

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 2022
 Previous period: For the half-year ended 31 December 2021

2. Results for announcement to the market

Revenues from ordinary activities	up	777.5%	to	\$	9,910,171
Loss for the half-year attributable to the owners of Donaco International Limited	down	-314.7%	to		(36,739,858)
				31 December 2022	31 December 2021
				Cents	Cents
Basic loss per share				(2.98)	(0.72)
Diluted loss per share				(2.98)	(0.72)

Dividends

No dividends were paid for the half-year ended 31 December 2022.

Comments

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$36,739,858 (31 December 2021: loss of \$8,858,753). An impairment charge of \$26,688,721 was recognised in the half year ended 31 December 2022 (31 December 2021: nil). The loss excluding the impairment charge for the year ended 31 December 2022 was \$10,051,137.

3. Net tangible assets

	Reporting period	Previous period
	Cents	Cents
Net tangible assets per ordinary security	<u>8.54</u>	<u>11.21</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)		-

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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 half-year ended 31 December 2022.

Previous period

No dividends were paid for the half-year ended 31 December 2021.

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 loss (where material)	
	Reporting period %	Previous period %	Reporting period \$	Previous period \$
Lao Cai International Hotel Joint Venture Company Limited	95.00%	95.00%	(31,450,042)	(1,325,088)
<i>Group's aggregate share of associates and joint venture entities' loss (where material)</i>				
Loss from ordinary activities before income tax			(31,450,042)	(1,325,088)
Income tax on operating activities			547,512	(7,749)

9. Foreign entities

Details of origin of accounting standards used in compiling the report

Not applicable.

10. Audit qualification or review

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

The financial statements were subject to a review by the auditors and the review report is attached as part of the Half Year Report.
The review report includes a material uncertainty related to going concern.

11. Attachments

Details of attachments (if any):

The Half Year Report of Donaco International Limited for the half-year ended 31 December 2022 is attached.

12. Signed

Signed  _____

Date: 28 February 2023

Mr Porntat Amatavivadhana
Non-Executive Chairman

DONACO INTERNATIONAL LIMITED
ABN 28 007 424 777

Half Year Financial Report
31 December 2022

DONACO INTERNATIONAL LIMITED
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31 December 2022

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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 43
25 Martin Place
Sydney NSW 2000
Australia

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 February 2023. The directors have the power to amend and reissue the financial statements.

DONACO INTERNATIONAL LIMITED
Directors' report
31 December 2022

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 2022.

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:

Porntat Amatavivadhana - Non-Executive Chairman
Roderick John Sutton - Non-Executive Director
Lee Bug Huy - Executive Director
Andrew Phillips - Non-Executive Director
Issaraya Intrapaiboon - Non-Executive Director

Principal activities

During the financial half-year the principal activities of the consolidated entity consisted of the operation of leisure and hospitality businesses across the Asia Pacific region. This included:

- operation of a hotel and casino in 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 \$36,739,858 (31 December 2021: loss of \$8,858,753). An impairment charge of \$26,688,721 was recognised in the half year ended 31 December 2022 (31 December 2021: nil). The loss excluding the impairment charge for the year ended 31 December 2022 was \$10,051,137.

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.

The directors have granted an approval under section 324DAA of the Corporations Act 2001 to extend the rotation period of the lead auditor for an additional two years ending on 30 June 2023.

The Audit Committee Members were satisfied that the approval:

- was consistent with maintaining the quality of the audit provided to the company; and
- would not give rise to a conflict-of-interest situation (as defined in section 324CD of the Corporations Act 2001).

Notification of the approval to extend the auditor term has been made in accordance with section 324DAC of the Corporations Act 2001.

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

On behalf of the directors



Mr Porntat Amatavivadhana
Non-Executive Chairman

28 February 2023

Auditor's Independence Declaration Under Section 307C of the *Corporations Act 2001* to Directors of Donaco International Limited

As lead auditor for the review of the half year financial report of Donaco International Limited for the half year ended 31 December 2022, I declare that to the best of my knowledge and belief, that there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

Yours sincerely,
Crowe Sydney



Suwarti Asmono
Partner

28 February 2023

Liability limited by a scheme approved under Professional Standards Legislation.

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 external audit, conducted via the Crowe Australasia external audit division and Unison SMSF Audit. 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.

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DONACO INTERNATIONAL LIMITED
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022

	Note	Consolidated	
		31 December 2022	31 December 2021
		\$	\$
Revenue from continuing operations	3	9,910,171	1,129,419
Net foreign exchange gain		284,531	-
Total revenue		<u>10,194,702</u>	<u>1,129,419</u>
Expenses			
Food and beverages		(419,094)	(116,887)
Employee benefits expense		(2,968,007)	(1,515,207)
Depreciation and amortisation expense		(3,778,941)	(4,383,068)
Bad debts		-	(730,542)
Impairment of assets	6	(26,688,721)	-
Legal and compliance		(208,102)	(246,612)
Marketing and promotions		(506,108)	(6,618)
Professional & consultants		(195,471)	(155,907)
Property costs		(736,928)	(603,974)
Telecommunications and hosting		(56,922)	(58,185)
Gaming costs		(681,902)	(68,989)
Net foreign exchange loss		-	(733,984)
General and administration		(843,645)	(648,487)
Taxation fines and penalties	10	(8,997,012)	-
Finance costs		(1,105,970)	(797,202)
Total expenses		<u>(47,186,823)</u>	<u>(10,065,662)</u>
Loss before income tax expense from continuing operations		(36,992,121)	(8,936,243)
Income tax (expense) / benefit	10	<u>(1,433,335)</u>	<u>8,156</u>
Loss after income tax expense from continuing operations		(38,425,456)	(8,928,087)
Loss after income tax expense for the half-year		(38,425,456)	(8,928,087)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>3,756,188</u>	<u>4,095,307</u>
Other comprehensive income for the half-year, net of tax		<u>3,756,188</u>	<u>4,095,307</u>
Total comprehensive loss for the half-year		<u><u>(34,669,268)</u></u>	<u><u>(4,832,780)</u></u>
<i>Loss for the half-year is attributable to:</i>			
Non-controlling interest		(1,685,598)	(69,334)
Owners of Donaco International Limited		<u>(36,739,858)</u>	<u>(8,858,753)</u>
		<u><u>(38,425,456)</u></u>	<u><u>(8,928,087)</u></u>
<i>Total comprehensive loss from continuing operations for the half-year is attributable to:</i>			
Non-controlling interest		(1,685,598)	(69,334)
Owners of Donaco International Limited		<u>(32,983,670)</u>	<u>(4,763,446)</u>
		<u><u>(34,669,268)</u></u>	<u><u>(4,832,780)</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 2022

		Consolidated	
	Note	31 December 2022	31 December 2021
		Cents	Cents
Loss per share for profit attributable to the owners of Donaco International Limited			
Basic loss per share	13	(2.98)	(0.72)
Diluted loss per share	13	(2.98)	(0.72)

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 2022

	Note	Consolidated	
		31 December 2022	30 June 2022
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	4	9,325,451	6,092,656
Trade and other receivables		205,834	318,349
Inventories		668,999	700,217
Other assets		383,148	314,157
Total current assets		<u>10,583,432</u>	<u>7,425,379</u>
Non-current assets			
Property, plant and equipment	5	150,608,873	170,408,030
Intangibles (including licences)	6	13,658,212	20,094,128
Construction in progress		329,447	493,307
Deferred tax assets		58,348	48,815
Other assets		788,697	758,439
Total non-current assets		<u>165,443,577</u>	<u>191,802,719</u>
Total assets		<u>176,027,009</u>	<u>199,228,098</u>
Liabilities			
Current liabilities			
Trade and other payables		19,114,828	18,224,865
Lease liabilities	9	7,770	-
Borrowings	7	18,243,817	16,939,518
Provisions	10	8,839,449	-
Income tax payable		1,688,285	1,488,914
Employee benefits		81,065	96,344
Total current liabilities		<u>47,975,214</u>	<u>36,749,641</u>
Non-current liabilities			
Trade and other payables		12,156	10,842
Lease liabilities	9	8,816,438	8,575,146
Total non-current liabilities		<u>8,828,594</u>	<u>8,585,988</u>
Total liabilities		<u>56,803,808</u>	<u>45,335,629</u>
Net assets		<u>119,223,201</u>	<u>153,892,469</u>
Equity			
Issued capital		372,584,126	372,584,126
Reserves	8	44,902,249	41,146,061
Accumulated losses		(298,204,417)	(261,464,559)
Equity attributable to the owners of Donaco International Limited		119,281,958	152,265,628
Non-controlling interest		(58,757)	1,626,841
Total equity		<u>119,223,201</u>	<u>153,892,469</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 2022

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Non-controlling interest \$	Total equity \$
Balance at 1 July 2021	372,584,126	33,321,778	(244,972,931)	1,801,585	162,734,558
Loss after income tax for the half-year	-	-	(8,858,753)	(69,334)	(8,928,087)
Other comprehensive income for the half-year, net of tax	-	4,095,307	-	-	4,095,307
Total comprehensive income / (loss) for the half-year	-	4,095,307	(8,858,753)	(69,334)	(4,832,780)
Balance at 31 December 2021	<u>372,584,126</u>	<u>37,417,085</u>	<u>(253,831,684)</u>	<u>1,732,251</u>	<u>157,901,778</u>
Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Non-controlling interest \$	Total equity \$
Balance at 1 July 2022	372,584,126	41,146,061	(261,464,559)	1,626,841	153,892,469
Loss after income tax for the half-year	-	-	(36,739,858)	(1,685,598)	(38,425,456)
Other comprehensive income for the half-year, net of tax	-	3,756,188	-	-	3,756,188
Total comprehensive income / (loss) for the half-year	-	3,756,188	(36,739,858)	(1,685,598)	(34,669,268)
Balance at 31 December 2022	<u>372,584,126</u>	<u>44,902,249</u>	<u>(298,204,417)</u>	<u>(58,757)</u>	<u>119,223,201</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 2022

	Note	Consolidated	
		31 December 2022	31 December 2021
		\$	\$
Cash flow from operating activities			
Receipts from customers		9,189,786	1,736,927
Payments to suppliers and employees		(5,241,354)	(3,702,041)
		<u>3,948,432</u>	<u>(1,965,114)</u>
Interest received		196	873
Lease interest paid		(307)	(233,756)
Interest and other finance costs paid		(49,741)	(425,251)
Government levies, gaming taxes and GST		(1,367,807)	(49)
Net cash flows from operating activities		<u>2,530,773</u>	<u>(2,623,297)</u>
Cash flow from investing activities			
Payments for property, plant and equipment		(56,976)	(1,384)
Proceeds from disposal of property, plant and equipment		25,786	-
Net cash flows from investing activities		<u>(31,190)</u>	<u>(1,384)</u>
Cash flow from financing activities			
Payments for principal elements of lease		(3,707)	-
Proceeds from borrowings		3,765,785	9,837,360
Repayment of borrowings		(2,727,435)	(9,633,702)
Net cash flows from financing activities		<u>1,034,643</u>	<u>203,658</u>
Net increase / (decrease) in cash and cash equivalents		3,534,226	(2,421,023)
Cash and cash equivalents, beginning of the financial half-year		6,092,656	6,316,530
Effects of exchange rate changes on cash and cash equivalents		(301,431)	483,844
Cash and cash equivalents at the end of the financial half-year	4	<u>9,325,451</u>	<u>4,379,351</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 2022 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 2022 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 2022, the consolidated entity recorded net current liabilities of AU\$37.4 million (30 June 2022: AU\$29.3 million). The consolidated entity recorded a net loss after tax of AU\$38.4 million (31 December 2021: net loss after tax of AU\$8.9 million), and net operating cash inflow of AU\$2.5 million (31 December 2021: net operating cash outflow of AU\$2.6 million) for the six months ended on that date.

Unsecured loan facilities are held with Mr Lee Bug Huy, the current Chief Executive Officer and executive director. As at 31 December 2022, US\$12.4 million had been drawn down on the loans, leaving an unutilised portion of US\$0.4 million (AU\$18.2 million and AU\$0.6 million respectively as at 31 December 2022 spot rate). The original loan facility of US\$7.8 million (AU\$11.5 million as at 31 December 2022 spot rate) is due to be repaid by 22 July 2024, three years from the first drawdown, while the additional loan facility of US\$5 million (AU\$7.4 million as at 31 December 2022 spot rate) is due to be repaid by 13 May 2026, four years from the first drawdown. The lender however may at any time require early repayment with a minimum of one month's prior notice. The lender has provided a letter of financial support to Donaco which states that he will not withdraw or call upon the loan should it affect any creditors of the Company and its subsidiaries in a detrimental way. Such financial support is provided for the foreseeable future covering a minimum period of 12 months from the date of issue of the financial statements for the 6 months ended 31 December 2022, which will be at least until 28 February 2024.

On 30 January 2023, Lao Cai received Decision No. 15/QD-TCT from the Vietnamese General Department of Taxation (GDT), dated 11 January 2023, regarding the requirement to pay tax collections and penalties primarily associated with the determination of tax payable for floating chips, with a total amount of approximately VND 149.3 billion (approximately AU\$9.4 million as at 31 December 2022 spot rate). The tax penalty and interest is due to be paid 10 days after the receipt date of the decision, being 9 February 2023. The decision was issued after an inspection conducted by the tax authorities for the fiscal years ended 30 June 2019, 30 June 2020 and 30 June 2021. On the basis that the tax assessment arose due to the Vietnamese GDT's decision on inspection of Lao Cai's historical tax treatment of floating chips for prior years, management considers that a present obligation existed as at 31 December 2022 in respect of this tax assessment. Accordingly the tax and penalties have been recognised as income tax payable and provisions in the consolidated financial statements as at 31 December 2022. However management disagrees with this decision and is pursuing complaint procedures in accordance with the laws and regulations of Vietnam. Management has submitted a complaint letter to the Vietnamese GDT on 6 February 2023. Response to this complaint letter is still pending, and there is significant uncertainty regarding its outcome. Management plans to lodge a complaint letter to the Vietnamese Ministry of Finance should the GDT reject their appeal. Mr Lee Bug Huy has provided a letter of financial support to Donaco which states that he will continue to finance the operations of the Group (including the payment of the income tax payables, penalties and interests on Lao Cai of VND149.3 billion (AU\$9.4 million as at 31 December 2022 spot rate) if the Group is not able to settle the payment when it falls due. Such financial support is provided for the foreseeable future covering a minimum period of 12 months from the date of issue of the financial statements for the 6 months ended 31 December 2022, which will be at least until 28 February 2024.

It is also noted that the construction of the Sapa airport in Lao Cai presents a significant opportunity for Aristo to attract a significant number of new customers. The airport has a capacity of 1.5 million passengers a year and is expected to be open before 2025. Additionally, Lao Cai has settled all its local bank loans and has no further bank loan agreements in effect. As noted above, management has lodged an appeal against the tax penalty imposed on Lao Cai and will continue to pursue its appeal with the Vietnamese authorities. Donaco is targeting further earnings growth in the near and longer term as a result of increased travel flow and borders reopening in a number of countries. Management will also continue to execute disciplined cost control measures to ensure its corporate costs remain low.

Note 1. Significant accounting policies (continued)

Going concern (continued)

Notwithstanding the net current liability position and lingering conditions surrounding COVID-19, management have prepared the 31 December 2022 financial report on a going concern basis. The DNA Star Vegas (DSV) casino in Cambodia recommenced operations on 18 June 2022, following a temporary closure as a result of government-mandated restrictions since 27 April 2021, and is now at full operational capacity. Management anticipates that DSV will continue to capitalise on improving tourism conditions in the region and recover its business in the next 12 months. The Aristo casino in Vietnam has been operating on a limited basis since 8 May 2020. This is due to the fact that travel between Vietnam and China, the country from where the vast majority of Aristo's patrons originate from, remained heavily restricted during the period as a result of residual COVID-19 measures. Management assumes that the nearest border crossing between Vietnam and China will remain closed until March 2023, after which it expects that the Aristo casino will gradually recover when the border with China reopens after March 2023.

The Board of Directors acknowledges that there remains significant uncertainty over Donaco's ability to meet its working capital requirements. The ability to continue as a going concern is dependent on the following:

- the continued support of the shareholder Mr Lee Bug Huy on the basis that the existing loans from him will not be recalled and that he will continue to provide financing to meet operational needs, including payment of the Lao Cai tax penalties and interest; and
- management's expectations that the operating environments for both the DNA Star Vegas and Aristo casino operations will continue to improve and that no restrictions are re-imposed in light of the COVID-19 pandemic.

In the event that the above conditions are not satisfied, 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 consolidated entity has applied the following standard for the first time in the current reporting period:

- *AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments*
The AASB made amendments to AASB 116 *Property Plant and Equipment*, AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and AASB 3 *Business Combinations*, and annual improvements to AASB 16 *Leases*, AASB 1 *First-time Adoption of International Financial Reporting Standards*, AASB 9 *Financial Instruments* and AASB 141 *Agriculture*.

The above standard did not have a significant impact on the prior and current period financial statements.

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

Note 2. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into three operating segments: Casino Operations - Vietnam, Casino Operations - Cambodia and Corporate Operations. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The consolidated entity is domiciled in Australia and operates predominantly in six countries: Australia, Cambodia, Vietnam, Singapore, Malaysia and Hong Kong. The Casino operations are segmented geographically between casino operations in Vietnam and Cambodia.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

Note 2. Operating segments (continued)

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.

Consolidated - 31 December 2022	Casino Operations Vietnam \$	Casino Operations Cambodia \$	Corporate Operations \$	Total \$
Revenue				
Sales to external customers	632,289	9,277,686	-	9,909,975
Interest	181	-	15	196
Total revenue	<u>632,470</u>	<u>9,277,686</u>	<u>15</u>	<u>9,910,171</u>
EBITDA	(362,523)	4,940,057	(1,283,738)	3,293,796
Depreciation and amortisation	(1,473,791)	(2,301,478)	(3,672)	(3,778,941)
Impairment of intangible asset and property, plant and equipment and construction in progress	(22,244,857)	(4,443,864)	-	(26,688,721)
Interest revenue	181	-	15	196
Tax and penalties	(8,997,012)	-	-	(8,997,012)
Net exchange gains / (losses)	50,088	342,391	(107,948)	284,531
Non-controlling interest	1,685,598	-	-	1,685,598
Finance costs	(107,726)	(496,562)	(501,682)	(1,105,970)
(Loss) / gains before income tax benefit	<u>(31,450,042)</u>	<u>(1,959,456)</u>	<u>(1,897,025)</u>	<u>(35,306,523)</u>
Income tax expense				(1,433,335)
Loss after income tax expense attributable to the owners of Donaco International Limited				<u>(36,739,858)</u>
Assets				
Segment assets	42,204,073	133,444,238	378,698	176,027,009
Total assets				<u>176,027,009</u>
Liabilities				
Segment liabilities	16,966,695	20,181,607	19,655,506	56,803,808
Total liabilities				<u>56,803,808</u>

Note 2. Operating segments (continued)

	Consolidated			
	31 December 2022		31 December 2021	
	Casino Operations Vietnam	Casino Operations Cambodia	Corporate Operations	Total
	\$	\$	\$	\$
Consolidated - 31 December 2021				
Revenue				
Sales to external customers	1,055,197	73,341	8	1,128,546
Interest	788	-	85	873
Total revenue	<u>1,055,985</u>	<u>73,341</u>	<u>93</u>	<u>1,129,419</u>
EBITDA				
Depreciation and amortisation	(1,586,118)	(1,168,747)	(1,353,679)	(2,292,319)
Interest revenue	788	-	85	873
Bad debts	-	(730,542)	-	(730,542)
Net exchange gains / (losses)	74,806	(460,614)	(348,177)	(733,985)
Non-controlling interest	69,334	-	-	69,334
Finance costs	(114,412)	(378,660)	(304,130)	(797,202)
Loss before income tax expense	<u>(1,325,495)</u>	<u>(5,534,763)</u>	<u>(2,006,651)</u>	<u>(8,866,909)</u>
Income tax benefit				8,156
Loss after income tax expense to the owners of Donaco International Limited				<u>(8,858,753)</u>
Assets				
Segment assets	64,776,548	128,525,800	2,894,419	196,196,767
Total assets				<u>196,196,767</u>
Liabilities				
Segment liabilities	10,560,913	17,116,398	10,617,678	38,294,989
Total liabilities				<u>38,294,989</u>

Note 3. Revenue

Casino			
- Gaming revenue		8,715,656	942,193
- Non-gaming revenue		1,194,319	186,353
Interest		196	873
Revenue from continuing operations		<u>9,910,171</u>	<u>1,129,419</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.

Note 2. Operating segments (continued)

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:

	Casino Operations Vietnam \$	Casino Operations Cambodia \$	Corporate Operations \$	Total \$
Consolidated - 31 December 2022				
Revenue				
Gaming revenue	226,110	8,489,546	-	8,715,656
Non-gaming revenue	406,179	788,140	-	1,194,319
Interest	181	-	15	196
Total revenue	<u>632,470</u>	<u>9,277,686</u>	<u>15</u>	<u>9,910,171</u>
Timing of revenue recognition				
At a point in time	404,878	8,868,694	-	9,273,572
Over time	227,592	408,992	15	636,599
	<u>632,470</u>	<u>9,277,686</u>	<u>15</u>	<u>9,910,171</u>
Consolidated - 31 December 2021				
Revenue				
Gaming revenue	942,193	-	-	942,193
Non-gaming revenue	113,004	73,341	8	186,353
Interest	788	-	85	873
Total revenue	<u>1,055,985</u>	<u>73,341</u>	<u>93</u>	<u>1,129,419</u>
Timing of revenue recognition				
At a point in time	993,083	48,094	8	1,041,185
Over time	62,902	25,247	85	88,234
	<u>1,055,985</u>	<u>73,341</u>	<u>93</u>	<u>1,129,419</u>

Consolidated	
31 December 2022	30 June 2022
\$	\$

Note 4. Current assets - cash and cash equivalents

Cash on hand	8,895,876	5,772,551
Cash at bank	429,493	320,105
Cash in transit	82	-
	<u>9,325,451</u>	<u>6,092,656</u>

DONACO INTERNATIONAL LIMITED
Notes to the financial statements
31 December 2022

	Consolidated	
	31 December 2022	30 June 2022
	\$	\$
Note 5. Non-current assets - property, plant and equipment		
Leasehold buildings and structures - at cost	173,564,232	170,461,796
Less: Accumulated depreciation and impairment	(58,596,568)	(37,338,602)
	<u>114,967,664</u>	<u>133,123,194</u>
Right-of-use asset - at cost (see note 9)	33,401,173	32,320,082
Less: Accumulated depreciation	(1,663,534)	(1,373,691)
	<u>31,737,639</u>	<u>30,946,391</u>
Furniture & fittings - at cost	5,177,279	4,968,670
Less: Accumulated depreciation and impairment	(5,149,697)	(4,955,201)
	<u>27,582</u>	<u>13,469</u>
Machinery and equipment - at cost	42,897,768	42,163,097
Less: Accumulated depreciation and impairment	(39,147,160)	(36,048,496)
	<u>3,750,608</u>	<u>6,114,601</u>
Motor vehicles - at cost	1,947,733	1,887,949
Less: Accumulated depreciation and impairment	(1,935,579)	(1,852,364)
	<u>12,154</u>	<u>35,585</u>
Office equipment and other- at cost	3,600,958	3,529,087
Less: Accumulated depreciation and impairment	(3,552,014)	(3,403,444)
	<u>48,944</u>	<u>125,643</u>
Consumables	64,282	49,147
	<u>64,282</u>	<u>49,147</u>
	<u>150,608,873</u>	<u>170,408,030</u>
Note 6. Non-current assets - intangibles		
Goodwill - at cost	2,426,187	2,426,187
Less: Impairment	(2,426,187)	-
	<u>-</u>	<u>2,426,187</u>
Land right - at cost	70,622	70,159
Less: Accumulated amortisation and impairment	(55,489)	(46,335)
	<u>15,133</u>	<u>23,824</u>
Casino licence - at cost	438,914,584	431,560,006
Less: Impairment	(425,271,505)	(413,915,889)
	<u>13,643,079</u>	<u>17,644,117</u>
	<u>13,658,212</u>	<u>20,094,128</u>

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

Lao Cai - goodwill

Lao Cai International Hotel JVC (Lao Cai) engages in casino operations in Vietnam and has been identified by management as a reportable operating segment in accordance with AASB 8 (see note 2). The casino operations are in a discrete geographical location from other operations within the group and financial results are regularly reviewed by the Group's chief operating decision makers in order to allocate resources and assess performance of the segment. Accordingly the cash-generating unit of Lao Cai is tested for impairment annually or more frequently if events or changes in circumstances indicate that the unit might be impaired.

The recoverable amount of the cash-generating unit of Lao Cai 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 up to 31 December 2027. A valuation of the 100% equity interest in Lao Cai International Hotel JVC Limited was undertaken as at 31 December 2022. Based on the valuation undertaken as at 31 December 2022, the value in use was determined to be \$32,550,963 (US\$22,053,277 converted at 31 December 2022 spot rate).

The value in use as at 31 December 2022 was determined using budgeted gross margin based on past performance and its expectations for the future. The valuation uses a growth rate of 83% in the first six months, based on actual results for the five months of operations to 30 November 2022, followed by a growth rate of 195% in the following year. These growth rates are based on the assumption that the borders with China, which has historically been where majority of Lao Cai's customers came from, will be reopened in the second half of FY2023, and will remain open throughout FY2024. In the subsequent three years, growth rates of 24% to 62% are used followed by a terminal year growth rate of 3%, based on the assumption that recovery to full operational capacity will mostly occur in FY2023 and FY2024. The pre-tax discount rate used of 19.16% reflects specific risks relating to the relevant segments and the countries in which the Group operates. The valuation was determined using a foreign exchange rate between Vietnamese Dong and US dollar of 23,240 VND: 1 USD. Capital expenditure of VND59.9 billion (AU\$3.8 million at 31 December 2022 spot rate) in total over the forecast period was included in the valuation.

Casino operations for Lao Cai have been significantly impacted by the COVID-19 pandemic and have been operating on a limited basis since 8 May 2020. This is due to the fact that travel between Vietnam and China, the country from where the vast majority of Aristo's patrons originate from, remained heavily restricted during the period as a result of residual COVID-19 measures. Although the situation is due to improve as mainland China announced the full reopening of its borders and travel flow from January 2023, management expects that there will be delay in returning to pre-pandemic operations which is reflected by low forecast revenues until FY2024.

Based on the value in use, the Directors determined an impairment loss of \$22,244,857 needed to be recognised as at 31 December 2022 (31 December 2021: nil). Accordingly goodwill was written down to nil, with the remaining impairment loss allocated against Lao Cai's property, plant and equipment, land right and construction in progress assets to reduce their carrying values as follows:

	31 December 2022
	\$
Goodwill (written down to nil)	2,426,187
Land right	7,637
Leasehold buildings and structures	18,165,800
Machinery and equipment	1,451,710
Motor vehicle	2,574
Office equipment and other	24,689
Construction in progress	166,260
	<u>22,244,857</u>

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

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.

Following the promulgation of the Law on the Management of Commercial Gambling in November 2020 (the Law), the Royal Government of Cambodia issued on 26 August 2021 Sub-Decree No. 166 on the Minimum Capital Requirement for Casino Operation. This sub-decree sets out the definition of "capital" and the minimum capital requirements for new and existing casino operators in Cambodia, which apply to both stand-alone casinos and casinos within integrated resorts. Prior to the enactment of the Law, there were no integrated resorts as all existing casino operations are stand-alone operations. For these existing casino operations duly licensed to operate prior to the enactment of the Law, the minimum capital requirement of at least KHR400 billion (approximately US\$100 million, or AU\$148 million as at 31 December 2022) must be satisfied over a period of time and shall be implemented in five phases as follows:

- Phase 1 (Year 1 - 30 June 2022) - at least KHR50 billion (approximately US\$12.5 million, or AU\$18 million at 31 December 2022)
- Phase 2 (Year 4 - 30 June 2025) - at least KHR100 billion (approximately US\$25 million, or AU\$37 million at 31 December 2022)
- Phase 3 (Year 7 - 30 June 2028) - at least KHR200 billion (approximately US\$50 million, or AU\$74 million at 31 December 2022)
- Phase 4 (Year 11 - 30 June 2032) - at least KHR300 billion (approximately US\$75 million, or AU\$111 million at 31 December 2022)
- Phase 5 (Year 15 - 30 June 2036) - at least KHR400 billion (approximately US\$100 million, or AU\$148 million at 31 December 2022)

These minimum capital requirements therefore apply to DNA Star Vegas. On 18 January 2022, the share capital of DNA Star Vegas was increased from US\$5 million (AU\$7 million at 31 December 2022) to US\$12.5 million (AU\$18 million at 31 December 2022), therefore meeting the minimum capital requirement as at 30 June 2022 under Phase 1. The casino licence was renewed on 19 August 2022, and will expire on 31 December 2026. The Directors consider the casino license to be an intangible asset with an indefinite useful life on the basis that the license is renewable indefinitely, subject to the Group continuing to meet all necessary requirements for renewal.

The recoverable amount of the cash-generating unit of DNA Star Vegas has been determined based on its value in use. A valuation of the 100% equity interest in DNA Star Vegas Company Limited was undertaken as at 31 December 2022. Based on the valuation undertaken as at 31 December 2022, the value in use was determined to be \$113,627,329 (US\$76,983,285 converted at 31 December 2022 spot rate).

The value in use as at 31 December 2022 was determined using budgeted gross margin based on past performance and its expectations for the future. The valuation is based on a 5-year cash flow forecast period up to 31 December 2027. The first year of revenue in the valuation is based on a growth rate of 329.5% over the actual revenue for the year ended 30 June 2022. A higher growth rate is expected for the first year due to the resumption of operations following the return of international casino patrons after the easing of travel restrictions due to the COVID pandemic.

The subsequent years of forecast revenue in the valuation reflect a growth rate of 3% based on the assumption that recovery to full operational capacity will mostly occur over the first 12 months. The pre-tax discount rate used of 21.59% reflects specific risks relating to the relevant segments and the countries in which the Group operates. The discount rate has been increased compared to the prior period rate used of 16.52%. The valuation was determined using a foreign exchange rate between Thai Baht and US Dollar of 34.569 THB:1 USD. Capital expenditure of THB91 million (AU\$4.6 million at the spot rate) in total over the forecast period was included in the valuation.

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

DNA Star Vegas - Casino licence (continued)

The resumption of limited casino operations as of 18 June 2022 is a positive indicator for future earnings and growth potential, particularly with the easing of travel restrictions and the reopening of the border between Cambodia and Thailand which will encourage more international travel which was already experiencing low visitation numbers from foreign visitors while international borders remain closed. However, management expects that there will be a delay in returning to pre-pandemic operations. The growth and discount rates used in the valuation calculations reflect the ongoing challenges and uncertainties in the environment in which the casino operates. Based on the valuation, the Directors determined that an impairment loss on the casino licence of \$4,443,864 was required to be recognised for the half year ended 31 December 2022 (31 December 2021: nil).

	Consolidated	
	31 December 2022	30 June 2022
	\$	\$

Note 7. Current liabilities - borrowings

Joint Stock Commercial Ocean Bank	-	1,510,999
Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank)	-	288,165
Shareholder loan	18,243,817	15,140,354
	<u>18,243,817</u>	<u>16,939,518</u>

An unsecured loan facility was signed in July 2021 with Mr Lee Bug Huy, the current Chief Executive Officer and executive director, for a loan of US\$7.8 million (AU\$11.5 million as at 31 December 2022 spot rate). An additional loan facility agreement was entered into on 2 May 2022 for an additional US\$5million (AU\$7.4 million at the 31 December 2022 spot rate). The original loan facility is due to be repaid by 22 July 2024, three years from the first drawdown, while the additional loan facility is due to be repaid by 13 May 2026, four years from the first drawdown. The majority of the loan terms are materially the same as the previous Mega Bank loan facility, including an interest rate of 6% per annum. The lender however may at any time require early repayment with a minimum of one month's prior notice. The lender has provided a letter of financial support to Donaco which states that he will not withdraw or call upon the loan should it affect any creditors of the Company and its subsidiaries in a detrimental way. Such financial support is provided for the foreseeable future covering a minimum period of 12 months from the date of issue of the financial statements for the 6 months ended 31 December 2022, which will be at least until 28 February 2024. As at 31 December 2022, US\$12.4 million had been drawn down on the loans, leaving an unutilised portion of US\$0.4 million (AU\$18.2 million and AU\$0.6 million respectively as at 31 December 2022 spot rate).

	Consolidated	
	31 December 2022	30 June 2022
	\$	\$

Total secured liabilities

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

Joint Stock Commercial Ocean Bank	-	1,510,999
Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank)	-	288,165
	<u>-</u>	<u>1,799,164</u>

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. As at 31 December 2022 the loan has been fully repaid.

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 in January to March 2021 and was guaranteed over properties held by Lao Cai International Hotel Joint Venture Company Ltd. As at 31 December 2022 the loan has been fully repaid.

DONACO INTERNATIONAL LIMITED
Notes to the financial statements
31 December 2022

	Consolidated	
	31 December 2022	30 June 2022
	\$	\$
Note 7. Current liabilities - borrowings (continued)		
<i>Financing arrangements</i>		
Unrestricted access was available at the reporting date to the following lines of credit:		
Total facilities		
Bank loans	-	1,799,164
Shareholder loan	18,892,982	18,580,376
	<u>18,892,982</u>	<u>20,379,540</u>
Used at the reporting date		
Bank loans	-	1,799,164
Shareholder loan	18,243,817	15,140,354
	<u>18,243,817</u>	<u>16,939,518</u>
Unused at the reporting date		
Bank loans	-	-
Shareholder loan	649,165	3,440,022
	<u>649,165</u>	<u>3,440,022</u>

Note 8. Equity - reserves

Revaluation surplus reserve	1,855,327	1,855,327
Share-based payment reserve	3,369,254	3,369,254
Foreign currency reserve	39,677,668	35,921,480
	<u>44,902,249</u>	<u>41,146,061</u>

Movements in reserves

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

Consolidated	Revaluation surplus reserve	Share-based payment reserve	Foreign currency reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2022	1,855,327	3,369,254	35,921,480	41,146,061
Foreign currency translation	-	-	3,756,188	3,756,188
Balance at 31 December 2022	<u>1,855,327</u>	<u>3,369,254</u>	<u>39,677,668</u>	<u>44,902,249</u>

Note 9. Leases

As part of the settlement agreements on resolution of the dispute between the Lee Hoe Property Co., Ltd, the landlord of DNA Star Vegas and the company, an amended perpetual lease agreement was 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. The lease is in relation to land of approximately 232,189 square meters located in Poi Pet, Cambodia. This follows an additional lease payment of US\$20 million (AU\$29.5 million as at 31 December 2022 spot rate) to Lee Hoe Property Co., Ltd. The monthly lease payment is US\$20,000 (AU\$29,520 as at 31 December 2022 spot rate) for the first 5 years from the effective settlement date, US\$30,000 per month (AU\$44,280 as at 31 December 2022 spot rate) 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 (AU\$23.6 million as at 31 December 2022 spot rate) of the EBITDA of the relevant financial year.

Under the amended perpetual lease agreement, the lease is for a period of 50 years with an option to extend for another 50 years. However, the extension period of 50 years has not been included in the lease liability and right-of-use asset calculation as it remains uncertain that both parties (Donaco and Lee Hoe Property Co., Ltd) will agree to extend the lease term. Accordingly, while Donaco has security of tenure over the Star Vegas Casino to 15 June 2115 following finalisation of the settlement agreements, the lease liability and right-of-use asset have been calculated as at 31 December 2022 over the remaining 43 years to June 2065.

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 2022 is approximately 38 years.

Note 9. Leases (continued)

(i) Amounts recognised in the statement of financial position

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

	Consolidated	
	31 December 2022	30 June 2022
	\$	\$
Right-of-use assets (recognised as part of property, plant and equipment)		
Properties	31,737,639	30,946,391
	<u>31,737,639</u>	<u>30,946,391</u>
Lease liability		
Properties - current	7,770	-
Properties - non-current	8,816,438	8,575,146
	<u>8,824,208</u>	<u>8,575,146</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%. The lease payments for Vietnam were discounted using a discount rate of 9.5%, while the discount rate used for the Kuala Lumpur office premises was 3.25%.

(i) Amounts recognised in the statement of comprehensive income

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

	Consolidated	
	31 December 2022	31 December 2021
	\$	\$
Depreciation of right-of-use asset (recognised as part of depreciation expense)	363,245	394,633
Interest expense (included in finance cost)	259,501	233,756

The payments made on the Kuala Lumpur office lease for the half year to 31 December 2022 were \$4,014. There were no payments made for the leases in Cambodia and Vietnam during the half year ended 31 December 2022 (31 December 2021: nil). Payments for the lease in Vietnam are not due until May 2025. For the lease in Cambodia, the outstanding payable balance as at 31 December 2022 was \$974,160 (30 June 2022: \$786,864), recognised in trade and other payables. Under the lease agreement, the landlord Lee Hoe Property Co., Ltd has the right to terminate the lease without penalty, after giving a one-month written notice to DSV. DSV has received a confirmation letter from Lee Hoe Property Co., Ltd, in which the landlord confirms that they will not exercise this right to terminate for the foreseeable future, covering a minimum period of 12 months from the date of issue of the financial statements for the 6 months ended 31 December 2022.

Note 10. Lao Cai tax assessment

On 30 January 2023, Lao Cai received Decision No. 15/QD-TCT from the Vietnamese General Department of Taxation, dated 11 January 2023, regarding the requirement to pay tax collections and penalties primarily associated with the determination of tax payable for floating chips, with a total amount of approximately VND 149.3 billion (approximately AU\$9.4 million as at 31 December 2022 spot rate). The decision was issued after an inspection conducted by the tax authorities for the fiscal years ended 30 June 2019, 30 June 2020 and 30 June 2021, in which floating chips were to be treated as taxable revenue. The tax assessment comprises AUD\$8,997,012 of additional value-added tax, special sale tax and associated fines which have been recognised as taxation fines and penalties and AU\$585,790 of additional income tax expense which has been recognised as such in the statement of comprehensive income.

The deadline for settling this tax and penalty obligation is 10 days from the date of receipt of the decision. However, management disagrees with this decision and is pursuing complaint procedures in accordance with the laws and regulations of Vietnam. Management has submitted a complaint letter to the Vietnamese GDT on 6 February 2023. Response to this complaint letter is still pending, and there is significant uncertainty regarding its outcome. Management plans to lodge a complaint letter to the Vietnamese Ministry of Finance should the GDT reject their appeal.

On the basis that the tax assessment arose due to the Vietnamese GDT's decision on inspection of Lao Cai's historical tax treatment of floating chips for prior years, management considers that a present obligation existed as at 31 December 2022 in respect of this tax assessment. Accordingly the tax and penalties have been recognised as income tax payable of \$575,531 and provisions of \$8,839,449 in the consolidated financial statements as at 31 December 2022.

Note 11. Contingent assets and liabilities

As at 31 December 2022, the consolidated entity has contingent liabilities in respect of the increased penalties and interest on the late payment of the obligatory payments payable by DNA Star Vegas to the Ministry of Economy and Finance of the Kingdom of Cambodia. The contingent liabilities are as follows:

	Consolidated	
	31 December 2022	30 June 2022
	\$	\$
Penalties plus interest on non-payment of tax obligatory payments to MoEF under:		
- Lump Sum Tax Regime	368,473	1,292,471
- Real Tax Regime	-	288,397
	<u>368,473</u>	<u>1,580,868</u>

On the basis that DSV has fulfilled its payment obligations under the Real Tax Regime, management does not expect that any interest will be required to be paid by DSV on non-payment of the tax obligatory payments.

The Directors are not aware of any other contingent assets or liabilities at 31 December 2022.

Note 12. Events after the reporting period

COVID-19 pandemic

Subsequent to year end, management is hopeful that the impact of the COVID-19 pandemic continues to ease with increased travel flow and borders reopening in a number of countries. Mainland China announced the full reopening of its borders and travel flow from January 2023, which is a positive indicator for the return of Chinese tourists and will benefit operations in Cambodia, Thailand and Vietnam. The consolidated entity will continue to monitor the potential implications of the ongoing pandemic and the impact on operations.

Lao Cai tax collections and penalties

On 30 January 2023, Lao Cai received Decision No. 15/QD-TCT from the Vietnamese General Department of Taxation, dated 11 January 2023, regarding the requirement to pay tax collections and penalties primarily associated with the determination of tax payable for Floating Chips, with a total amount of approximately VND 149.3 billion (approximately AU\$9.4 million as at 31 December 2022 spot rate). The decision was issued after an inspection conducted by the tax authorities for the fiscal years ended 30 June 2019, 30 June 2020 and 30 June 2021. The deadline for settling this tax and penalty obligation is 10 days from the date of receipt of the decision, being 9 February 2023. However, management disagrees with this decision and is pursuing complaint procedures in accordance with the laws and regulations of Vietnam.

On the basis that the tax assessment arose due to the Vietnamese GDT's decision on inspection of Lao Cai's historical tax treatment of floating chips for prior years, management considers that a present obligation existed as at 31 December 2022. Accordingly the tax and penalties have been recognised as income tax payable of \$575,531 and provisions of \$8,839,449 respectively in the consolidated financial statements as at 31 December 2022.

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 2022

Note 13. Loss per share

	Consolidated	
	31 December 2022	31 December 2021
	\$	\$
Loss after income tax	(38,425,456)	(8,928,087)
Non-controlling interest	1,685,598	69,334
Loss after income tax attributable to the owners of Donaco International Limited	<u>(36,739,858)</u>	<u>(8,858,753)</u>
	Consolidated	
	31 December 2022	31 December 2021
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	1,234,727,414	1,234,727,414
Adjustments for calculation of diluted earnings per share:		
Options and warrants over ordinary shares which are dilutive	-	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>1,234,727,414</u>	<u>1,234,727,414</u>
	Cents	Cents
Basic loss per share	(2.98)	(0.72)
Diluted loss per share	(2.98)	(0.72)

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:

Name	Principal place of business/ Country of incorporation	Ownership interest	
		31 December 2022	30 June 2022
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

	Consolidated	
	31 December 2022	31 December 2021
	\$	\$

(i) Transactions with related parties

The following transactions occurred with director-related parties:

Interest expenses on shareholder loan from Mr Lee Bug Huy	(531,775)	(116,627)
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The above transactions occurred at commercial rates.

	Consolidated	
	31 December 2022	30 June 2022
	\$	\$

(ii) Loans with related parties

Shareholder loan from Mr Lee Bug Huy	18,243,817	15,140,354
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Refer to note 7 regarding details of the loan with Mr Lee Bug Huy.

There were no other payables or receivables from related parties at the current or previous reporting date.

DONACO INTERNATIONAL LIMITED
Directors' declaration
31 December 2022

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 2022 and of its performance for the financial half-year ended on the date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Mr Porntat Amatavivadhana
Non-Executive Chairman

Date 28 February 2023

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

Conclusion

We have reviewed the half-year financial report of Donaco International Limited (the Company) and its controlled entities (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the consolidated entity does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *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 \$37,391,782 as at 31 December 2022. The consolidated entity recorded a net loss after tax of \$38,425,456 for the half-year ended on that date. As stated in Note 1, these events or conditions, along with the other matters set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern and whether it will be able to realise its assets and extinguish its liabilities in the ordinary course of business at the amounts stated. Our conclusion is not modified in respect of this matter.

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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 external audit, conducted via the Crowe Australasia external audit division and Unison SMSF Audit. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

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Basis of Conclusion

We conducted our review in accordance with ASRE 2410 *Review of Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the Directors for the 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 for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 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*.

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.

Crowe Sydney

Crowe Sydney



Suwarti Asmono

Partner

Dated at Sydney this 28th day of February 2023

DONACO INTERNATIONAL LIMITED
Corporate directory
31 December 2022

Directors	Pornat Amatavivadhana - Non-Executive Chairman Roderick John Sutton - Non-Executive Director Lee Bug Huy - Executive Director Andrew Phillips - Non-Executive Director Issaraya Intrapai boon - Non-Executive Director
Company secretary	Hasaka Martin
Registered office	Level 43 25 Martin Place Sydney NSW 2000 Australia
Principal place of business	Level 43 25 Martin Place Sydney NSW 2000 Australia
Share register	Boardroom (effective from 6 February 2023) Level 8 210 George Street Sydney NSW 2000
Auditor	Crowe Sydney Level 24 1 O'Connell St Sydney NSW 2000
Stock exchange listing	Donaco International Limited shares are listed on the Australian Securities Exchange (ASX code: DNA)
Website	www.donacointernational.com