

**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 2019  
 Previous period: For the half-year ended 31 December 2018

**2. Results for announcement to the market**

Revenues from ordinary activities	up	3.0%	to	\$ 40,913,788
Loss for the half-year attributable to the owners of Donaco International Limited	up	n/a %	to	(1,451,874)
				<b>31 December 2019</b>
				<b>31 December 2018</b>
				<b>Cents</b>
				<b>Cents</b>
Basic loss per share				(0.18) (4.46)
Diluted loss per share				(0.18) (4.46)

*Dividends*

No dividends were paid for the half-year ended 31 December 2019.

*Comments*

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$1,451,874 (31 December 2018: loss of \$36,762,609). This includes an impairment loss of \$3,956,469 (31 December 2018: \$38,212,006). The profit before impairment loss is \$2,504,595 (31 December 2018: \$1,449,397).

**3. Net tangible assets**

	<b>Reporting period</b>	<b>Previous period</b>
	<b>Cents</b>	<b>Cents</b>
Net tangible assets per ordinary security	<u>14.40</u>	<u>14.90</u>

**4. Control gained over entities**

Name of entities (or group of entities) Not applicable  
 Date control gained 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) for the whole of the previous period (where material)	-

**DONACO INTERNATIONAL LIMITED**  
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**Half-year financial report**

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**5. Loss of control over entities**

Name of entities (or group of entities)	Not applicable	
Date control lost	Not applicable	
		<b>\$</b>
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)		-

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**6. Dividends**

*Current period*

No dividends were paid for the half-year ended 31 December 2019.

*Previous period*

No dividends were paid for the half-year ended 31 December 2018.

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**7. Dividend reinvestment plans**

Not applicable.

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**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%	2,156,480	(447,876)
<i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i>				
Profit/(loss) from ordinary activities before income tax			2,156,480	(447,876)
Income tax on operating activities			381,182	-

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**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.

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**11. Attachments**

*Details of attachments (if any):*

The Half Year Report of Donaco International Limited for the half-year ended 31 December 2019 is attached.

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**12. Signed**

Signed  \_\_\_\_\_

Date: 28 February 2020

Mr Mel Ashton  
Non-Executive Chairman  
Sydney

28 February 2020

The Board of Directors  
Level 18  
420 George Street  
Sydney NSW 200  
Australia

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 Board of Directors of Donaco International Limited.

As lead audit partner for the review of the financial report of Donaco International Limited for the half-year ended 31 December 2019, 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 Sydney**



**Suwarti Asmono**  
Partner

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

Findex (Aust) Pty Ltd, trading as Crowe Australasia is a member of Crowe Global, a Swiss verein. Each member firm of Crowe Global is a separate and independent legal entity. Findex (Aust) Pty Ltd and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Findex (Aust) Pty Ltd. Services are provided by Crowe Sydney, an affiliate of Findex (Aust) Pty Ltd. Liability limited by a scheme approved under Professional Standards Legislation.

**DONACO INTERNATIONAL LIMITED**  
**ABN 28 007 424 777**

**Half Year Financial Report**  
**31 December 2019**

**DONACO INTERNATIONAL LIMITED**  
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**31 December 2019**

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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 28 February 2020. The directors have the power to amend and reissue the financial statements.

**DONACO INTERNATIONAL LIMITED**  
**Directors' report**  
**31 December 2019**

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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 2019.

**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 - Non-Executive Chairman (removed 29 November 2019)  
Mel Ashton - Non-Executive Chairman (appointed 9 December 2019)  
Joey Lim Keong Yew - Managing Director and CEO (removed 18 July 2019)  
Benedict Paul Reichel - Executive Director (resigned 29 November 2019)  
Benjamin Lim Keong Hoe - Non-Executive Director (removed 18 July 2019)  
David John Green - Non-Executive Director (removed 29 November 2019)  
Yan Ho Leo Chan - Executive Director (effective 11 February 2020) (appointed as Non-Executive Director 12 August 2019)  
Kurkye Wong - Executive Director (effective 11 February 2020) (appointed as Non-Executive Director 12 August 2019)  
Yugo Kinoshita - Non-Executive Director (appointed 14 August 2019, removed 29 November 2019)  
Roderick John Sutton - Non-Executive Director (appointed 29 November 2019)  
Simon Vertullo - Non-Executive Director (appointed 9 December 2019)

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

**Review of operations**

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$1,451,874 (31 December 2018: loss of \$36,762,609). This includes an impairment loss of \$3,956,469 (31 December 2018: \$38,212,006). The profit before impairment loss is \$2,504,595 (31 December 2018: \$1,449,397).

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



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Mr Mel Ashton  
Non-Executive Chairman

28 February 2020

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**DONACO INTERNATIONAL LIMITED**  
**Statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2019**

	Note	Consolidated	
		31 December 2019 \$	31 December 2018 \$
Revenue from continuing operations	3	40,913,788	39,705,733
Total income		<u>40,913,788</u>	<u>39,705,733</u>
<b>Expenses</b>			
Food and beverages		(2,596,134)	(2,447,038)
Employee benefits expense		(12,943,592)	(11,518,272)
Depreciation and amortisation expense		(5,105,524)	(4,967,281)
Impairment of intangible asset	6	(3,956,469)	(38,212,006)
Legal and compliance		(1,615,308)	(1,162,786)
Marketing and promotions		(2,777,206)	(2,802,087)
Professional & consultants		(1,078,230)	(302,446)
Property costs		(3,557,250)	(3,001,312)
Telecommunications and hosting		(214,869)	(200,435)
Gaming costs		(1,121,746)	(931,322)
Other expenses		(3,022,968)	(5,713,655)
Finance costs		(2,292,924)	(3,598,985)
Total expenses		<u>(40,282,220)</u>	<u>(74,857,625)</u>
<b>Profit / (loss) before income tax expense from continuing operations</b>		631,568	(35,151,892)
Income tax expense		<u>(1,990,005)</u>	<u>(1,455,310)</u>
Loss after income tax expense from continuing operations		(1,358,437)	(36,607,202)
<b>Loss after income tax expense for the half-year</b>		(1,358,437)	(36,607,202)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>1,379,248</u>	<u>17,944,064</u>
Other comprehensive income for the half-year, net of tax		<u>1,379,248</u>	<u>17,944,064</u>
<b>Total comprehensive loss for the half-year</b>		<u><u>20,811</u></u>	<u><u>(18,663,138)</u></u>
<i>Profit / (loss) for the half-year is attributable to:</i>			
Non-controlling interest		93,437	155,407
Owners of Donaco International Limited		<u>(1,451,874)</u>	<u>(36,762,609)</u>
		<u><u>(1,358,437)</u></u>	<u><u>(36,607,202)</u></u>
<i>Total comprehensive income / (loss) from continuing operations for the half-year is attributable to:</i>			
Non-controlling interest		93,437	155,407
Owners of Donaco International Limited		<u>(72,626)</u>	<u>(18,818,545)</u>
		<u><u>20,811</u></u>	<u><u>(18,663,138)</u></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 2019**

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		<b>Consolidated</b>	
	<b>Note</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
		<b>Cents</b>	<b>Cents</b>
<b>Loss per share for profit attributable to the owners of Donaco International Limited</b>			
Basic loss per share	<b>13</b>	(0.18)	(4.46)
Diluted loss per share	<b>13</b>	(0.18)	(4.46)
<b>Dividend per share</b>			
Current year interim dividend declared		-	-

*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 2019**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 December 2019</b>	<b>30 June 2019</b>
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	24,860,190	27,377,908
Trade and other receivables		1,171,914	2,777,446
Inventories		901,235	1,149,324
Prepaid construction costs		3,100	38,800
Other assets		766,083	1,005,918
<b>Total current assets</b>		<u>27,702,522</u>	<u>32,349,396</u>
<b>Non-current assets</b>			
Property, plant and equipment	5	168,424,023	167,960,128
Intangibles (including licences)	6	73,901,998	77,572,736
Construction in progress		485,574	505,527
Other assets		4,200	2,147
<b>Total non-current assets</b>		<u>242,815,795</u>	<u>246,040,538</u>
<b>Total assets</b>		<u>270,518,317</u>	<u>278,389,934</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		43,197,473	44,189,694
Borrowings	7	17,043,487	16,563,907
Income tax		11,181	1,764,696
Employee benefits		691,315	690,488
<b>Total current liabilities</b>		<u>60,943,456</u>	<u>63,208,785</u>
<b>Non-current liabilities</b>			
Trade and other payables		3,095,221	123,760
Borrowings	8	10,803,862	19,379,454
Employee benefits		67,818	55,594
<b>Total non-current liabilities</b>		<u>13,966,901</u>	<u>19,558,808</u>
<b>Total liabilities</b>		<u>74,910,357</u>	<u>82,767,593</u>
<b>Net assets</b>		<u>195,607,960</u>	<u>195,622,341</u>
<b>Equity</b>			
Issued capital		358,372,299	358,656,945
Reserves	9	43,816,865	42,188,163
Accumulated losses		(208,694,587)	(207,242,713)
Equity attributable to the owners of Donaco International Limited		193,494,577	193,602,395
Non-controlling interest		2,113,383	2,019,946
<b>Total equity</b>		<u>195,607,960</u>	<u>195,622,341</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 half-year ended 31 December 2019**

<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Reserves \$</b>	<b>Retained profits \$</b>	<b>Non-controlling interest \$</b>	<b>Total equity \$</b>
Balance at 1 July 2018	358,656,945	22,540,464	(13,250,020)	1,799,990	369,747,379
Loss after income tax benefit for the half-year	-	-	(36,762,609)	155,407	(36,607,202)
Other comprehensive income for the half-year, net of tax	-	17,944,064	-	-	17,944,064
Total comprehensive income for the half-year	-	17,944,064	(36,762,609)	155,407	(18,663,138)
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments	-	140,665	-	-	140,665
Balance at 31 December 2018	<u>358,656,945</u>	<u>40,625,193</u>	<u>(50,012,629)</u>	<u>1,955,397</u>	<u>351,224,906</u>
<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Reserves \$</b>	<b>Retained profits \$</b>	<b>Non-controlling interest \$</b>	<b>Total equity \$</b>
Balance at 1 July 2019	358,656,945	42,188,163	(207,242,713)	2,019,946	195,622,341
Loss after income tax benefit for the half-year	-	-	(1,451,874)	93,437	(1,358,437)
Other comprehensive income for the half-year, net of tax	-	1,379,248	-	-	1,379,248
Total comprehensive income for the half-year	-	1,379,248	(1,451,874)	93,437	20,811
<i>Transactions with owners in their capacity as owners:</i>					
Shares forfeited	(284,646)	284,646	-	-	-
Share-based payments	-	(35,192)	-	-	(35,192)
Balance at 31 December 2019	<u>358,372,299</u>	<u>43,816,865</u>	<u>(208,694,587)</u>	<u>2,113,383</u>	<u>195,607,960</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 2019**

	Note	Consolidated	
		31 December 2019	31 December 2018
		\$	\$
<b>Cash flow from operating activities</b>			
Receipts from customers		48,286,292	37,294,297
Payments to suppliers and employees		(30,400,388)	(25,763,276)
		<u>17,885,904</u>	<u>11,531,021</u>
Interest received		23,916	30,426
Lease interest paid		(89,042)	-
Interest and other finance costs paid		(1,589,571)	(3,002,707)
Government levies, gaming taxes and GST		(8,598,353)	(6,092,074)
<b>Net cash flows from operating activities</b>		<u>7,632,854</u>	<u>2,466,666</u>
<b>Cash flow from investing activities</b>			
Payments for property, plant and equipment		(955,971)	(3,967,822)
Proceeds from disposal of property, plant and equipment		73,569	-
<b>Net cash flows from investing activities</b>		<u>(882,402)</u>	<u>(3,967,822)</u>
<b>Cash flow from financing activities</b>			
Net borrowings (repayment of borrowings)		(8,919,680)	(13,269,224)
<b>Net cash flows from financing activities</b>		<u>(8,919,680)</u>	<u>(13,269,224)</u>
Net decrease in cash and cash equivalents		(2,169,228)	(14,770,380)
Cash and cash equivalents, beginning of the financial half-year		27,377,908	47,075,589
Effects of exchange rate changes on cash and cash equivalents		(348,490)	1,535,264
Cash and cash equivalents at the end of the financial half-year	4	<u>24,860,190</u>	<u>33,840,473</u>

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

### **Note 1. Significant accounting policies**

These interim financial statements for the interim half-year reporting period ended 31 December 2019 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 2019 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.

#### **Going concern**

At 31 December 2019, the consolidated entity recorded net current liabilities of A\$33.2 million. The consolidated entity recorded a net profit after tax of \$2.5 million before impairment (net loss after tax of A\$1.4 million after impairment charge of \$4.0 million, and net operating cash inflows of A\$7.6 million for the six months ended on that date.

The net current liabilities primarily arise due to the fact that it includes a management fee of A\$23.3 million (as at 31 December 2019 spot rate) claimed by the Thai vendor of the Star Vegas business. The Board has signed a memorandum of understanding with the vendor, under which all litigation matters between the company and the vendor have been suspended for two months to allow the parties to conduct settlement negotiations (note 11). The claims therefore remain unresolved as at 31 December 2019 and as a result the amount continues to be recognised as a liability in accordance with the relevant accounting standards.

The consolidated entity met all of its obligations to repay principal and interest under its loans during the period and up to the date of this report. The consolidated entity also remains in compliance with its loan covenants. As at 31 December 2019, approximately A\$24.1 million remains unpaid under the loan facility with Mega Bank. Half-yearly repayments of US\$5 million (AU\$7.1 million at spot rate) are due on 30 June 2020 and 31 December 2020. The consolidated entity expects to receive continual financing from Mega Bank with regard to the existing loan, and thus the going concern basis has not been affected.

Notwithstanding the net current liability position, management have prepared the 31 December 2019 financial report on a going concern basis. It is directors' estimate that the consolidated entity will be able to generate sufficient operating cash inflows to cover the net current liability and therefore, will be able to pay its debts as and when they become due and payable.

Based on the consolidated entity's current cash flow forecast, the directors expect that there will be adequate cash inflows to cover the Mega Bank loan half-yearly repayments as well as the payable due to the slot vendor. For example, management is currently negotiating with the vendor to settle the amount by instalment with a lower profit-sharing ratio. The directors also have other financing sources available in the event that the actual cash inflows fall short of the amounts forecast.

#### **New, revised or amending Accounting Standards and Interpretations adopted**

The following standard became applicable for the current reporting period and the consolidated entity had to change its accounting policies as a result of adoption:

- **AASB 16 Leases**

AASB 16 *Leases* primarily affects the accounting by lessees and results in the recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The consolidated entity has applied AASB 16 for the first time in the current period using the simplified transition approach. Under this approach, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. No restatement of comparative information was therefore required to be made.

On adoption of AASB 16, the consolidated entity recognised right-of-use assets and lease liabilities relating to the commercial property leases in Cambodia and Vietnam, which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. Under the modified transition approach, the right-of-use assets were recognised based on the amount equal to the lease liabilities. No adjustment is therefore required to retained earnings. The lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate as at the date of initial application (see note 10). The incremental borrowing rates used for determination of the remaining lease payments were 6.53% and 9.5% for Cambodia and Vietnam respectively.

**Note 1. Significant accounting policies (continued)**

**New, revised or amending Accounting Standards and Interpretations adopted (continued)**

- AASB 16 *Leases* (continued)

As of 1 July 2019, right-of-use assets of \$3,137,559 were recognised and presented as part of property, plant and equipment in the statement of financial position. Lease liabilities of \$3,095,711 were recognised and presented as part of trade and other payables in the statement of financial position.

In applying AASB 16 for the first time, the consolidated entity has used the following practical expedients permitted by the standard:

- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases; and
- accounting for operating leases for which the underlying asset has a limited value as at 1 July 2019 as short-term leases.

**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**  
**31 December 2019**

**Note 2. Operating segments (continued)**

	<b>Casino Operations Vietnam \$</b>	<b>Casino Operations Cambodia \$</b>	<b>Corporate Operations \$</b>	<b>Total \$</b>
<b>Consolidated - 31 December 2019</b>				
<b>Revenue</b>				
Sales to external customers	10,256,768	30,633,192	-	40,889,960
Interest	14,948	-	8,880	23,828
<b>Total revenue</b>	<b>10,271,716</b>	<b>30,633,192</b>	<b>8,880</b>	<b>40,913,788</b>
<b>EBITDA</b>				
Depreciation and amortisation	(1,921,240)	(3,154,690)	(29,594)	(5,105,524)
Impairment of intangible asset	-	(3,956,469)	-	(3,956,469)
Interest revenue	14,948	-	8,880	23,828
Non-recurring items	(2,619)	(864,283)	(834,028)	(1,700,929)
Net exchange losses	(139,684)	-	(5,556)	(145,240)
Non-controlling interest	-	-	(93,437)	(93,437)
Finance costs	(317,617)	(89,042)	(1,886,265)	(2,292,924)
<b>Profit/(loss) before income tax expense</b>	<b>2,269,979</b>	<b>3,587,894</b>	<b>(5,319,742)</b>	<b>538,131</b>
Income tax expense				(1,990,005)
<b>Loss after income tax expense attributable to the owners of Donaco International Limited</b>				<b>(1,451,874)</b>
<b>Assets</b>				
Segment assets	80,224,579	184,948,376	5,345,362	270,518,317
<b>Total assets</b>				<b>270,518,317</b>
<b>Liabilities</b>				
Segment liabilities	13,236,923	36,762,864	24,910,570	74,910,357
<b>Total liabilities</b>				<b>74,910,357</b>
<b>Consolidated - 31 December 2018</b>				
<b>Revenue</b>				
Sales to external customers	7,379,099	32,296,829	39	39,675,967
Interest	14,409	-	15,357	29,766
<b>Total revenue</b>	<b>7,393,508</b>	<b>32,296,829</b>	<b>15,396</b>	<b>39,705,733</b>
<b>EBITDA</b>				
Depreciation and amortisation	(2,232,812)	(2,690,910)	(43,559)	(4,967,281)
Impairment of intangible asset	-	(38,212,006)	-	(38,212,006)
Interest revenue	14,409	-	15,357	29,766
Non-recurring items	-	-	(834,138)	(834,138)
Net exchange gains	(412,149)	-	(52,098)	(464,247)
Non-controlling interest	-	-	(155,407)	(155,407)
Finance costs	(494,028)	-	(3,104,957)	(3,598,985)
<b>Profit/(loss) before income tax benefit</b>	<b>(471,448)</b>	<b>(27,669,348)</b>	<b>(7,166,503)</b>	<b>(35,307,299)</b>
Income tax expense				(1,455,310)
<b>Loss after income tax expense to the owners of Donaco International Limited</b>				<b>(36,762,609)</b>
<b>Assets</b>				
Segment assets	84,373,905	357,000,939	8,482,503	449,857,347
<b>Total assets</b>				<b>449,857,347</b>
<b>Liabilities</b>				
Segment liabilities	12,986,976	29,790,457	55,855,007	98,632,441
<b>Total liabilities</b>				<b>98,632,441</b>



**DONACO INTERNATIONAL LIMITED**  
**Notes to the financial statements**  
**31 December 2019**

	<b>Consolidated</b>	
	<b>31 December 2019</b>	<b>31 December 2018</b>
	\$	\$
<b>Note 3. Revenue</b>		
Casino		
- Gaming revenue	30,940,270	31,115,373
- Non-gaming revenue	9,949,690	8,560,555
Corporate operations	-	39
Interest	23,828	29,766
Revenue from continuing operations	<u>40,913,788</u>	<u>39,705,733</u>

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.

**Disaggregation of revenue**

The consolidated entity derives revenue from the transfer of goods and services over time and at a point in time in the following operating segments:

	<b>Casino Operations Vietnam</b>	<b>Casino Operations Cambodia</b>	<b>Corporate Operations</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Consolidated - 31 December 2019</b>				
<b>Revenue</b>				
Gaming revenue	5,506,861	25,433,409	-	30,940,270
Non-gaming revenue	4,749,907	5,199,783	-	9,949,690
Interest	14,948	-	8,880	23,828
<b>Total revenue</b>	<u>10,271,716</u>	<u>30,633,192</u>	<u>8,880</u>	<u>40,913,788</u>
<b>Timing of revenue recognition</b>				
At a point in time	6,833,695	29,060,698	-	35,894,393
Over time	3,438,021	1,572,494	8,880	5,019,395
	<u>10,271,716</u>	<u>30,633,192</u>	<u>8,880</u>	<u>40,913,788</u>
<b>Consolidated - 31 December 2018</b>				
<b>Revenue</b>				
Gaming revenue	3,768,699	27,346,674	-	31,115,373
Non-gaming revenue	3,610,400	4,950,155	-	8,560,555
Corporate operations	-	-	39	39
Interest	14,409	-	15,357	29,766
<b>Total revenue</b>	<u>7,393,508</u>	<u>32,296,829</u>	<u>15,396</u>	<u>39,705,733</u>
<b>Timing of revenue recognition</b>				
At a point in time	4,601,410	30,811,989	-	35,413,399
Over time	2,792,098	1,484,840	15,396	4,292,334
	<u>7,393,508</u>	<u>32,296,829</u>	<u>15,396</u>	<u>39,705,733</u>

**DONACO INTERNATIONAL LIMITED**  
**Notes to the financial statements**  
**31 December 2019**

	<b>Consolidated</b>	
	<b>31 December 2019</b>	<b>30 June 2019</b>
	<b>\$</b>	<b>\$</b>
<b>Note 4. Current assets - cash and cash equivalents</b>		
Cash on hand	19,912,004	20,308,499
Cash at bank	4,111,134	5,695,441
Cash in transit	837,052	961,482
Short-term deposit	-	412,486
	<u>24,860,190</u>	<u>27,377,908</u>
<b>Note 5. Non-current assets - property, plant and equipment</b>		
Leasehold buildings and structures - at cost	176,430,111	174,655,552
Less: Accumulated depreciation	(27,189,699)	(24,420,906)
	<u>149,240,412</u>	<u>150,234,646</u>
Right-of-use asset - at cost (see note 10)	3,137,559	-
Less: Accumulated depreciation	(34,544)	-
	<u>3,103,015</u>	<u>-</u>
Furniture & fittings - at cost	5,746,989	5,594,200
Less: Accumulated depreciation	(5,674,924)	(5,505,540)
	<u>72,065</u>	<u>88,660</u>
Machinery and equipment - at cost	47,740,936	46,433,136
Less: Accumulated depreciation	(33,791,694)	(31,448,420)
	<u>13,949,242</u>	<u>14,984,716</u>
Motor vehicles - at cost	2,348,525	2,569,132
Less: Accumulated depreciation	(2,017,281)	(1,969,042)
	<u>331,244</u>	<u>600,090</u>
Office equipment and other- at cost	3,885,439	3,820,296
Less: Accumulated depreciation	(2,629,273)	(2,321,067)
	<u>1,256,166</u>	<u>1,499,229</u>
Consumables	471,879	552,787
	<u>471,879</u>	<u>552,787</u>
Interactive gaming - at cost	-	3,804,363
Less: Accumulated impairment	-	(3,804,363)
	<u>-</u>	<u>-</u>
	<u>168,424,023</u>	<u>167,960,128</u>
<b>Note 6. Non-current assets - intangibles</b>		
Goodwill - at cost	2,426,187	2,426,187
Land right - at cost	72,959	72,737
Less: Accumulated amortisation	(43,790)	(42,610)
	<u>29,169</u>	<u>30,127</u>
Casino licence - at cost	425,147,305	424,607,676
Less: Impairment	(353,700,663)	(349,491,254)
	<u>71,446,642</u>	<u>75,116,422</u>
	<u>73,901,998</u>	<u>77,572,736</u>

**Note 6. Non-current assets - intangibles (continued)**

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

The recoverable amount of the cash-generating unit of DNA Star Vegas has been determined based on its value in use. An independent valuation of the 100% equity interest in DNA Star Vegas Company Limited was undertaken as at 31 December 2019. Based on the valuation undertaken as at 31 December 2019, the value in use was determined to be \$160,544,041 (US\$112,480,937).

The valuation as at 31 December 2019 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 based on a 5.5-year cash flow forecast period. The valuation uses a growth rate of 10% in subsequent years, with a terminal year growth rate of 3%. The discount rate used of 18.6% reflects specific risks relating to the relevant segments and the countries in which they operate. The discount rate has been decreased slightly compared to the prior period rate used of 18.9%. The valuation was determined using a foreign exchange rate between Thai Baht and US Dollar of 29.71 THB:1 USD. Capital expenditure of THB51.8 million (AU\$2.5 million at the spot rate) for the first 4.5 years and THB106.2 million (AU\$5.1 million at the spot rate) in the last year of the forecast period was included in the valuation.

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

	<b>Consolidated</b>	
	<b>31 December 2019</b>	<b>30 June 2019</b>
	<b>\$</b>	<b>\$</b>

**Note 7. Current liabilities - borrowings**

Joint Stock Commercial Ocean Bank	3,015,975	2,998,803
Mega International Commercial Bank Co Ltd	13,321,933	13,565,104
Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank)	705,579	-
	<u>17,043,487</u>	<u>16,563,907</u>

Refer to note 8 for further information on assets pledged as security and financing arrangements.

	<b>Consolidated</b>	
	<b>31 December 2019</b>	<b>30 June 2019</b>
	<b>\$</b>	<b>\$</b>

**Note 8. Non-current liabilities - borrowings**

Joint Stock Commercial Ocean Bank	-	1,499,402
Mega International Commercial Bank Co Ltd	10,803,862	17,880,052
	<u>10,803,862</u>	<u>19,379,454</u>

*Total secured liabilities*

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

Joint Stock Commercial Ocean Bank	3,015,975	4,498,205
Mega International Commercial Bank Co Ltd	24,125,795	31,445,156
Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank)	705,579	-
	<u>27,847,349</u>	<u>35,943,361</u>

The loan from Mega International Commercial Bank Co Ltd was restructured and refinanced under binding agreements effective June 2019. Under these refinancing terms, future principal repayments have been reduced to US\$5 million (approximately AUD\$7 million), with final settlement in June 2021.

During the period ended 31 December 2019, the consolidated entity remained compliant with its loan covenant requirements.

**Note 8. Non-current liabilities - borrowings (continued)**

*Assets pledged as security*

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

- i. A parent company guarantee from the parent entity for the debt owed by Donaco Hong Kong Limited;
- ii. A pledge of the shares in Donaco Hong Kong Limited owned by the parent entity;
- 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 2019 under this arrangement were \$3,015,975 (30 June 2019: \$4,498,205).

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

*Joint Stock Commercial Bank for Foreign Trade of Vietnam*

The loan from the Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank) was drawn down on 20 December 2019. The borrowing is guaranteed over properties held by Lao Cai International Hotel Joint Venture Company Ltd and is for a term of 3 months. Total borrowings as at 31 December 2019 is \$705,579.

	<b>Consolidated</b>	
	<b>31 December 2019</b>	<b>30 June 2019</b>
	\$	\$
<i>Financing arrangements</i>		
Unrestricted access was available at the reporting date to the following lines of credit:		
Total facilities		
Bank loans	27,847,349	35,943,361
Used at the reporting date		
Bank loans	27,847,349	35,943,361
Unused at the reporting date		
Bank loans	-	-

**Note 9. Equity - reserves**

Revaluation surplus reserve	1,855,327	1,855,327
Share-based payment reserve	3,338,143	3,088,689
Foreign currency reserve	38,623,395	37,244,147
	<u>43,816,865</u>	<u>42,188,163</u>

*Movements in reserves*

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

<b>Consolidated</b>	<b>Revaluation surplus reserve</b>	<b>Share-based payment reserve</b>	<b>Foreign currency reserve</b>	<b>Total</b>
	\$	\$	\$	\$
Balance at 1 July 2019	1,855,327	3,088,689	37,244,147	42,188,163
Foreign currency translation	-	-	1,379,248	1,379,248
Shares forfeited	-	284,646	-	284,646
Employee share options	-	(35,192)	-	(35,192)
Balance at 31 December 2019	<u>1,855,327</u>	<u>3,338,143</u>	<u>38,623,395</u>	<u>43,816,865</u>

**Note 10. Leases**

On 15 June 2015, DNA Star Vegas Co., Ltd, entered into a lease of 50 years, with rent payable monthly. The lease is in relation to land of approximately 232,189 square meters located in Poi Pet, Cambodia. The remaining lease term at 31 December 2019 is 46 years. Under the terms of the lease agreement, the lease renews automatically for a further 50 years to the extent allowable under Cambodian laws. However, following an application undertaken by the Landlord of DNA Star Vegas, an award was made on 21 August 2019 in the Cambodian arbitration proceedings entitling the Landlord to terminate the lease for the land occupied by DNA Star Vegas. The Company immediately sought to deal with this situation and has immediately filed an appeal with the Appeal Court and not long after sought to enter into settlement negotiations with the Landlord to preserve the lease. The outcome however remains uncertain despite positive progression in the settlement negotiations. The lease liability and right-of-use asset has therefore been calculated over the remaining 46 years of the original lease, despite this uncertainty.

Lao Cai International Hotel Joint Venture Company Limited has a non-cancellable operating lease commitment over a 50-year term in respect of its casino premises in Lao Cai, Vietnam. The lease commenced 8 April 2011 and the remaining lease term as at 31 December 2019 is 41 years.

On adoption of AASB 16 *Leases*, the company has applied the new rules retrospectively from 1 July 2019. The property leases previously recognised as operating leases are recognised as right-of-use assets and corresponding liabilities as of the date of application. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of comprehensive income over the lease period. The right-of-use asset is depreciated over the lease term on a straight-line basis.

**(i) Amounts recognised in the statement of financial position**

The statement of financial position shows the following amounts relating to leases:

	<b>Consolidated</b>	
	<b>31 December 2019</b>	<b>30 June 2019</b>
	\$	\$
<b>Right-of-use assets (recognised as part of property, plant and equipment)</b>		
Properties	3,103,015	-
	<u>3,103,015</u>	<u>-</u>
<b>Lease liability (recognised as part of trade and other payables)</b>		
Properties - current	490	-
Properties - non-current	3,095,221	-
	<u>3,095,711</u>	<u>-</u>

The lease liability has been measured at the present value of the remaining lease payments over the term of the lease. For the lease in relation to the land in Cambodia, the lease payments were discounted using an incremental borrowing rate of 6.53%, while the lease payments for the lease in Vietnam were discounted using a discount rate of 9.5%.

**(i) Amounts recognised in the statement of comprehensive income**

The statement of comprehensive income shows the following amounts relating to leases:

	<b>Consolidated</b>	
	<b>31 December 2019</b>	<b>31 December 2018</b>
	\$	\$
<b>Depreciation of right-of-use asset (recognised as part of depreciation expense)</b>		
Properties	35,097	-
	<u>35,097</u>	<u>-</u>
<b>Interest expense (included in finance cost)</b>		
Properties	89,042	-
	<u>89,042</u>	<u>-</u>

The total cash outflow for leases in 2019 was \$89,042.

**Note 11. Contingent assets and liabilities**

Lee Hoe Property Co. Ltd ("the Landlord"), which owns and leases the land occupied by the Star Vegas business, was given an award on 21 August 2019 in relation to the arbitration proceedings in Cambodia that they had undertaken. Under the arbitration award, the arbitrator ruled that the Landlord was entitled to terminate the lease for the land occupied by the Star Vegas business. The arbitration award cannot be enforced until it is registered and enforced by a court with competent jurisdiction. Further, Donaco has already filed an appeal to the Appeal Court in Phnom Penh against certain procedural aspects of the arbitration process and will file a further appeal against the decision itself. It is noted that if the lease is ever effectively terminated, the lease provides that all buildings, fixtures and other property on the land are owned by Donaco, and the lessor must pay compensation for those buildings and other property upon the termination of the lease. However, the company will have to vacate the property and may be required to write off the value of the property, plant and equipment and casino licence.

On 20 August 2018, the Landlord obtained an order allowing him to develop the land outside the Star Vegas boundary, which was always agreed under the lease, provided that no competing casino or gaming business is built.

Somboon Sukcharoenkraisri (the "Vendor") has commenced defamation proceedings in Thailand against Donaco and two of its directors, at that time seeking damages of THB1 million (equivalent to AUD47K). No amounts have been recognised as at 31 December 2019 in relation to these proceedings as they are still pending and no damages have been determined.

Paramax Co. Ltd filed a merit case petition against Donaco in Cambodia, requesting that the court order the company to refrain from publishing news related to the operation of Paramax casino, to issue an apology letter to Paramax, to pay USD1.2 million (equivalent to AUD1.7 million) in compensation for damages and loss of reputation as well as the court fee incurred by Paramax. The case is currently pending at the Banteay Meanchey Provincial Court of First Instance ("BMC Court"). The request for delay of pre-hearing on 29 August 2019 was submitted by the company however the court carried on with the proceeding without the company's presence. A new hearing date is set on 3 March 2020 which will be held at the BMC Court. No amounts have been recognised as at 31 December 2019 in relation to this matter as it is still pending.

Donaco's legal claim against the Vendor was set for a further evidentiary hearing at the Singapore International Arbitration Centre ("SIAC") for a period of one week commencing 25 November 2019. Having considered expert legal and financial advice, the Company initially sought damages of USD190 million (equivalent to AUD271 million), however based on final valuation reports provided by expert valuation witnesses, the claim can be increased to USD240 million (equivalent to AUD342 million). Should the SIAC accept that there is a termination of the lease, as detailed in note 10, this would significantly impact the quantum of Donaco's claim. No amount receivable has been recognised as at 31 December 2019 given the uncertainty over the outcome of the proceedings. The Supreme Court of New South Wales has granted a further extension of the freezing order over the Donaco shares held by the Vendor until 28 February 2020.

Pursuant to a memorandum of understanding between Donaco and the Vendor dated 3 February 2020, all litigation and arbitration matters in all jurisdictions between the Company and the Vendor (and its related entities) have been suspended for two months. This moratorium is to allow the parties to undertake and engage in settlement negotiations. The settlement negotiations are advanced and if successful will result in a preservation of the lease critical to the DNA Star Vegas business. No contingent asset or liability has been recognised as at 31 December 2019, pending the outcome on completion of the settlement negotiations.

**Note 12. Events after the reporting period**

Due to the transmission of the coronavirus that originated in the Hubei province in China, the border crossing at Lao Cai is currently tightly restricted to allow only visitors on "urgent" or "official" business reasons. This has resulted in a substantial reduction in visitation at Aristo with a consequent reduction in gaming turnover. There is currently no time frame on the partial closure of the border crossing, which is likely to depend on the success of the broader efforts undertaken within China and around the world to contain the virus. In response to the slowdown in business, Aristo management has arranged for unpaid leave for a number of staff members in February 2020 and has reduced total headcount, as well as deferring various capital expenditure projects. We are assessing the impact on the DNA Star Vegas business from the coronavirus, however there may be an impact on DNA Star Vegas and in the longer term on the Thai economy in general which has a strong tourism element. This would lead to an overall reduction in demand from Thai visitors to the DNA Star Vegas casino.

Aside from this and the memorandum of understanding outlined in note 11 above, the Directors are not aware of any other events subsequent to the reporting period that may have a material impact on the financial statements.

**DONACO INTERNATIONAL LIMITED**  
**Notes to the financial statements**  
**31 December 2019**

**Note 13. Earnings / (loss) per share**

	<b>Consolidated</b>	
	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax	(1,358,437)	(36,607,202)
Non-controlling interest	(93,437)	(155,407)
	<u>(1,451,874)</u>	<u>(36,762,609)</u>
Loss after income tax attributable to the owners of Donaco International Limited	<u>(1,451,874)</u>	<u>(36,762,609)</u>
	<b>Consolidated</b>	
	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	823,592,773	823,592,773
Adjustments for calculation of diluted earnings per share:		
Options and warrants over ordinary shares which are dilutive	-	-
	<u>823,592,773</u>	<u>823,592,773</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>823,592,773</u>	<u>823,592,773</u>
	<b>Cents</b>	<b>Cents</b>
Basic loss per share	(0.18)	(4.46)
Diluted loss per share	(0.18)	(4.46)

**Note 14. 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:

<b>Name</b>	<b>Principal place of business/ Country of incorporation</b>	<b>Ownership interest</b>	
		<b>31 December 2019</b>	<b>30 June 2019</b>
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%
Donaco Holdings (Hong Kong) Pte Ltd *	Hong Kong	100%	100%
DNA Star Vegas Co. Limited **	Cambodia	100%	100%
Donaco Investment (S) Pte Ltd *	Singapore	100%	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.

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

Donaco Investment (S) Pte Ltd - Investment company.

**Note 15. Related party transactions**

The following transactions occurred with related parties:

	<b>Consolidated</b>	
	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b>\$</b>	<b>\$</b>
Rental received from Arte Mobile Technology Pte Ltd (subsidiary of Isentric Limited)	7,303	-
IT technical fee paid to iSentric Limited, a director related company	-	55,196

The above transactions occurred at commercial rates.



**DONACO INTERNATIONAL LIMITED**  
**Directors' declaration**  
**31 December 2019**

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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 2019 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



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Mr Mel Ashton  
Non-Executive Chairman

Date 28 February 2020

# 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 (the Company) and its controlled entities (the consolidated entity), which comprises the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

## 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 gives a true and fair view and 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 Company's financial position as at 31 December 2019 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 Donaco International Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

Findex (Aust) Pty Ltd, trading as Crowe Australasia is a member of Crowe Global, a Swiss verein. Each member firm of Crowe Global is a separate and independent legal entity. Findex (Aust) Pty Ltd and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Findex (Aust) Pty Ltd. Services are provided by Crowe Sydney, an affiliate of Findex (Aust) Pty Ltd. Liability limited by a scheme approved under Professional Standards Legislation.

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:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

## Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the consolidated entity's current liabilities exceeded its current assets by \$33,240,934 as at 31 December 2019. The consolidated entity recorded a net loss after tax of \$1,358,437, a net profit after tax and before impairment of \$2,598,032, and net operating cash inflows of \$7,632,854 for the half-year ended on that date. As stated in Note 1, the directors have prepared the 31 December 2019 financial report on a going basis and have been taking actions to address these financial positions. Should the events or actions set forth in Note 1 not eventuate, it may result in a material uncertainty that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



**Crowe Sydney**



**Suwarti Asmono**

Partner

Dated at Sydney this 28<sup>th</sup> day of February 2020

Directors	Stuart James McGregor - Non-Executive Chairman (removed 29 November 2019) Mel Ashton - Non-Executive Chairman (appointed 9 December 2019) Joey Lim Keong Yew - Non-Executive Director (removed 18 July 2019) Benedict Paul Reichel - Executive Director (resigned 29 November 2019) Benjamin Lim Keong Hoe - Non-Executive Director (removed 18 July 2019) David John Green - Non-Executive Director (removed 29 November 2019) Yan Ho Leo Chan - Executive Director (effective 11 February 2020) (appointed as Non-Executive Director 12 August 2019) Kurkye Wong - Executive Director (effective 11 February 2020) (appointed as Non-Executive Director 12 August 2019) Yugo Kinoshita - Non-Executive Director (appointed 14 August 2019, removed 29 November 2019) Roderick John Sutton - Non-Executive Director (appointed 29 November 2019) Simon Vertullo - Non-Executive Director (appointed 9 December 2019)
Company secretary	Benedict Paul Reichel (terminated 12 February 2020) Marika White (appointed 12 February 2020)
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	Automic Level 5 126 Phillip Street Sydney NSW 2000
Auditor	Crowe 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	<a href="http://www.donacointernational.com">www.donacointernational.com</a>