31 December 2016
 Previous period: For the half-year ended 31 December 2015

2. Results for announcement to the market

Revenues from ordinary activities	down	14.3%	to	\$	59,040,620
Profit from ordinary activities after tax attributable to the owners of Donaco International Limited	up	4.7%	to		14,803,317
Profit for the half-year attributable to the owners of Donaco International Limited	up	4.7%	to		14,803,317
				31 Dec 2016	31 Dec 2015
				Cents	Cents
Basic earnings per share				1.78	1.70
Diluted earnings per share				1.78	1.69

Dividends

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.

Comments

The profit for the consolidated entity after providing for income tax and non-controlling interest amounted to \$14,803,317 (31 December 2015: \$14,133,999).

3. Net tangible assets

	Reporting period	Previous period
	Cents	Cents
Net tangible assets per ordinary security	<u>9.93</u>	<u>2.27</u>

4. Control gained over entities

Name of entities (or group of entities) Not applicable

Date control gained

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)		-

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5. Loss of control over entities

Name of entities (or group of entities) Not applicable

Date control lost

\$

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 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.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

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 Limited	95.00%	95.00%	4,061,550	3,421,499
<i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i>				
Profit/(loss) from ordinary activities before income tax			4,061,550	3,421,499
Income tax on operating activities			570,407	-

9. Foreign entities

Details of origin of accounting standards used in compiling the report

Not applicable.

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10. Audit qualification or review

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

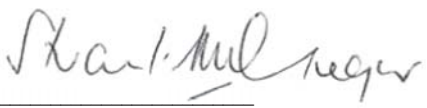
The financial statements were subject to a review by the auditors and the review report is attached as part of the Half Year Report.

11. Attachments

Details of attachments (if any):

The Half Year Report of Donaco International Limited for the half-year ended 31 December 2016 is attached.

12. Signed

Signed 

Date: 23 February 2017

Mr Stuart McGregor
Chairman
Sydney

DONACO INTERNATIONAL LIMITED
ABN 28 007 424 777

Half Year Financial Report
31 December 2016

DONACO INTERNATIONAL LIMITED

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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 half-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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 23 February 2017. The directors have the power to amend and reissue the financial statements.

DONACO INTERNATIONAL LIMITED

Directors' report

31 December 2016

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') 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 half-year ended 31 December 2016.

Directors

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

Stuart James McGregor - 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
Ham Techatut Sukjaroenkraisri - Executive Director
Paul Porntat Amatavivadhana - Non-Executive Director

Principal activities

During the financial half-year the principal 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 Vietnam;
- operation of a hotel and casino in Cambodia; and
- acquisition and disposal of businesses.

Review of operations

The profit for the consolidated entity after providing for income tax and non-controlling interest amounted to \$14,803,317 (31 December 2015: \$14,133,999).

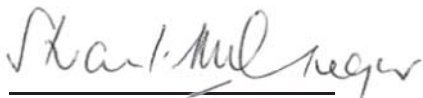
Full details on the financial performance and activities of the consolidated entity are provided in the investor presentation released to the market on the same day as this report.

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.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Mr Stuart McGregor
Chairman

23 February 2017

23 February 2017

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 half-year ended 31 December 2016, 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 review;
and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



CROWE HORWATH SYDNEY



SUWARTI ASMONO
Partner

DONACO INTERNATIONAL LIMITED
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2016

	Note	Consolidated	
		31 Dec 2016	31 Dec 2015
		\$	\$
Revenue from continuing operations	3	59,040,620	68,872,040
Other income	4	835,992	253,026
Total income		<u>59,876,612</u>	<u>69,125,066</u>
Expenses			
Food and beverages		(3,020,311)	(3,038,663)
Employee benefits expense		(10,939,071)	(10,997,717)
Depreciation and amortisation expense		(5,068,330)	(4,361,506)
Legal and compliance		(395,354)	(442,696)
Marketing and promotions		(2,234,028)	(2,427,292)
Professional & consultants		(1,052,707)	(12,270,492)
Property costs		(3,004,977)	(2,928,272)
Telecommunications and hosting		(184,264)	(118,605)
Gaming costs		(1,804,621)	(3,133,071)
Other expenses		(3,038,469)	(6,061,440)
Finance costs		(12,234,527)	(7,387,824)
Total expenses		<u>(42,976,659)</u>	<u>(53,167,578)</u>
Profit before income tax expense from continuing operations		16,899,953	15,957,488
Income tax expense		<u>(1,923,699)</u>	<u>(1,669,314)</u>
Profit after income tax expense from continuing operations		14,976,254	14,288,174
Profit after income tax expense from discontinued operations		-	-
Profit after income tax expense for the half-year		14,976,254	14,288,174
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>10,501,424</u>	<u>15,906,118</u>
Other comprehensive income for the half-year, net of tax		<u>10,501,424</u>	<u>15,906,118</u>
Total comprehensive income for the half-year		<u><u>25,477,678</u></u>	<u><u>30,194,292</u></u>
<i>Profit for the half-year is attributable to:</i>			
Non-controlling interest		172,937	154,175
Owners of Donaco International Limited		<u>14,803,317</u>	<u>14,133,999</u>
		<u>14,976,254</u>	<u>14,288,174</u>
<i>Total comprehensive income for the half-year is attributable to:</i>			
Continuing operations		172,937	154,175
Discontinued operations		-	-
Non-controlling interest		<u>172,937</u>	<u>154,175</u>
Continuing operations		25,304,741	30,040,117
Discontinued operations		-	-
Owners of Donaco International Limited		<u>25,304,741</u>	<u>30,040,117</u>
		<u>25,477,678</u>	<u>30,194,292</u>

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 profit or loss and other comprehensive income (continued)

For the half-year ended 31 December 2016

	Note	Consolidated	
		31 Dec 2016	31 Dec 2015
		\$	\$
		Cents	Cents
Earnings per share for profit attributable to the owners of Donaco International Limited			
Basic earnings per share	14	1.78	1.70
Diluted earnings per share	14	1.78	1.69
Dividend per share			
Current year interim dividend declared		1.00	-

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 31 December 2016

	Note	Consolidated	
		31 Dec 2016	30 Jun 2016
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	5	68,895,189	78,221,019
Trade and other receivables		6,628,079	24,002,817
Inventories		1,395,836	1,418,876
Prepaid construction costs		53,962	12,800
Other current assets		4,638,497	3,120,464
Total current assets		81,611,563	106,775,976
Non-current assets			
Property, plant and equipment	6	172,209,122	171,715,958
Intangibles (inc. Licences)	7	413,266,405	403,005,941
Construction in progress		861,558	1,143,158
Other		4,136	78,451
Total non-current assets		586,341,221	575,943,508
Total assets		667,952,784	682,719,484
Liabilities			
Current liabilities			
Trade and other payables		31,404,173	47,754,947
Borrowings	8	52,659,374	40,107,134
Financial liabilities		300,931	1,794,520
Income tax		1,506,078	1,560,149
Employee benefits		436,653	482,097
Total current liabilities		86,307,209	91,698,847
Non-current liabilities			
Borrowings - non current	9	86,028,367	111,693,999
Employee benefits - non current		24,862	16,212
Total non-current liabilities		86,053,229	111,710,211
Total liabilities		172,360,438	203,409,058
Net assets		495,592,346	479,310,426
Equity			
Issued capital		359,948,884	360,968,368
Reserves	10	35,213,008	24,574,755
Retained profits		99,187,432	92,630,958
Equity attributable to the owners of Donaco International Limited		494,349,324	478,174,081
Non-controlling interest		1,243,022	1,136,345
Total equity		495,592,346	479,310,426

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 half-year ended 31 December 2016

Consolidated	Issued capital \$	Reserves \$	Retained profits \$	Non-controlling interest \$	Total equity \$
Balance at 1 July 2015	246,719,609	15,757,522	13,907,457	986,462	277,371,050
Profit after income tax benefit for the half-year	-	-	14,133,999	154,175	14,288,174
Other comprehensive income for the half-year, net of tax	-	15,906,118	-	-	15,906,118
Total comprehensive income for the half-year	-	15,906,118	14,133,999	154,175	30,194,292
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	153,722,182	-	-	-	153,722,182
Employee share options	-	887,241	-	-	887,241
Balance at 31 December 2015	<u>400,441,791</u>	<u>32,550,881</u>	<u>28,041,456</u>	<u>1,140,637</u>	<u>462,174,765</u>

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 benefit for the half-year	-	-	14,803,317	172,937	14,976,254
Other comprehensive income for the half-year, net of tax	-	10,501,424	-	-	10,501,424
Total comprehensive income for the half-year	-	10,501,424	14,803,317	172,937	25,477,678
<i>Transactions with owners in their capacity as owners:</i>					
Dividend paid	-	-	(8,246,843)	(66,260)	(8,313,103)
Acquisition of shares for Employee Share Trust	(1,019,484)	-	-	-	(1,019,484)
Employee share options	-	136,829	-	-	136,829
Balance at 31 December 2016	<u>359,948,884</u>	<u>35,213,008</u>	<u>99,187,432</u>	<u>1,243,022</u>	<u>495,592,346</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 half-year ended 31 December 2016

	Note	Consolidated	
		31 Dec 2016	31 Dec 2015
		\$	\$
Cash flow from operating activities			
Receipts from customers		292,342,283	184,234,595
Payments to suppliers and employees		(254,607,592)	(133,343,843)
		<u>37,734,691</u>	<u>50,890,752</u>
Interest received		63,755	26,757
Interest and other finance costs paid		(5,988,224)	(3,523,427)
Government levies, gaming taxes and GST		(6,396,171)	(3,411,360)
Net cash flows from operating activities		<u>25,414,051</u>	<u>43,982,722</u>
Cash flow from investing activities			
Payment for purchase of business, net of cash acquired		-	(310,507,783)
Payments for property, plant and equipment		(3,452,041)	(1,320,127)
Payment of expenses relating to acquisitions		-	(14,371,077)
Net cash flows from investing activities		<u>(3,452,041)</u>	<u>(326,198,987)</u>
Cash flow from financing activities			
Net borrowings (repayment of borrowings)		(23,114,747)	162,126,345
Share issue transaction costs		-	(5,968,003)
Payments of dividends		(8,246,843)	-
Payments for acquisition of employee shares		(1,019,483)	-
Net cash flows from financing activities		<u>(32,381,073)</u>	<u>156,158,342</u>
Net decrease in cash and cash equivalents		(10,419,063)	(126,057,923)
Cash and cash equivalents, beginning of the financial half-year		78,221,019	210,175,119
Effects of exchange rate changes on cash and cash equivalents		1,093,233	(887,356)
Cash and cash equivalents at the end of the financial half-year	5	<u>68,895,189</u>	<u>83,229,840</u>

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

DONACO INTERNATIONAL LIMITED

Notes to the financial statements

31 December 2016

Note 1. Significant accounting policies

These interim financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These interim 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 2016 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 five countries: Australia, Cambodia, Vietnam, Singapore and Malaysia. 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 (which was acquired on 1 July 2015), 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.

DONACO INTERNATIONAL LIMITED
Notes to the financial statements
31 December 2016

Note 2. Operating segments (continued)

	Casino Operations Vietnam \$	Casino Operations Cambodia \$	Corporate Operations \$	Total \$
Consolidated - 31 Dec 2016				
Revenue				
Sales to external customers	13,665,777	45,303,017	8,038	58,976,832
Interest	17,237	-	46,551	63,788
Total revenue	<u>13,683,014</u>	<u>45,303,017</u>	<u>54,589</u>	<u>59,040,620</u>
EBITDA				
Depreciation and amortisation	(2,617,343)	(1,620,918)	(830,069)	(5,068,330)
Interest revenue	17,237	-	46,551	63,788
Other income	-	-	1,485,693	1,485,693
Net exchange gains / (losses)	(712,886)	-	63,185	(649,701)
Non-controlling interest	(172,937)	-	-	(172,937)
Finance costs	(854,589)	-	(11,379,938)	(12,234,527)
Profit/(loss) before income tax expense	<u>4,061,550</u>	<u>28,706,922</u>	<u>(16,041,456)</u>	<u>16,727,016</u>
Income tax expense				(1,923,699)
Profit after income tax expense attributable to the owners of Donaco International Limited				<u>14,803,317</u>
Assets				
Segment assets	92,733,467	531,241,248	43,978,069	667,952,784
Total assets				<u>667,952,784</u>
Liabilities				
Segment liabilities	26,231,279	15,433,335	130,695,824	172,360,438
Total liabilities				<u>172,360,438</u>
Consolidated - 31 Dec 2015				
Revenue				
Sales to external customers	13,375,534	55,473,211	169	68,848,914
Interest	2,559	-	20,567	23,126
Total revenue	<u>13,378,093</u>	<u>55,473,211</u>	<u>20,736</u>	<u>68,872,040</u>
EBITDA				
Depreciation and amortisation	(2,895,437)	(1,399,910)	(66,159)	(4,361,506)
Interest revenue	2,559	-	20,567	23,126
Non-recurring items	-	-	(11,844,375)	(11,844,375)
Net exchange (losses) / gains	(453,895)	12,201	694,720	253,026
Non-controlling interest	(154,175)	-	-	(154,175)
Finance costs	(1,160,266)	-	(6,227,558)	(7,387,824)
Profit/(loss) before income tax benefit	<u>3,280,275</u>	<u>36,401,016</u>	<u>(23,877,978)</u>	<u>15,803,313</u>
Income tax expense				(1,669,314)
Profit after income tax expense to the owners of Donaco International Limited				<u>14,133,999</u>
Assets				
Segment assets	103,171,574	515,311,418	52,650,164	671,133,156
Total assets				<u>671,133,156</u>
Liabilities				
Segment liabilities	34,082,187	9,031,318	165,844,886	208,958,391
Total liabilities				<u>208,958,391</u>

DONACO INTERNATIONAL LIMITED
Notes to the financial statements
31 December 2016

Note 3. Revenue

	Consolidated	
	31 Dec 2016	31 Dec 2015
	\$	\$
<i>Revenue</i>		
Casino		
- Gaming revenue	51,249,283	61,061,300
- Non-gaming revenue	7,719,511	7,787,446
Corporate operations	8,038	168
Interest	63,788	23,126
Revenue from continuing operations	59,040,620	68,872,040

Gaming revenue represents net house takings arising from casino operations.

Non-gaming revenue represents hotel revenue from room rental, food and beverage sales and other related services recognised when the services are rendered.

Note 4. Other income

	Consolidated	
	31 Dec 2016	31 Dec 2015
	\$	\$
Net foreign exchange (loss) / gain	(649,701)	253,026
Gain on derivative financial instrument at fair value through the profit and loss	1,485,693	-
Other income	835,992	253,026

Note 5. Current assets - cash and cash equivalents

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$	\$
Cash on hand	23,560,016	26,704,465
Cash at bank	43,438,455	49,512,338
Cash in transit	1,896,718	1,996,278
Cash on deposit	-	7,938
	68,895,189	78,221,019

Cash in transit refers to the movement of cash which is owned by the casino but is held on its behalf by staff members.

DONACO INTERNATIONAL LIMITED
Notes to the financial statements
31 December 2016

Note 6. Non-current assets - property, plant and equipment

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$	\$
Leasehold buildings and structures - at cost	160,160,585	156,603,786
Less: Accumulated depreciation	<u>(11,380,913)</u>	<u>(9,144,218)</u>
	<u>148,779,672</u>	<u>147,459,568</u>
Furniture & fittings - at cost	4,715,162	4,673,598
Less: Accumulated depreciation	<u>(4,000,500)</u>	<u>(3,716,907)</u>
	<u>714,662</u>	<u>956,691</u>
Machinery and equipment - at cost	36,690,182	32,856,942
Less: Accumulated depreciation	<u>(19,735,466)</u>	<u>(15,619,942)</u>
	<u>16,954,716</u>	<u>17,237,000</u>
Motor vehicles - at cost	1,816,470	1,726,296
Less: Accumulated depreciation	<u>(1,271,925)</u>	<u>(1,105,804)</u>
	<u>544,545</u>	<u>620,492</u>
Office equipment and other- at cost	4,320,405	3,621,967
Less: Accumulated depreciation	<u>(2,503,741)</u>	<u>(2,284,589)</u>
	<u>1,816,664</u>	<u>1,337,378</u>
Tools - at cost	6,267,543	6,099,246
Less: Accumulated depreciation	<u>(2,868,680)</u>	<u>(1,994,417)</u>
	<u>3,398,863</u>	<u>4,104,829</u>
	<u>172,209,122</u>	<u>171,715,958</u>

Note 7. Non-current assets - intangibles

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$	\$
Goodwill - at cost	<u>2,426,187</u>	<u>2,426,187</u>
Land right - at cost	71,172	70,047
Less: Accumulated amortisation	<u>(35,684)</u>	<u>(33,650)</u>
	<u>35,488</u>	<u>36,397</u>
Casino license	<u>410,804,731</u>	<u>400,543,357</u>
	<u>413,266,405</u>	<u>403,005,941</u>

The casino license is denominated in foreign currency and the movement in its historical cost is due to foreign exchange translation.

Note 8. Current liabilities - borrowings

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$	\$
Joint Stock Commercial Ocean Bank	2,965,471	2,942,907
Mega International Commercial Bank Co Ltd	<u>49,693,902</u>	<u>37,164,227</u>
	<u>52,659,374</u>	<u>40,107,134</u>

Refer to note 9 for further information on assets pledged as security and financing arrangements.

DONACO INTERNATIONAL LIMITED
Notes to the financial statements
31 December 2016

Note 9. Non-current liabilities - borrowings

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$	\$
Joint Stock Commercial Ocean Bank	8,896,414	10,300,174
OL Master Ltd	13,589,279	22,519,671
Mega International Commercial Bank Co Ltd	<u>63,542,674</u>	<u>78,874,154</u>
	<u>86,028,367</u>	<u>111,693,999</u>

Total secured liabilities

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

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$	\$
Joint Stock Commercial Ocean Bank	11,861,885	13,243,081
OL Master Ltd	13,589,279	22,519,671
Mega International Commercial Bank Co Ltd	<u>113,236,576</u>	<u>116,038,381</u>
	<u>138,687,741</u>	<u>151,801,133</u>

Assets pledged as security

The loan from Mega International Commercial Bank Co Ltd was drawn down on 1 July 2015 and the proceeds paid to the vendor as part of the consideration for the acquisition of DNA Star Vegas.

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;
- iii. A pledge of the shares in DNA Star Vegas Co. Ltd owned by Donaco Hong Kong Limited;
- 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; and
- 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 31 December 2016 under this arrangement were \$11,861,885 (30 Jun 16: \$13,243,081).

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

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$	\$
Total facilities		
Bank loans	<u>156,971,885</u>	<u>151,801,133</u>
Used at the reporting date		
Bank loans	<u>143,151,885</u>	<u>151,801,133</u>
Unused at the reporting date		
Bank loans	<u>13,820,000</u>	<u>-</u>

DONACO INTERNATIONAL LIMITED
Notes to the financial statements
31 December 2016

Note 10. Equity - reserves

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$	\$
Revaluation surplus reserve	1,855,327	1,855,327
Foreign currency reserve	30,199,172	19,697,748
Employee options reserve	3,158,509	3,021,680
	35,213,008	35,213,008
	35,213,008	35,213,008

Movements in reserves

Movements in each class of reserve during the current financial half-year are set out below:

Consolidated	Revaluation surplus reserve \$	Employee share option reserve \$	Foreign currency reserve \$	Total \$
Balance at 1 July 2016	1,855,327	3,021,680	19,697,748	24,574,755
Foreign currency translation	-	-	10,501,424	10,501,424
Employee share options	-	136,829	-	136,829
	1,855,327	3,158,509	30,199,172	35,213,008
Balance at 31 December 2016	1,855,327	3,158,509	30,199,172	35,213,008

Note 11. Contingent liabilities

As part of the agreement for the purchase of the Star Vegas Resort & Club, the vendor of the business will manage the business for two full years following completion on 1 July 2015. The vendor also provided a guarantee that the earnings before interest, tax depreciation and amortisation ("EBITDA") of the business would be not less than USD 60 million per year for the two full years following the acquisition, being FY16 and FY17.

If the target EBITDA of USD60 million is not met, the vendor will top up the shortfall in cash. However if the target is met, the vendor will receive a management fee in return for the management services provided, in the sum of 25% of the net profit after tax ("NPAT") of the business. No other management fee is payable for the management services.

These arrangements are set out in a Share Sale Agreement and Management Agreement dated on 23 January 2015, a Supplemental Share Sale Agreement dated 22 May 2015, and an Amending and Restating Deed dated 18 June 2015.

For the six months ending on 31 December 2016, the EBITDA of the Star Vegas business was USD 22.9 million. On this basis, the business is not currently on track to reach the EBITDA target of USD 60 million for the full financial year 2017. Accordingly, the obligation to pay the management fee is inherently uncertain, as it will depend on whether or not the business reaches the target for the full year.

The Directors have decided to treat the possible obligation to pay a management fee in respect of the December 2016 half year as a contingent liability. Pursuant to AASB 137 Provisions, Contingent Liabilities and Contingent Assets, a contingent liability is "a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity."

The contingent liability for the December 2016 half year is AUD 7.13million.

Note 12. Fair value measurements and hierarchy

On 7 July 2015 Donaco International Limited issued 70 warrants to subscribe for its ordinary shares. 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.

The warrants are classified as level 2 in the fair value hierarchy, as the value is based on an adjustment to quoted market prices.

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.

Note 13. Events after the reporting period

Repayment of Loan to OL Master Ltd

Subsequent to the end of the financial half-year, on 11 January 2017, Donaco International Ltd has repaid the principal sum of USD 10 million together with interests and redemption premiums, totalling in aggregate USD 10,690,111.11 to OL Master Pte Ltd and is released from all obligations and liabilities under the guarantee dated 1 July 2015. As at 31 December 2016, the loan from OL Master of AUD 13,589,279 is recorded under non-current liabilities (Note 9). This repayment was financed by a further advance from Mega International Commercial Bank Co. Ltd.

DONACO INTERNATIONAL LIMITED
Notes to the financial statements
31 December 2016

Note 14. Earnings per share

	Consolidated	
	31 Dec 2016	31 Dec 2015
	\$	\$
<i>Earnings per share for profit/(loss) from continuing operations</i>		
Profit after income tax	14,976,254	14,288,174
Non-controlling interest	(172,937)	(154,175)
Profit after income tax attributable to the owners of Donaco International Limited	<u>14,803,317</u>	<u>14,133,999</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	829,751,849	830,164,882
Adjustments for calculation of diluted earnings per share:		
Options and warrants over ordinary shares which are dilutive	-	7,582,061
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>829,751,849</u>	<u>837,746,943</u>
	Cents	Cents
Basic earnings per share	1.78	1.70
Diluted earnings per share	1.78	1.69

Note 15. 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	
		31 Dec 2016	30 Jun 2016
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 Ltd*	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%

* 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.

Note 16. Related party transactions

The following transactions occurred with the related parties:

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$	\$
Labour hire fee to Star Vegas Co, Ltd - a director related entity	5,924,195	10,915,776
Leasing fees paid to Lee Hoe Property Co., Ltd - a director related entity	79,512	16,159
Rental received from director's immediate family	56,610	116,100
Purchase of fixed assets by DNA Star Vegas from Star Vegas Co, Ltd - a director related entity	-	1,030,727
Management fee received from Star Paradise - a director related entity	917,836	-
Rental expenses paid to Infinite Capital Co., Ltd - a director related entity	24,540	-

The above transactions occurred at commercial rates.

DONACO INTERNATIONAL LIMITED
Directors' declaration
31 December 2016

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the financial half-year ended on the date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Mr Stuart McGregor
Chairman

23 February 2017

Independent Auditor's Review Report to the Members of Donaco International Limited

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Donaco International Limited which comprises the consolidated statement of financial position as at 31 December 2016, 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 half-year ended on that date, selected explanatory notes and the directors' declaration for Donaco International Limited and its controlled entities (the consolidated entity). The consolidated entity comprises Donaco International Limited (the company) and the entities it controlled during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Donaco International Limited is not in accordance with the Corporations Act 2001 including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

Other Matter

The financial reports of Donaco International Limited for the year ended 30 June 2016 and the half-year ended 31 December 2015 were audited and reviewed by William Buck who expressed unmodified audit and review opinions on 30 September 2016 and 24 February 2016 respectively.

Crowe Horwath Sydney

CROWE HORWATH SYDNEY



SUWARTI ASMONO
Partner

Dated this 23rd day of February 2017

DONACO INTERNATIONAL LIMITED
Corporate directory
31 December 2016

Directors	Stuart James McGregor - 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 Ham Techatut Sukjaroenkraisri - Executive Director Paul Pornrat Amatavivadhana - 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
Auditor	Crowe Horwath Sydney Level 15 1 O'Connell St Sydney NSW 2000
Stock exchange listing	Donaco International Limited shares are listed on the Australian Securities Exchange (ASX code: DNA)
Website	www.donacointernational.com