

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 2016
Previous period: For the year ended 30 June 2015

2. Results for announcement to the market

| | | | | | |
|---|----|---------|----|----|-------------|
| Revenues from ordinary activities | up | 602.6% | to | \$ | 143,385,778 |
| Profit from ordinary activities, including bargain purchase, after tax attributable to the owners of Donaco International Limited | up | 2736.8% | to | | 77,208,554 |
| Profit from ordinary activities, excluding bargain purchase, after tax attributable to the owners of Donaco International Limited | up | 852.8% | to | | 22,043,238 |
| Profit for the year attributable to the owners of Donaco International Limited | up | 2736.8% | to | | 77,208,554 |

| | | | | 30 Jun 2016 | 30 Jun 2015 |
|----------------------------|--|--|--|--------------------|--------------------|
| | | | | Cents | Cents |
| Basic earnings per share | | | | 9.29 | (0.54) |
| Diluted earnings per share | | | | 9.29 | (0.52) |

Dividends

Subsequent to the end of the financial year, the Board has announced that it intends to declare a dividend of 1 cent per share. The dividend is 100% conduit foreign income and is unfranked. Proposed dates for the dividend payment are: ex-dividend date 4 October 2016, record date 5 October 2016 and payment date 19 October 2016.

Comments

The profit for the consolidated entity after providing for income tax and non-controlling interest amounted to \$77,208,554 (30 June 2015: loss of \$2,928,075)

3. Net tangible assets

| | Reporting period | Previous period |
|---|-------------------------|------------------------|
| | Cents | Cents |
| Net tangible assets per ordinary security | <u>9.03</u> | <u>40.22</u> |

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

| | | |
|--|------------------------|---------------|
| Name of entities (or group of entities) | DNA Star Vegas Co. Ltd | |
| Date control gained | 1 July 2015 | |
| Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material) | | \$ 62,562,322 |
| 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) | 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

Subsequent to the end of the financial year, the Board has announced that it intends to declare a dividend of 1 cent per share. The dividend is 100% conduit foreign income and is unfranked. Proposed dates for the dividend payment are: ex-dividend date 4 October 2016, record date 5 October 2016 and payment date 19 October 2016.

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 | 95.00% | 95.00% | 3,818,766 | (252,928) |
| <i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i> | | | | |
| Profit/(loss) from ordinary activities before income tax | | | 3,818,766 | (252,928) |
| Income tax on operating activities | | | 296,582 | - |

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):

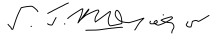
This Preliminary Final Report for the year ended 30 June 2016 is based on accounts which are currently being audited by the company's Independent auditor, William Buck.

11. Attachments

Details of attachments (if any):

The Preliminary Final Report of Donaco International Limited for the year ended 30 June 2016 is attached.

12. Signed

Signed  _____

Date: 30 August 2016

Sydney

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DONACO INTERNATIONAL LIMITED
ABN 28 007 424 777

Preliminary Final Report
30 June 2016

DONACO INTERNATIONAL LIMITED

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30 June 2016

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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 30 August 2016. The directors have the power to amend and reissue the financial statements.

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DONACO INTERNATIONAL LIMITED
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2016

| | Note | Consolidated | |
|---|------|----------------------|---------------------|
| | | 2016 \$ | 2015 \$ |
| Revenue from continuing operations | 3 | 143,385,778 | 19,108,431 |
| Other income/(expense) | 4 | (12,377) | (427,602) |
| Gain on bargain purchase | 8 | 55,165,316 | - |
| Total income | | <u>198,538,717</u> | <u>18,680,829</u> |
| Expenses | | | |
| Food and beverages | | (6,182,949) | (2,208,639) |
| Employee benefits expense | | (23,027,811) | (9,902,974) |
| DSV Management Fee | | (20,492,174) | - |
| Depreciation and amortisation expense | | (9,945,976) | (4,857,120) |
| Legal and compliance | | (382,525) | (605,044) |
| Marketing and promotions | | (4,696,896) | (269,058) |
| Professional & consultants | | (13,306,247) | (1,058,511) |
| Property costs | | (5,862,681) | (1,202,828) |
| Telecommunications and hosting | | (267,816) | (171,965) |
| Gaming costs | | (6,559,572) | (262,458) |
| Other expenses | | (7,268,400) | (1,661,596) |
| Finance costs | | (19,190,502) | (1,683,159) |
| Total expenses | | <u>(117,183,549)</u> | <u>(23,883,352)</u> |
| Profit/(loss) before income tax expense from continuing operations | | 81,355,168 | (5,202,523) |
| Income tax (expense)/benefit | | (3,996,731) | 361 |
| Profit/(loss) after income tax expense from continuing operations | | 77,358,437 | (5,202,162) |
| Profit after income tax expense from discontinued operations | | - | 2,201,761 |
| Profit/(loss) after income tax expense for the year | | 77,358,437 | (3,000,401) |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Foreign currency translation | | 11,514,760 | 12,412,538 |
| Other comprehensive income for the year, net of tax | | 11,514,760 | 12,412,538 |
| Total comprehensive income for the year | | <u>88,873,197</u> | <u>9,412,137</u> |
| Profit/(loss) for the year is attributable to: | | | |
| Non-controlling interest | | 149,883 | (72,326) |
| Owners of Donaco International Limited | | 77,208,554 | (2,928,075) |
| | | <u>77,358,437</u> | <u>(3,000,401)</u> |
| Total comprehensive income for the year is attributable to: | | | |
| Continuing operations | | 149,883 | (72,326) |
| Discontinued operations | | - | - |
| Non-controlling interest | | 149,883 | (72,326) |
| Continuing operations | | 88,723,314 | 7,203,984 |
| Discontinued operations | | - | 2,280,479 |
| Owners of Donaco International Limited | | <u>88,723,314</u> | <u>9,484,463</u> |
| | | <u>88,873,197</u> | <u>9,412,137</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 year ended 30 June 2016

| | Note | Consolidated 2016 \$ Cents | 2015 \$ Cents |
|---|------|-------------------------------------|---------------------|
| Earnings per share for profit/(loss) from continuing operations attributable to the owners of Donaco International Limited | | | |
| Basic earnings per share | 10 | 9.29 | (0.95) |
| Diluted earnings per share | 10 | 9.29 | (0.91) |
| Earnings per share for profit from discontinued operations attributable to the owners of Donaco International Limited | | | |
| Basic earnings per share | 10 | 0.00 | 0.41 |
| Diluted earnings per share | 10 | 0.00 | 0.39 |
| Earnings per share for profit/(loss) attributable to the owners of Donaco International Limited | | | |
| Basic earnings per share | 10 | 9.29 | (0.54) |
| Diluted earnings per share | 10 | 9.29 | (0.52) |

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 2016

| | Note | Consolidated 2016 \$ | 2015 \$ |
|---|------|----------------------------|--------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 6 | 78,221,019 | 210,175,119 |
| Trade and other receivables | | 23,377,842 | 2,064,923 |
| Inventories | | 1,418,876 | 700,866 |
| Prepaid construction costs | | 12,800 | 273,207 |
| Other current assets | | 3,120,464 | 11,883,206 |
| Total current assets | | <u>106,151,001</u> | <u>225,097,321</u> |
| Non-current assets | | | |
| Property, plant and equipment | | 171,715,958 | 82,017,909 |
| Intangibles (inc. Licences) | | 403,005,941 | 2,464,577 |
| Construction in progress | | 1,143,158 | 205,737 |
| Other | | 78,452 | 533,765 |
| Total non-current assets | | <u>575,943,509</u> | <u>85,221,988</u> |
| Total assets | | <u>682,094,510</u> | <u>310,319,309</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | 47,135,923 | 16,016,059 |
| Borrowings | | 65,675,630 | 2,962,712 |
| Income tax | | 1,560,149 | 427,505 |
| Employee benefits | | 482,097 | 315,879 |
| | | <u>114,853,799</u> | <u>19,722,155</u> |
| Non-current liabilities | | | |
| Borrowings - non current | | 89,174,328 | 13,217,093 |
| Employee benefits - non current | | 16,212 | 9,011 |
| Total non-current liabilities | | <u>89,190,540</u> | <u>13,226,104</u> |
| Total liabilities | | <u>204,044,339</u> | <u>32,948,259</u> |
| Net assets | | <u>478,050,171</u> | <u>277,371,050</u> |
| Equity | | | |
| Issued capital | | 402,060,643 | 246,719,609 |
| Reserves | | (16,262,828) | 15,757,522 |
| Retained profits | 7 | 91,116,011 | 13,907,457 |
| Equity attributable to the owners of Donaco International Limited | | <u>476,913,826</u> | <u>276,384,588</u> |
| Non-controlling interest | | 1,136,345 | 986,462 |
| Total equity | | <u>478,050,171</u> | <u>277,371,050</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 2016

| Consolidated | Issued capital \$ | Reserves \$ | Retained profits \$ | Non-controlling interest \$ | Total equity \$ |
|--|-----------------------------|-----------------------|-------------------------------|---------------------------------------|---------------------------|
| Balance at 1 July 2014 | 129,964,909 | (478,093) | 18,690,859 | 1,058,788 | 149,236,463 |
| Loss after income tax benefit for the year | - | - | (2,928,075) | (72,326) | (3,000,401) |
| Other comprehensive income for the year, net of tax | - | 12,412,538 | - | - | 12,412,538 |
| Total comprehensive income for the year | - | 12,412,538 | (2,928,075) | (72,326) | 9,412,137 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Contributions of equity, net of transaction costs | 133,340,451 | - | - | - | 133,340,451 |
| Share buybacks | (825,113) | - | - | - | (825,113) |
| Share issue expense | (7,260,638) | - | - | - | (7,260,638) |
| Return of capital on iSentric sale | (8,500,000) | - | - | - | (8,500,000) |
| Employee share options | - | 1,967,750 | - | - | 1,967,750 |
| Transfer from retained earnings | - | 1,855,327 | (1,855,327) | - | - |
| Balance at 30 June 2015 | 246,719,609 | 15,757,522 | 13,907,457 | 986,462 | 277,371,050 |

| 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 expense for the year | - | - | 77,208,554 | 149,883 | 77,358,437 |
| Other comprehensive income for the year, net of tax | - | 11,514,760 | - | - | 11,514,760 |
| Total comprehensive income for the year | - | 11,514,760 | 77,208,554 | 149,883 | 88,873,197 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Contributions of equity, net of transaction costs (note 8) | 154,999,579 | - | - | - | 154,999,579 |
| Shares issued to employees | 341,455 | - | - | - | 341,455 |
| Adjustment to equity reserve on issue of shares for acquisition | - | (45,114,532) | - | - | (45,114,532) |
| Employee share options | - | 1,579,422 | - | - | 1,579,422 |
| Balance at 30 June 2016 | 402,060,643 | (16,262,828) | 91,116,011 | 1,136,345 | 478,050,171 |

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 2016

| | Note | Consolidated | |
|---|------|----------------------|---------------------|
| | | 2016 \$ | 2015 \$ |
| Cash flow from operating activities | | | |
| Receipts from customers | | 447,352,472 | 26,924,930 |
| Payments to suppliers and employees | | (376,237,266) | (16,099,850) |
| | | <u>71,115,206</u> | <u>10,825,080</u> |
| Interest received | | 72,176 | 2,463,582 |
| Other revenue | | 10,846 | (358,371) |
| Interest and other finance costs paid | | (14,772,928) | - |
| Government levies, gaming taxes and GST | | (7,767,763) | (4,427,829) |
| Net cash flows from operating activities | | <u>48,657,537</u> | <u>8,502,462</u> |
| Cash flow from investing activities | | | |
| Payment for purchase of business, net of cash acquired | | - | (6,073,857) |
| Payments for property, plant and equipment | | (1,815,637) | (26,354,575) |
| Proceeds from disposal of business | | - | 450,000 |
| Cash investment in subsidiary net of cash retained | 8 | (316,451,000) | - |
| Payment of expenses relating to acquisitions | 8 | (11,819,338) | - |
| Proceeds from disposal of property, plant and equipment | | - | 1,003 |
| Other | | - | 6,720 |
| Net cash flows from investing activities | | <u>(330,085,975)</u> | <u>(31,970,709)</u> |
| Cash flow from financing activities | | | |
| Proceeds from issue of shares | | - | 132,515,339 |
| Net borrowings | | 144,743,820 | 1,785,151 |
| Share issue transaction costs | | (442,614) | (7,260,638) |
| Net cash flows from financing activities | | <u>144,301,206</u> | <u>127,039,852</u> |
| Net (decrease)/increase in cash and cash equivalents | | (137,127,232) | 103,571,605 |
| Cash and cash equivalents, beginning of the financial year | | 210,175,119 | 99,496,165 |
| Effects of exchange rate changes on cash and cash equivalents | | 5,173,132 | 7,107,349 |
| Cash and cash equivalents at the end of the financial year | 6 | <u>78,221,019</u> | <u>210,175,119</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 2015 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
30 June 2016

Note 2. Operating segments (continued)

| | Casino Operations Vietnam \$ | Casino Operations Cambodia \$ | Corporate Operations \$ | Total \$ |
|---|---------------------------------------|--|-------------------------------|--------------------|
| Consolidated - 2016 | | | | |
| Revenue | | | | |
| Sales to external customers | 23,202,203 | 120,116,215 | 361 | 143,318,779 |
| Interest and other income | 13,962 | - | 53,037 | 66,999 |
| Total revenue | <u>23,216,165</u> | <u>120,116,215</u> | <u>53,398</u> | <u>143,385,778</u> |
| Gain on bargain purchase | - | - | 55,165,316 | 55,165,316 |
| Other income | - | - | (12,377) | (12,377) |
| Total income | <u>23,216,165</u> | <u>120,116,215</u> | <u>55,206,337</u> | <u>198,538,717</u> |
| EBITDA | | | | |
| Depreciation and amortisation | (5,704,998) | (4,008,916) | (232,062) | (9,945,976) |
| Interest revenue | 13,962 | - | 53,037 | 66,999 |
| Other income | - | - | 55,165,316 | 55,165,316 |
| Net exchange gains /(losses) | (557,147) | - | 544,770 | (12,377) |
| Non-controlling interest | (149,883) | - | - | (149,883) |
| Finance costs | (1,466,270) | - | (17,724,232) | (19,190,502) |
| Profit before income tax expense | <u>3,818,766</u> | <u>62,562,322</u> | <u>14,824,197</u> | <u>81,205,285</u> |
| Income tax expense | | | | (3,996,731) |
| Profit after income tax expense attributable to the owners of Donaco International Limited | | | | <u>77,208,554</u> |
| Assets | | | | |
| Segment assets | 97,614,196 | 537,688,394 | 46,791,920 | 682,094,510 |
| Total assets | | | | <u>682,094,510</u> |
| Liabilities | | | | |
| Segment liabilities | 28,996,850 | 29,961,285 | 145,086,204 | 204,044,339 |
| Total liabilities | | | | <u>204,044,339</u> |
| | | | | |
| | Casino Operations Vietnam \$ | Gaming Technology Operations* \$ | Corporate Operations \$ | Total \$ |
| Consolidated - 2015 | | | | |
| Revenue | | | | |
| Sales to external customers | 17,069,618 | 1,296,742 | 1,308 | 18,367,668 |
| Interest | 40,310 | 2,529 | 1,997,195 | 2,040,034 |
| Total revenue | <u>17,109,928</u> | <u>1,299,271</u> | <u>1,998,503</u> | <u>20,407,702</u> |
| Other income | (86,577) | - | (341,025) | (427,602) |
| Total income | <u>17,023,351</u> | <u>1,299,271</u> | <u>1,657,478</u> | <u>19,980,100</u> |
| EBITDA | | | | |
| Depreciation and amortisation | (4,833,763) | (2,743) | (23,357) | (4,859,863) |
| Gain on disposal of discontinued operation | - | - | 2,203,374 | 2,203,374 |
| Interest revenue | 40,310 | 2,529 | 1,997,195 | 2,040,034 |
| Other income | - | (6,206) | - | (6,206) |
| Non-recurring items | - | - | (715,187) | (715,187) |
| Net exchange gains | (86,577) | - | (341,025) | (427,602) |
| Non-controlling interest | (72,326) | - | - | (72,326) |
| Finance costs | (1,683,159) | - | - | (1,683,159) |
| Tax expense disposed operations | - | (30,122) | - | (30,122) |
| Loss before income tax benefit | <u>(252,928)</u> | <u>(1,612)</u> | <u>(2,746,222)</u> | <u>(3,000,762)</u> |
| Income tax benefit | | | | 361 |
| Loss after income tax benefit | | | | <u>(3,000,401)</u> |
| Assets | | | | |
| Segment assets | 96,330,444 | - | 213,988,865 | 310,319,309 |
| Total assets | | | | <u>310,319,309</u> |
| Liabilities | | | | |
| Segment liabilities | 52,459,098 | - | (19,510,839) | 32,948,259 |
| Total liabilities | | | | <u>32,948,259</u> |

* The above operating segment information includes iSentric Sdn Bhd, Way2Bet Pty Ltd and Donaco Australia Pty Ltd which are discontinued operations as at 30 June 2015

Note 3. Revenue

| | Consolidated | |
|------------------------------------|---------------------|-------------------|
| | 2016 | 2015 |
| | \$ | \$ |
| From continuing operations | | |
| <i>Sales revenue</i> | | |
| Casino | 143,318,418 | 17,069,617 |
| Corporate operations | 361 | 1,309 |
| Interest | 66,999 | 2,037,505 |
| Revenue from continuing operations | <u>143,385,778</u> | <u>19,108,431</u> |

Note 4. Other income (expense)

| | Consolidated | |
|------------------------------------|---------------------|------------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Net foreign exchange gain / (loss) | <u>(12,377)</u> | <u>(427,602)</u> |
| Other income(expense) | <u>(12,377)</u> | <u>(427,602)</u> |

Note 5. Expenses

| | Consolidated | |
|--|---------------------|------------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Profit/(loss) before income tax from continuing operations includes the following specific expenses: | | |
| <i>Depreciation</i> | | |
| Land, buildings and structures | 4,203,017 | 1,371,729 |
| Furniture and fittings | 488,856 | - |
| Machinery and equipment | 2,841,636 | 1,459,734 |
| Office equipment and other | 301,172 | 202,989 |
| Motor vehicles | 116,878 | 101,022 |
| Consumables | <u>1,994,417</u> | <u>1,721,646</u> |
| Total depreciation | <u>9,945,976</u> | <u>4,857,120</u> |
| <i>Superannuation expense</i> | | |
| Defined contribution superannuation expense | <u>92,249</u> | <u>71,310</u> |

Note 6. Current assets - cash and cash equivalents

| | Consolidated | |
|-----------------|-------------------|--------------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Cash on hand | 26,704,465 | 8,613,555 |
| Cash at bank | 51,508,616 | 201,561,564 |
| Cash on deposit | 7,938 | - |
| | <u>78,221,019</u> | <u>210,175,119</u> |

Note 7. Equity - retained profits

| | Consolidated | |
|---|-------------------|-------------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Retained profits at the beginning of the financial year | 13,907,457 | 18,690,859 |
| Profit/(loss) after income tax expense for the year | 77,208,554 | (2,928,075) |
| Transfer from revaluation surplus reserve | - | (2,978,285) |
| Transfer from other reserves | - | 1,122,958 |
| | <u>91,116,011</u> | <u>13,907,457</u> |

Note 8. Business combinations

On 1 July 2015, the Group acquired Star Vegas Resort & Club as it is complementary to the leisure and entertainment activities of the Group, offers geographic and market diversification and significantly increases the revenue and earnings of the Group.

Control was acquired by the Group acquiring 100% of the issued capital of DNA Star Vegas Co. Ltd, which is the owner of all the assets of the Star Vegas business, for agreed consideration of USD360 million (AUD471,841,466). This consideration consisted of USD240 million cash, and 147,199,529 ordinary shares in the Company, with an agreed value of USD120 million. The Company's stock closing price on 1 July 2015 was AUD0.775 (equivalent to approximately USD0.59698) and the fair value of the shares issued as consideration on the Completion Date was USD87,396,776. As a result of this variance between the fair value of the shares issued and the agreed price, \$45,114,532 was debited to an equity reserve.

The values of net assets acquired recognised in the 31 December 2015 financial statements were based on a provisional assessment of their fair value. The directors took a conservative approach and continued to evaluate the business and the assets acquired in more detail over the 12 months ending 30 June 2016 in accordance with the requirements of AASB 3 *Business Combinations*.

Pursuant to a detailed valuation report and purchase price allocation report dated 20 June 2016 prepared by Colliers International Hong Kong Limited and its related parties Colliers International Thailand and Singapore, the fair value of the business acquired by DNA was USD368.1 million. The difference between the fair value of the business acquired and fair value of the purchase consideration of USD327.9 million gives rise to a bargain purchase amounting to USD40.2 million (AUD55.2 million). The bargain purchase of AUD55.2 million is recognised as a gain in the Company's income statement in accordance with AASB 3 *Business Combinations*.

Details of the acquisition and the values of assets acquired are as follows:

| | Provisional value | Fair value | Difference |
|--|--------------------|--------------------|---------------------|
| | \$ | \$ | \$ |
| Equity | - | - | - |
| Casino licence - at fair value | 425,763,454 | 400,543,356 | (25,220,098) |
| Buildings | 39,455,068 | 90,768,920 | 51,313,852 |
| Plant and equipment | 1,447,911 | 1,447,911 | - |
| Motor vehicles | 354,580 | 354,580 | - |
| Slot machines | 3,575,160 | 1,261,336 | (2,313,824) |
| Furniture and fittings | 1,245,293 | 1,245,293 | - |
| Cash | 4,245,871 | 4,245,871 | - |
| Trade and other payables | (4,245,871) | (4,245,871) | - |
| | <u>471,841,466</u> | <u>495,621,396</u> | <u>23,779,930</u> |
| Net assets acquired | 471,841,466 | 495,621,396 | 23,779,930 |
| Gain on bargain purchase | - | (55,165,316) | (55,165,316) |
| Acquisition-date fair value of the total consideration transferred | <u>471,841,466</u> | <u>440,456,080</u> | <u>(31,385,386)</u> |
| Representing: | | | |
| Cash paid or payable to vendor | 316,398,757 | 316,451,000 | 52,243 |
| Donaco International Limited shares issued to vendor | 155,442,709 | 155,442,709 | - |
| Adjustment to equity reserve | - | (45,114,532) | (45,114,532) |
| Effect of exchange rate movements | - | 13,676,903 | 13,676,903 |
| | <u>471,841,466</u> | <u>440,456,080</u> | <u>(31,385,386)</u> |
| Acquisition costs expensed to profit or loss | <u>11,844,375</u> | <u>11,819,338</u> | <u>(25,037)</u> |

The results for DNA Star Vegas Co. Ltd are shown in Casino Operations - Cambodia in note 4 above.

As part of the agreement for the purchase, the vendor 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 USD60 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. The amount of the management fee recognised in 2016 is \$20,492,174.

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Note 9. Events after the reporting period

Loan

Subsequent to the end of the financial year, Donaco International Limited repaid USD15m of the USD100m term loan facility from Mega International Commercial Bank Co. Limited of Taiwan, in accordance with the terms of the facility.

Donaco International Limited refinanced USD10 million of its working capital facility provided by OL Master Limited and has facilities in place to refinance a further USD10 million within the next 12 months. The refinancing will further reduce financing costs by approximately USD3.8 million over the next two financial years (FY17 and FY18), compared to the cost of repaying the facility in accordance with its original terms.

Share options

On 1 July 2016 the Company's announced the expiration of 1,365,959 options in accordance to their terms. The options were part of the FY 14 option series. Currently, there are 5,112,142 remaining options on issue.

Note 10. Earnings per share

| | Consolidated | |
|---|---------------------|--------------------|
| | 2016 | 2015 |
| | \$ | \$ |
| <i>Earnings per share for profit/(loss) from continuing operations</i> | | |
| Profit/(loss) after income tax | 77,358,437 | (5,202,162) |
| Non-controlling interest | (149,883) | 68,874 |
| Profit/(loss) after income tax attributable to the owners of Donaco International Limited | <u>77,208,554</u> | <u>(5,133,288)</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 831,087,477 | 542,208,524 |
| Adjustments for calculation of diluted earnings per share: | | |
| Options and warrants over ordinary shares which are dilutive | 376,433 | 23,047,578 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>831,463,910</u> | <u>565,256,102</u> |
| | Cents | Cents |
| Basic earnings per share | 9.29 | (0.95) |
| Diluted earnings per share | 9.29 | (0.91) |
| <i>Earnings per share for profit from discontinued operations</i> | | |
| Profit after income tax attributable to the owners of Donaco International Limited | <u>-</u> | <u>2,201,761</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 831,087,477 | 542,208,524 |
| Adjustments for calculation of diluted earnings per share: | | |
| Options and warrants over ordinary shares which are dilutive | 376,433 | 23,047,578 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>831,463,910</u> | <u>565,256,102</u> |
| | Cents | Cents |
| Basic earnings per share | - | 0.41 |
| Diluted earnings per share | - | 0.39 |
| <i>Earnings per share for profit</i> | | |
| | 2016 | 2015 |
| | \$ | \$ |
| Profit (loss) after income tax | 77,358,437 | (3,000,401) |
| Non-controlling interest | (149,883) | 72,326 |
| Profit (loss) after income tax attributable to the owners of Donaco International Limited | <u>77,208,554</u> | <u>(2,928,075)</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 831,087,477 | 542,208,524 |
| Adjustments for calculation of diluted earnings per share: | | |
| Options and warrants over ordinary shares which are dilutive | 376,433 | 23,047,578 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>831,463,910</u> | <u>565,256,102</u> |
| | Cents | Cents |
| Basic earnings per share | 9.29 | (0.54) |
| Diluted earnings per share | 9.29 | (0.52) |