

**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 2020  
Previous period: For the year ended 30 June 2019

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

Revenues from ordinary activities down 38.0% to \$ 53,485,035

Loss for the year attributable to the owners of Donaco International Limited up n/a % to (58,945,037)

	<b>30 Jun 2020</b>	<b>30 Jun 2019</b>
	<b>Cents</b>	<b>Restated Cents</b>
Basic loss per share	(7.16)	(24.04)
Diluted loss per share	(7.16)	(24.04)

*Dividends*

No dividends were paid for the year ended 30 June 2020.

*Comments*

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$58,945,037 (30 June 2019: loss of \$198,014,603). This includes an impairment charge of \$50,512,420. The loss before impairment charge is \$8,432,617 (30 June 2019: profit of \$6,091,656).

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**3. Net tangible assets**

	<b>Reporting period</b>	<b>Previous period</b>
	<b>Cents</b>	<b>Restated Cents</b>
Net tangible assets per ordinary security	<u>12.70</u>	<u>13.85</u>

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**DONACO INTERNATIONAL LIMITED**  
**Appendix 4E**  
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**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)		-

**5. Loss of control over entities**

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

**6. Dividends**

*Current period*

No dividends were paid for the year ended 30 June 2020.

*Previous period*

No dividends were paid for the year ended 30 June 2019.

**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 Restated
	%	%	\$	\$
Lao Cai International Hotel Joint Venture Company Limited	95.00%	95.00%	329,949	765,382
<i>Group's aggregate share of associates and joint venture entities' profit (where material)</i>				
(Loss) / profit from ordinary activities before income tax			<u>329,949</u>	<u>765,382</u>
Income tax on operating activities			<u>117,168</u>	<u>608,126</u>

**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):*

This Preliminary Final Report for the year ended 30 June 2020 is based on accounts which are currently being audited by the company's Independent auditor, Crowe Sydney.

The audit opinion may include an emphasis of matter on going concern.

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**11. Attachments**

*Details of attachments (if any):*

The Preliminary Final Report of Donaco International Limited for the year ended 30 June 2020 is attached.

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**12. Signed**

Signed 

Date: 31 August 2020

Mr Mel Ashton  
Non-Executive Chairman  
Sydney

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

**Preliminary Final Report**  
**30 June 2020**

## **DONACO INTERNATIONAL LIMITED**

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**30 June 2020**

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#### **General information**

The financial statements cover Donaco International Limited as a consolidated entity consisting of Donaco International Limited and the entities it controlled at the end of, or during, the year ended 30 June 2020. 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 31 August 2020. The directors have the power to amend and reissue the financial statements.

**DONACO INTERNATIONAL LIMITED**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2020**

	Note	Consolidated	
		2020	2019
		\$	Restated \$
<b>Revenue from continuing operations</b>	3	53,485,035	86,263,580
Total income		<u>53,485,035</u>	<u>86,263,580</u>
<b>Expenses</b>			
Food and beverages		(3,439,366)	(4,704,645)
Employee benefits expense		(21,497,734)	(24,375,795)
Depreciation and amortisation expense	4	(10,220,516)	(10,127,357)
Impairment expense	4	(50,512,420)	(204,106,259)
Legal and compliance		(3,098,324)	(3,442,915)
Marketing and promotions		(3,989,770)	(5,465,129)
Professional & consultants		(1,751,603)	(1,016,974)
Property costs		(5,547,611)	(5,703,812)
Telecommunications and hosting		(376,710)	(343,163)
Gaming costs		(1,510,817)	(2,094,285)
Other expenses		(3,993,924)	(12,548,253)
Finance costs		(3,993,946)	(6,517,906)
Total expenses		<u>(109,932,741)</u>	<u>(280,446,493)</u>
<b>Loss before income tax expense from continuing operations</b>		(56,447,706)	(194,182,913)
Income tax expense		<u>(2,485,516)</u>	<u>(3,611,734)</u>
Loss after income tax expense from continuing operations		(58,933,222)	(197,794,647)
<b>Loss after income tax expense for the year</b>		(58,933,222)	(197,794,647)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>5,270,393</u>	<u>19,368,661</u>
Other comprehensive income for the year, net of tax		<u>5,270,393</u>	<u>19,368,661</u>
<b>Total comprehensive loss for the year</b>		<u>(53,662,829)</u>	<u>(178,425,986)</u>
Loss after income tax expense for the year is attributable to:			
Non-controlling interest		11,815	219,956
Owners of Donaco International Limited		<u>(58,945,037)</u>	<u>(198,014,603)</u>
		<u>(58,933,222)</u>	<u>(197,794,647)</u>
Total comprehensive loss from continuing operations for the year is attributable to:			
Non-controlling interest		11,815	219,956
Owners of Donaco International Limited		<u>(53,674,644)</u>	<u>(178,645,942)</u>
		<u>(53,662,829)</u>	<u>(178,425,986)</u>
<b>Loss per share for loss attributable to the owners of Donaco International Limited</b>			
		<b>Cents</b>	<b>Restated Cents</b>
Basic loss per share	11	(7.16)	(24.04)
Diluted loss per share	11	(7.16)	(24.04)

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 2020**

	Note	Consolidated	
		2020	2019
		\$	Restated \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	12,630,359	26,568,268
Trade and other receivables		1,280,432	2,777,446
Inventories		670,810	1,149,324
Prepaid construction costs		4,366	38,800
Other current assets		545,350	1,005,918
<b>Total current assets</b>		<u>15,131,317</u>	<u>31,539,756</u>
<b>Non-current assets</b>			
Property, plant and equipment	6	165,809,709	167,960,128
Intangibles (including licences)	7	29,941,540	77,572,736
Construction in progress		495,712	505,527
Deferred tax assets		15,163	-
Other non-current assets		4,288	2,147
<b>Total non-current assets</b>		<u>196,266,412</u>	<u>246,040,538</u>
<b>Total assets</b>		<u>211,397,729</u>	<u>277,580,294</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		42,079,915	47,401,964
Borrowings		27,325,224	16,563,907
Income tax payable		154,296	1,764,696
Employee benefits		196,371	690,488
<b>Total current liabilities</b>		<u>69,755,806</u>	<u>66,421,055</u>
<b>Non-current liabilities</b>			
Trade and other payables		2,801,338	123,760
Borrowings		907,064	19,379,454
Employee benefits		-	55,594
<b>Total non-current liabilities</b>		<u>3,708,402</u>	<u>19,558,808</u>
<b>Total liabilities</b>		<u>73,464,208</u>	<u>85,979,863</u>
<b>Net assets</b>		<u>137,933,521</u>	<u>191,600,431</u>
<b>Equity</b>			
Issued capital		358,372,299	358,656,945
Reserves		47,739,121	42,188,163
Retained profits		(270,209,660)	(211,264,623)
Equity attributable to the owners of Donaco International Limited		135,901,760	189,580,485
Non-controlling interest		2,031,761	2,019,946
<b>Total equity</b>		<u>137,933,521</u>	<u>191,600,431</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 2020**

	<b>Issued capital</b>	<b>Reserves</b>	<b>Retained profits Restated</b>	<b>Non-controlling interest</b>	<b>Total equity Restated</b>
<b>Consolidated</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</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 expense for the year (restated)	-	-	(198,014,603)	219,956	(197,794,647)
Other comprehensive income for the year, net of tax	-	19,368,661	-	-	19,368,661
Total comprehensive loss for the year	-	19,368,661	(198,014,603)	219,956	(178,425,986)
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments	-	279,038	-	-	279,038
Balance at 30 June 2019	<u>358,656,945</u>	<u>42,188,163</u>	<u>(211,264,623)</u>	<u>2,019,946</u>	<u>191,600,431</u>
Balance at 1 July 2019 (restated)	358,656,945	42,188,163	(211,264,623)	2,019,946	191,600,431
Loss after income tax expense for the year	-	-	(58,945,037)	11,815	(58,933,222)
Other comprehensive income for the year, net of tax	-	5,270,393	-	-	5,270,393
Total comprehensive loss for the year	-	5,270,393	(58,945,037)	11,815	(53,662,829)
<i>Transactions with owners in their capacity as owners:</i>					
Shares forfeited	(284,646)	284,646	-	-	-
Share-based payments	-	(4,081)	-	-	(4,081)
Balance at 30 June 2020	<u>358,372,299</u>	<u>47,739,121</u>	<u>(270,209,660)</u>	<u>2,031,761</u>	<u>137,933,521</u>

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



**DONACO INTERNATIONAL LIMITED**  
**Statement of cash flows**  
**For the year ended 30 June 2020**

	Note	Consolidated	
		2020	2019
		\$	\$ Restated
<b>Cash flow from operating activities</b>			
Receipts from customers		58,161,494	91,107,609
Payments to suppliers and employees		<u>(47,990,245)</u>	<u>(49,644,963)</u>
		10,171,249	41,462,646
Interest received		27,332	79,946
Lease interest paid		(248,251)	-
Interest and other finance costs paid		(2,755,002)	(5,728,909)
Government levies, gaming taxes and GST		<u>(10,407,250)</u>	<u>(10,166,853)</u>
Net cash flows from operating activities		<u>(3,211,922)</u>	<u>25,646,830</u>
<b>Cash flow from investing activities</b>			
Payments for property, plant and equipment		(1,079,402)	(5,649,675)
Proceeds from disposal of property, plant and equipment		<u>52,564</u>	<u>-</u>
Net cash flows from investing activities		<u>(1,026,838)</u>	<u>(5,649,675)</u>
<b>Cash flow from financing activities</b>			
Repayment of borrowings		(9,654,712)	(39,749,023)
Payments for principal elements of lease		<u>(45,521)</u>	<u>-</u>
Net cash flows from financing activities		<u>(9,700,233)</u>	<u>(39,749,023)</u>
Net decrease in cash and cash equivalents		(13,938,993)	(19,751,868)
Cash and cash equivalents, beginning of the financial year		26,568,268	47,075,589
Effects of exchange rate changes on cash and cash equivalents		1,084	(755,453)
Cash and cash equivalents at the end of the financial year	5	<u>12,630,359</u>	<u>26,568,268</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 2020 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 30 June 2020, the consolidated entity recorded net current liabilities of A\$54.6 million. The consolidated entity recorded a net loss after tax of A\$8.4 million before impairment (net loss after tax of A\$58.9 million after impairment charge of A\$50.5 million), and net operating cash outflows of A\$3.2 million for the year ended on that date.

The net current liabilities primarily arise due to the inclusion of a management fee of A\$23 million (as at 30 June 2020 spot rate) claimed by the vendor of the Star Vegas business, as well as the A\$25 million (as at 30 June 2020 spot rate) loan from Mega Bank that is due for repayment by 28 June 2021. As of 2 March 2020, the consolidated entity and the vendor have reached settlement agreements over all litigation matters (see note 10). Pursuant to the settlement agreements, US\$18 million (AU\$26.2 million at 30 June 2020 spot rate) is payable by the consolidated entity in respect of unpaid management fees plus interest. As part of the settlement agreements, Donaco is entitled to receive US\$38 million (AU\$55.4 million at 30 June 2020 spot rate) to remove the non-competition and non-solicitation clauses previously agreed in the Share Sale Agreement over the Star Vegas business. Donaco will also be required to pay any outstanding rent and an additional lease payment of US\$20 million (AU\$29.2 million at 30 June 2020 spot rate) to the Landlord. Under the terms of the settlement agreements the US\$18 million (AU\$26.2 million at 30 June 2020 spot rate) of unpaid management fees will partially offset the US\$38 million receivable (AU\$55.4 million at 30 June 2020 spot rate). The net amount receivable of US\$20 million (AU\$29.2 million at 30 June 2020 spot rate) will be used to offset the additional lease payment due of the same amount. No net cash flow will therefore arise from the settlement. As part of its loan facility agreement with Mega Bank, Donaco is required to obtain consent from Mega Bank to fulfil parts of the settlement agreements. All settlement parties have agreed to defer the settlement payments and additional lease payment whilst awaiting Mega Bank's consent which has not been provided to date.

In light of the impact to the consolidated entity as result of the COVID-19 global pandemic, Mega Bank has agreed to defer the US\$5 million (AU\$7.3 million as at 30 June 2020 spot rate) principal repayment that was due in June 2020 under the loan facility agreement to December 2020. Mega Bank has also granted a waiver on all June 2020 covenants under the loan facility agreement until 31 December 2020, including the requirements to hold minimum cash and cash equivalents as well as to meet interest cover ratio and debt to EBITDA. As of the date of this report, the consolidated entity has successfully completed an entitlement offer that has raised approximately A\$14.4 million. Under the agreement reached with Mega Bank, the proceeds of this capital injection will be used to settle the deferred principal repayment. There remains a funding shortfall between the capital raised of A\$14.4 million and the loan balance of A\$25 million (as at 30 June 2020 spot rate) that is due for repayment by June 2021. Donaco will need to raise additional capital or debt in order to meet working capital requirements as well as the loan covenants under the Mega Bank loan facility by 31 December 2020. It is not certain that Mega Bank will agree to further deferral of repayments and/or waiver of the covenants under the loan facility agreement. Failure to raise capital could have a material adverse effect on Donaco's activities and financial position.

While there has been a tentative resumption of casino operations since the Vietnamese and Cambodian governments lifted temporary closure orders in May and July 2020 respectively, patronage numbers at these casinos are still expected to remain low as international borders with Vietnam and Cambodia remain closed and the majority of the visitors to these casinos are foreign patrons. It is therefore uncertain as to when these businesses may be fully operational given the current COVID-19 environment. It is expected that there will be a direct impact on the profitability of these casinos, however the extent of this effect is unknown. The Board of Directors acknowledges that there is significant uncertainty over Donaco's ability to meet its working capital requirements and the loan covenants under the Mega Bank loan facility. In the event that Donaco is unable to negotiate a deferral of repayments and/or waiver of the covenants under the loan agreement with Mega Bank and/or there is an extended period before the resumption of normal casino operations, then this could have a material impact on the consolidated entity continuing as a going concern.

#### **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.

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

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

- AASB 16 *Leases* (continued)

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 8). The incremental borrowing rates used for determination of the remaining lease payments were 6.53% and 9.5% for Cambodia and Vietnam respectively.

As of 1 July 2019, right-of-use assets of \$3,549,358 were recognised and presented as part of property, plant and equipment in the statement of financial position. Lease liabilities of \$3,573,652 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;
- 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

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.

**DONACO INTERNATIONAL LIMITED**  
**Notes to the financial statements**  
**30 June 2020**

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

*Intersegment transactions*

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

	<b>Casino Operations Vietnam \$</b>	<b>Casino Operations Cambodia \$</b>	<b>Corporate Operations \$</b>	<b>Total \$</b>
<b>Consolidated - 2020</b>				
<b>Revenue</b>				
Sales to external customers	13,712,137	39,707,837	-	53,419,974
Government grants and incentives	-	-	37,818	37,818
Interest	15,495	-	11,748	27,243
<b>Total revenue</b>	<u>13,727,632</u>	<u>39,707,837</u>	<u>49,566</u>	<u>53,485,035</u>
<b>EBITDA</b>				
Depreciation and amortisation	(3,760,731)	(6,419,583)	(40,202)	(10,220,516)
Impairment of assets	-	(50,512,420)	-	(50,512,420)
Interest revenue	15,495	-	11,748	27,243
Non-recurring items	-	-	(2,008,367)	(2,008,367)
Net exchange losses	(159,250)	-	81,805	(77,445)
Non-controlling interest	(11,815)	-	-	(11,815)
Finance costs	(611,703)	(186,666)	(3,195,577)	(3,993,946)
<b>Loss before income tax expense</b>	<u>329,949</u>	<u>(46,103,979)</u>	<u>(10,685,491)</u>	<u>(56,459,521)</u>
Income tax expense				(2,485,516)
<b>Loss after income tax expense attributable to the owners of Donaco International Limited</b>				<u>(58,945,037)</u>
<b>Assets</b>				
Segment assets	75,602,754	131,001,733	4,793,242	211,397,729
<b>Total assets</b>				<u>211,397,729</u>
<b>Liabilities</b>				
Segment liabilities	9,050,088	34,861,363	29,552,757	73,464,208
<b>Total liabilities</b>				<u>73,464,208</u>
	<b>Casino Operations Vietnam Restated \$</b>	<b>Casino Operations Cambodia \$</b>	<b>Corporate Operations \$</b>	<b>Total Restated \$</b>
<b>Consolidated - 2019</b>				
<b>Revenue</b>				
Sales to external customers	21,509,789	64,674,383	56	86,184,228
Interest	48,475	-	30,877	79,352
<b>Total revenue</b>	<u>21,558,264</u>	<u>64,674,383</u>	<u>30,933</u>	<u>86,263,580</u>
<b>EBITDA</b>				
Depreciation and amortisation	(4,488,371)	(5,553,091)	(85,895)	(10,127,357)
Impairment of assets	(4,021,910)	(200,084,349)	-	(204,106,259)
Interest revenue	48,475	-	30,877	79,352
Non-recurring items	-	-	(2,509,106)	(2,509,106)
Net exchange gains	(508,705)	-	(50,565)	(559,270)
Non-controlling interest	(219,956)	-	-	(219,956)
Finance costs	(890,933)	-	(5,626,973)	(6,517,906)
<b>Profit/(loss) before income tax expense</b>	<u>765,382</u>	<u>(179,223,395)</u>	<u>(15,944,856)</u>	<u>(194,402,869)</u>
Income tax expense				(3,611,734)
<b>Loss after income tax expense attributable to the owners of Donaco International Limited</b>				<u>(198,014,603)</u>
<b>Assets</b>				
Segment assets	83,092,896	187,064,234	7,423,164	277,580,294
<b>Total assets</b>				<u>277,580,294</u>
<b>Liabilities</b>				
Segment liabilities	18,147,888	11,786,631	56,045,345	85,979,863
<b>Total liabilities</b>				<u>85,979,863</u>

**DONACO INTERNATIONAL LIMITED**  
**Notes to the financial statements**  
**30 June 2020**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Note 3. Revenue</b>		
<b>From continuing operations</b>		
<i>Sales revenue</i>		
Casino		
- Gaming revenue	40,706,856	67,868,793
- Non-gaming revenue	12,713,118	18,315,379
Corporate operations	-	56
Government grants and incentives	37,818	-
Interest	27,243	79,352
	<u>53,485,035</u>	<u>86,263,580</u>
Revenue from continuing operations	<u>53,485,035</u>	<u>86,263,580</u>

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>Restated</b>
		<b>\$</b>
<b>Note 4. Expenses</b>		
Loss before income tax from continuing operations includes the following specific expenses:		
<i>Depreciation</i>		
Land, buildings and structures	5,226,958	4,748,917
Right-of-use asset	123,032	-
Furniture and fittings	68,188	86,623
Machinery and equipment	1,706,094	1,879,130
Office equipment and other	2,573,086	2,164,874
Motor vehicles	187,929	257,772
Consumables	332,854	987,800
Land right	2,375	2,241
	<u>10,220,516</u>	<u>10,127,357</u>
Total depreciation	<u>10,220,516</u>	<u>10,127,357</u>
<i>Impairment expense</i>		
Casino licence (see note 7)	50,326,357	186,644,711
Interactive gaming (see note 6)	-	3,674,155
Trade and other receivables	186,063	13,787,393
	<u>50,512,420</u>	<u>204,106,259</u>
	<u>50,512,420</u>	<u>204,106,259</u>

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	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>Restated</b>
		<b>\$</b>
<b>Note 5. Current assets - cash and cash equivalents</b>		
Cash on hand	9,463,849	20,308,499
Cash at bank	3,166,510	5,695,441
Cash in transit	-	151,842
Short-term deposit	-	412,486
	<u>12,630,359</u>	<u>26,568,268</u>
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Note 6. Non-current assets - property, plant and equipment</b>		
Leasehold buildings and structures - at cost	177,939,404	174,655,552
Less: Accumulated depreciation for leasehold buildings and structures	(29,513,287)	(24,420,906)
	<u>148,426,117</u>	<u>150,234,646</u>
Right-of-use asset - at cost	3,549,358	-
Less: Accumulated depreciation for right-of-use asset	(120,711)	-
	<u>3,428,647</u>	<u>-</u>
Furniture and fittings - at cost	5,695,362	5,594,200
Less: Accumulated depreciation for furniture and fittings	(5,649,274)	(5,505,540)
	<u>46,088</u>	<u>88,660</u>
Machinery and equipment - at cost	47,906,102	46,433,136
Less: Accumulated depreciation for machinery and equipment	(35,586,636)	(31,448,420)
	<u>12,319,466</u>	<u>14,984,716</u>
Motor vehicles - at cost	2,344,341	2,569,132
Less: Accumulated depreciation for motor vehicles	(2,087,510)	(1,969,042)
	<u>256,831</u>	<u>600,090</u>
Office equipment and other - at cost	3,808,247	3,820,296
Less: Accumulated depreciation for office equipment and other	(2,833,645)	(2,321,067)
	<u>974,602</u>	<u>1,499,229</u>
Consumables	357,958	552,787
	<u>357,958</u>	<u>552,787</u>
Interactive gaming - at cost	3,887,606	3,804,363
Less: Accumulated impairment	(3,887,606)	(3,804,363)
	<u>-</u>	<u>-</u>
	<u>165,809,709</u>	<u>167,960,128</u>
<b>Note 7. Non-current assets - intangibles</b>		
Goodwill - at cost	2,426,187	2,426,187
Land right - at cost	74,477	72,737
Less: Accumulated amortisation for land right	(45,866)	(42,610)
	<u>28,611</u>	<u>30,127</u>
Casino licence	435,515,568	424,607,676
Less: Accumulated impairment	(408,028,826)	(349,491,254)
	<u>27,486,742</u>	<u>75,116,422</u>
	<u>29,941,540</u>	<u>77,572,736</u>

**Note 7. Non-current assets - intangibles (continued)**

*Impairment testing of goodwill and intangibles with indefinite useful lives*

Impairment of intangibles is monitored by the Chief Operating Decision Maker ('CODM') at the cash generating unit level. CODM reviews the business performance based on geography and type of business. It has identified two reportable cash generating units, Donaco Singapore and DNA Star Vegas. A business-level summary of the allocation of intangibles with indefinite useful lives is presented below:

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Donaco Singapore - goodwill	2,426,187	2,426,187
Total goodwill	2,426,187	2,426,187

*Donaco Singapore - goodwill*

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

No impairment has been recognised for the year ended 30 June 2020 (2019: nil).

*DNA Star Vegas - Casino licence*

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

The recoverable amount of the cash-generating unit of DNA Star Vegas has been determined based on its value in use. Independent valuations of the 100% equity interest in DNA Star Vegas Company Limited were undertaken as at 31 December 2019 and as at 30 June 2020. As at 31 December 2019, adjustments were made to determine the value in use of the cash-generating unit which was reasonably determined to be \$160,544,041 (US\$112,480,937 converted at the spot rate). Based on the valuation undertaken as at 30 June 2020, the value in use was determined to be \$115,413,396 (US\$79,207,601).

The valuation as at 30 June 2020 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-year cash flow forecast period. The valuation uses a contraction rate of 61.2% in the first year, followed by a growth rate of 52.9% in the second year and a growth rate of 3% in subsequent years. The discount rate used of 16.94% reflects specific risks relating to the relevant segments and the countries in which they operate. The discount rate has been decreased compared to the prior period rate used of 18.6%. The valuation was determined using a foreign exchange rate between Thai Baht and US Dollar of 30.913 THB:1 USD. Capital expenditure of THB6 million (AU\$0.28 million at the spot rate) for each year over the forecast period was included in the valuation.

Based on the valuation, the Directors determined an impairment loss of \$50,326,357 needed to be recognised for the year ended 30 June 2020 (2019: \$186,644,711).

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.

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**Note 8. 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 as at 30 June 2020 is 45 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. In response, the Company had filed an appeal with the Appeal Court and sought to enter into settlement negotiations with the Landlord to preserve the lease. The dispute between the Landlord of DNA Star Vegas and the company is now resolved, following the settlement of all litigation matters between the Thai vendor (including the Landlord) and Donaco. As part of the settlement agreements, an amended perpetual lease agreement has been executed as of 2 March 2020 in relation to the DNA Star Vegas lease, which grants Donaco security of tenure over the Star Vegas casino until 15 June 2115. This follows an additional lease payment of US\$20 million to the Landlord. Further details of the settlement agreements are disclosed in note 10.

The settlement agreements require consent from Mega Bank to be finalised, which has not yet been provided. In any case, it is noted that all legal actions will now cease. See notes 1 and 10 for further information regarding the settlement of the legal actions.

Pending the outstanding consent from Mega Bank and completion of the settlement agreements, the lease liability and right-of-use asset have been calculated as at 30 June 2020 over the remaining 45 years of the original lease.

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 30 June 2020 is approximately 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>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Right-of-use assets (recognised as part of property, plant and equipment)</b>		
Properties	3,428,647	-
	<u>3,428,647</u>	<u>-</u>
<b>Lease liability (recognised as part of trade and other payables)</b>		
Properties - current	812,591	-
Properties - non-current	2,761,061	-
	<u>3,573,652</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>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Depreciation of right-of-use asset (recognised as part of depreciation expense)</b>		
Properties	123,032	-
	<u>123,032</u>	<u>-</u>
<b>Interest expense (included in finance cost)</b>		
Properties	248,251	-
	<u>248,251</u>	<u>-</u>

The total cash outflow for leases in 2020 was \$293,772.



**Note 9. Events after the reporting period**

*Resumption of casino operations*

On 29 July 2020 it was confirmed that the Government of Cambodia lifted the temporary closure of casino operations. Casino operations may resume, contingent on receiving approval from the Ministry of Health (MOH) and implementing certain preventative measures against COVID-19. As at the date of this report, the MOH had not yet confirmed when it will visit the DNA Star Vegas Resort & Club in Poipet, Cambodia to assess approval, however it is anticipated to be within the following few weeks.

The Company notes that Thailand has extended its state of emergency due to COVID-19 until 31 August 2020, which will likely impact the border reopening date. As the majority of Star Vegas' visitors are from Thailand, Donaco expects patronage numbers will remain low at Star Vegas until the border between Thailand and Cambodia is reopened.

Casino operations at the Aristo International Hotel in Lao Cai, Vietnam has been lifted since May 2020, however as the border with China remains closed, patronage at the casino is expected to remain low as most of Aristo's patrons are Chinese residents.

The Company is optimistic that the COVID-19 situation will continue to improve in the region in which both casinos operate and the reopening of both casinos is a positive step towards the resumption of normal operations.

*Entitlement issue*

The COVID-19 pandemic continues to disrupt casino operations in Vietnam and Cambodia and prevent resumption of normal business activities. While both casinos have since reopened, international borders between Vietnam and China, and Cambodia and Thailand, remain closed which adversely affects patronage at these casinos. Cost-cutting measures such as pay cuts and redundancies remain in place. To meet the company's urgent need of capital due to the impact of COVID-19 on its operations as well as the requirement to make repayments under the company's loan facility with Mega Bank, the company issued a pro-rata, non-renounceable fully underwritten entitlement offer on 3 July 2020 of 1 new share in the company for every 2 shares held by eligible shareholders at a price of \$0.035 for 411,796,609 new shares, to raise approximately AUD14.4 million (before costs). The offer was subsequently completed on 27 July 2020, with a total of 113,692,949 of new shares applied for by shareholders and the remaining 298,103,660 new shares acquired by Mr Lee Bug Tong and Mr Lee Bug Huy. Post completion of the entitlement offer and associated underwriting, Mr Lee Bug Huy and Mr Lee Bug Tong hold a relevant interest in the Company of 42.12%, an increase from their previous interest of 17.99%.

The funds raised will be used to make principal repayments to Mega Bank and also to meet the working capital needs of the casino operations and other corporate, administration and transaction costs.

*Appointment of new directors*

Following the completion of the underwriting agreement as part of the entitlement offer noted above, Mr Lee Bug Huy and Mr Paul Porntat Amatavivadhana have been appointed as non-executive directors to the Board of the company effective from 3 August 2020.

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

**Note 10. Contingent assets and liabilities**

*Court proceedings*

As of 2 March 2020 the Company has settled the various proceedings in Singapore, Australia, Thailand and Cambodia with Somboon Sukcharoenkraisri, Lee Bug Tong, Lee Bug Huy, Lee Hoe Property Co., Ltd, Paramax Co., Ltd and related persons (together, the Thai Vendors) arising from Donaco's acquisition of the Star Vegas business.

The settlement agreements include the following terms:

- An amended Perpetual Lease Agreement for the Star Vegas casino was executed, granting Donaco security of tenure over the Star Vegas casino until 15 June 2115.
- Donaco will receive US\$38 million to remove the non-competition and non-solicitation clauses in the Share Sale Agreement relating to the Star Vegas business. The Share Sale Agreement will also be amended to acknowledge the existence of the competing casino constructed near the Star Vegas casino;
- Donaco will pay US\$18 million to settle the claims for unpaid management fees plus interest (to be offset against the US\$38 million owed per above). The management agreement will also be terminated;
- Donaco will pay any outstanding rent and an additional lease payment of US\$20 million in respect of the Star Vegas lease to Lee Hoe Property. Following this additional lease payment, the lease agreement shall resume and continue as perpetual, with US\$20,000 per month for 5 years from the effective settlement date, US\$30,000 per month starting from the 6th year to the end of the 10th year, and from the 11th year onwards, the monthly rent will increase 3% every 3 years. In addition for the five financial years commencing 1 July 2020, there is an entitlement to share 25% of the Star Vegas business EBITDA in excess of US\$16 million of the EBITDA of the relevant financial year;
- The Thai vendors have agreed not to dispose of their shares in Donaco International for a period of six months from the date of settlement; and
- All legal actions and mutual releases will now cease.

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**Note 10. Contingent assets and liabilities (continued)**

*Court proceedings (continued)*

Under the loan facility agreement, Donaco is required to obtain consent from Mega Bank to fulfil parts of the settlement agreement. All settlement parties have agreed to defer the settlement payments and additional lease payment whilst awaiting Mega Bank's consent. The US\$38 million receivable for the clause removal and the \$US20 million payable as additional lease payment have not been recognised as at 30 June 2020 as the consent has not been provided and the settlement remains incomplete.

In any case, no net cash flow will arise from the settlement and it has been agreed that all legal actions will now cease.

**Note 11. Loss per share**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
		<b>Restated</b>
	<b>\$</b>	<b>\$</b>
<i>Loss per share for profit from continuing operations</i>		
Loss after income tax	(58,933,222)	(197,794,647)
Non-controlling interest	(11,815)	(219,956)
Loss after income tax attributable to the owners of Donaco International Limited	<u>(58,945,037)</u>	<u>(198,014,603)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic loss per share	823,592,773	823,592,773
Adjustments for calculation of diluted loss per share:		
Options and warrants over ordinary shares which are dilutive	-	-
Weighted average number of ordinary shares used in calculating diluted loss per share	<u>823,592,773</u>	<u>823,592,773</u>
	<b>Cents</b>	<b>Cents</b>
		<b>Restated</b>
Basic loss per share	(7.16)	(24.04)
Diluted loss per share	(7.16)	(24.04)

**Note 12. Correction of prior year error**

During the year, Donaco identified that inappropriate adjustments to cash in transit, uncollectable customer and junket balance receivables had been recognised in the financial statements for the year ended 30 June 2019. These adjustments were offset against trade and other payables. Accordingly, there were misstatements to the cash and cash equivalents and trade and other payables, and an understatement of impairment expense. Each of the affected financial statement line items have been restated as follows:

	<b>30 June 2019</b>	<b>Change</b>	<b>30 June 2019</b>
	<b>\$</b>	<b>\$</b>	<b>Restated</b>
	<b>\$</b>		<b>\$</b>
<b>Statement of financial position (extract)</b>			
Decrease in cash and cash equivalents	27,377,908	(809,640)	26,568,268
Increase in trade and other payables	44,189,694	3,212,270	47,401,964
<b>Net assets</b>	<u>195,622,341</u>	<u>(4,021,910)</u>	<u>191,600,431</u>
<b>Decrease in retained profits</b>	<u>(207,242,713)</u>	<u>(4,021,910)</u>	<u>(211,264,623)</u>
<b>Total equity</b>	<u>195,622,341</u>	<u>(4,021,910)</u>	<u>191,600,431</u>
<b>Statement of profit or loss and other comprehensive income (extract)</b>			
Increase in impairment expense	<u>(200,084,349)</u>	<u>(4,021,910)</u>	<u>(204,106,259)</u>
<b>Loss before income tax expense from continuing operations</b>	<u>(190,161,003)</u>	<u>(4,021,910)</u>	<u>(194,182,913)</u>
<b>Loss after income tax expense for the year</b>	<u>(193,772,737)</u>	<u>(4,021,910)</u>	<u>(197,794,647)</u>
<b>Total comprehensive loss for the year</b>	<u>(174,404,076)</u>	<u>(4,021,910)</u>	<u>(178,425,986)</u>
Loss after income tax expense for the year is attributable to:			
Owners of Donaco International Limited	<u>(193,992,693)</u>	<u>(4,021,910)</u>	<u>(198,014,603)</u>
Total comprehensive loss from continuing operations for the year is attributable to:			
Owners of Donaco International Limited	<u>(174,624,032)</u>	<u>(4,021,910)</u>	<u>(178,645,942)</u>

**DONACO INTERNATIONAL LIMITED**  
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**Note 13. Interests in subsidiaries**

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

Name	Principal place of business/ Country of incorporation	Ownership interest	
		30 Jun 2020	30 Jun 2019
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.