

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 2021
Previous period:	For the year ended 30 June 2020

2. Results for announcement to the market

Revenues from ordinary activities	down	80.7%	to	\$ 10,319,467
Profit for the year attributable to the owners of Donaco International Limited	up	n/a %	to	25,177,126

	30 Jun 2021 Cents	30 Jun 2020 Cents
Basic earnings / (loss) per share	2.10	(7.15)
Diluted earnings / (loss) per share	2.10	(7.15)

Dividends

No dividends were paid for the year ended 30 June 2021.

Comments

The profit for the consolidated entity after providing for income tax and non-controlling interest amounted to \$25,177,126 (30 June 2020: loss of \$58,885,434). This included non-recurring income of \$50,885,800 relating to the proceeds on settlement of the legal disputes over the Star Vegas business. An impairment charge of \$8,784,961 was recognised in the year ended 30 June 2021 (30 June 2020: \$50,512,420). The loss excluding the non-recurring income and impairment charge for the year ended 30 June 2021 was \$16,923,713 (30 June 2020: loss of \$8,373,014).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>11.63</u>	<u>12.71</u>

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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 2021.

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Reporting period	Previous period	Reporting period	Previous period
	%	%	\$	\$
Lao Cai International Hotel Joint Venture Company Limited	95.00%	95.00%	(4,036,856)	329,949
<i>Group's aggregate share of associates and joint venture entities' profit (where material)</i>				
(Loss) / profit from ordinary activities before income tax			<u>(4,036,856)</u>	<u>329,949</u>
Income tax (benefit) / expense on operating activities			<u>(14,251)</u>	<u>117,168</u>

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9. Foreign entities

Details of origin of accounting standards used in compiling the report

Not applicable.

10. Audit qualification or review

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

This Preliminary Final Report for the year ended 30 June 2021 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.

11. Attachments

Details of attachments (if any):

The Preliminary Final Report of Donaco International Limited for the year ended 30 June 2021 is attached.

12. Signed



Signed _____

Date: 31 August 2021

Mr Porntat Amatavivadhana
Non-Executive Chairman

DONACO INTERNATIONAL LIMITED
ABN 28 007 424 777

Preliminary Final Report
30 June 2021

DONACO INTERNATIONAL LIMITED
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30 June 2021

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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 2021. 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 31 August 2021. 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 2021

	Note	Consolidated	
		2021	2020
		\$	\$
Revenue from continuing operations	3	10,319,467	53,485,035
Other income	4	50,885,800	-
Total income		<u>61,205,267</u>	<u>53,485,035</u>
Expenses			
Food and beverages		(380,809)	(3,439,366)
Employee benefits expense		(4,792,577)	(21,497,734)
Depreciation and amortisation expense		(8,984,417)	(10,220,516)
Impairment expense	5	(8,784,961)	(50,512,420)
Legal and compliance		(848,507)	(3,081,011)
Marketing and promotions		(691,000)	(3,989,770)
Professional & consultants		(413,481)	(1,751,603)
Property costs		(1,929,903)	(5,547,611)
Telecommunications and hosting		(148,926)	(376,710)
Gaming costs		(100,933)	(1,510,817)
Other expenses		(1,292,960)	(3,951,634)
Finance costs	5	(6,636,504)	(3,993,946)
Total expenses		<u>(35,004,978)</u>	<u>(109,873,138)</u>
Profit / (loss) before income tax expense from continuing operations		26,200,289	(56,388,103)
Income expense		<u>(1,253,339)</u>	<u>(2,485,516)</u>
Profit / (loss) after income tax expense from continuing operations		24,946,950	(58,873,619)
Profit / (loss) after income tax expense for the year		24,946,950	(58,873,619)
Other comprehensive (loss) / income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>(14,357,740)</u>	5,210,790
Other comprehensive (loss) / income for the year, net of tax		<u>(14,357,740)</u>	5,210,790
Total comprehensive income / (loss) for the year		<u>10,589,210</u>	<u>(53,662,829)</u>
Profit / (loss) after income tax expense for the year is attributable to:			
Non-controlling interest		(230,176)	11,815
Owners of Donaco International Limited		25,177,126	(58,885,434)
		<u>24,946,950</u>	<u>(58,873,619)</u>
Total comprehensive income / (loss) from continuing operations for the year is attributable to:			
Non-controlling interest		(230,176)	11,815
Owners of Donaco International Limited		10,819,386	(53,674,644)
		<u>10,589,210</u>	<u>(53,662,829)</u>
Profit / (loss) per share for profit / (loss) attributable to the owners of Donaco International Limited			
		Cents	Cents
Basic earnings / (loss) per share	13	2.10	(7.15)
Diluted earnings / (loss) per share	13	2.10	(7.15)

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 2021

		Consolidated	
	Note	2021	2020
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	6	6,316,530	12,630,359
Trade and other receivables		1,241,609	1,280,432
Inventories		712,622	670,810
Other current assets		345,948	549,716
Total current assets		<u>8,616,709</u>	<u>15,131,317</u>
Non-current assets			
Property, plant and equipment	7	170,963,833	165,809,709
Intangibles (including licences)	8	19,048,737	29,941,540
Construction in progress		456,257	495,712
Deferred tax assets		28,974	15,163
Other non-current assets		3,947	4,288
Total non-current assets		<u>190,501,748</u>	<u>196,266,412</u>
Total assets		<u>199,118,457</u>	<u>211,397,729</u>
Liabilities			
Current liabilities			
Trade and other payables		16,213,767	41,267,324
Lease liabilities	10	41,445	812,591
Borrowings		11,097,986	27,325,224
Income tax payable		1,291,435	154,296
Employee benefits		75,887	196,371
Total current liabilities		<u>28,720,520</u>	<u>69,755,806</u>
Non-current liabilities			
Trade and other payables		12,814	40,277
Lease liabilities	10	7,650,565	2,761,061
Borrowings		-	907,064
Total non-current liabilities		<u>7,663,379</u>	<u>3,708,402</u>
Total liabilities		<u>36,383,899</u>	<u>73,464,208</u>
Net assets		<u>162,734,558</u>	<u>137,933,521</u>
Equity			
Issued capital		372,584,126	358,372,299
Reserves		33,321,778	47,679,518
Retained profits		(244,972,931)	(270,150,057)
Equity attributable to the owners of Donaco International Limited		<u>160,932,973</u>	<u>135,901,760</u>
Non-controlling interest		1,801,585	2,031,761
Total equity		<u>162,734,558</u>	<u>137,933,521</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 2021

	Issued capital	Reserves	Retained profits	Non-controlling interest	Total equity
Consolidated	\$	\$	\$	\$	\$
Balance at 1 July 2019	358,656,945	42,188,163	(211,264,623)	2,019,946	191,600,431
Loss after income tax for the year	-	-	(58,885,434)	11,815	(58,873,619)
Other comprehensive income for the year, net of tax	-	5,210,790	-	-	5,210,790
	-	-	-	-	-
Total comprehensive loss for the year	-	5,210,790	(58,885,434)	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>47,679,518</u>	<u>(270,150,057)</u>	<u>2,031,761</u>	<u>137,933,521</u>
Balance at 1 July 2020	358,372,299	47,679,518	(270,150,057)	2,031,761	137,933,521
Profit / (loss) after income tax for the year	-	-	25,177,126	(230,176)	24,946,950
Other comprehensive loss for the year, net of tax	-	(14,357,740)	-	-	(14,357,740)
	-	-	-	-	-
Total comprehensive income for the year	-	(14,357,740)	25,177,126	(230,176)	10,589,210
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 9)	14,211,827	-	-	-	14,211,827
Balance at 30 June 2021	<u>372,584,126</u>	<u>33,321,778</u>	<u>(244,972,931)</u>	<u>1,801,585</u>	<u>162,734,558</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 2021

	Note	Consolidated	
		2021	2020
		\$	\$
Cash flow from operating activities			
Receipts from customers		12,789,005	58,161,494
Payments to suppliers and employees		(15,342,878)	(47,990,245)
		<u>(2,553,873)</u>	<u>10,171,249</u>
Interest received		1,559	27,332
Lease interest paid		(336,138)	(248,251)
Interest and other finance costs paid		(1,422,281)	(2,755,002)
Government levies, gaming taxes and GST		(59)	(10,407,250)
Net cash flows from operating activities		<u>(4,310,792)</u>	<u>(3,211,922)</u>
Cash flow from investing activities			
Payments for property, plant and equipment		(187,819)	(1,079,402)
Proceeds from disposal of property, plant and equipment		-	52,564
Net cash flows from investing activities		<u>(187,819)</u>	<u>(1,026,838)</u>
Cash flow from financing activities			
Proceeds from share issue	9	14,412,881	-
Share issue transaction costs	9	(201,054)	-
Proceeds from borrowings		493,243	-
Repayment of borrowings		(16,150,859)	(9,654,712)
Payments for principal elements of lease		(100,761)	(45,521)
Net cash flows from financing activities		<u>(1,546,550)</u>	<u>(9,700,233)</u>
Net decrease in cash and cash equivalents		(6,045,161)	(13,938,993)
Cash and cash equivalents, beginning of the financial year		12,630,359	26,568,268
Effects of exchange rate changes on cash and cash equivalents		(268,668)	1,084
Cash and cash equivalents at the end of the financial year	6	<u>6,316,530</u>	<u>12,630,359</u>

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

DONACO INTERNATIONAL LIMITED
Notes to the financial statements
30 June 2021

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 2021 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 2021, the consolidated entity recorded net current liabilities of A\$20.1 million. The consolidated entity recorded a net profit after tax of A\$24.9 million, and net operating cash outflows of A\$4.3 million for the year ended on that date.

The net profit after tax of AU\$24.9 million is largely due to the proceeds of US\$38 million (AU\$50.9 million as at 30 June 2021 average rate) received on settlement of all litigation matters arising from Donaco's acquisition of the Star Vegas business, which included the various proceedings in Singapore, Australia, Thailand and Cambodia with Somboon Sukchareonkraisri, Lee Bug Tong, Lee Bug Huy and related persons (together, the vendors). The consolidated entity and the vendors of the Star Vegas business reached settlement agreements as of 2 March 2020, however the agreements were only finalised on approval from Mega Bank which was secured on 21 December 2020. Under the settlement agreements, the US\$38 million (AU\$50.9 million as at 30 June 2021 average rate) that Donaco was to receive to remove the non-competition and non-solicitation clauses in the Share Sale Agreement over the Star Vegas business will offset the US\$20 million (AU\$26.8 million as at 30 June 2021 average rate) in additional lease payment due to Lee Hoe Property Co., Ltd, as well as US\$18 million (AU\$24.1 million as at 30 June 2021 average rate) of unpaid management fees plus interest to the vendors. No net cash flow has therefore arisen from the settlement.

The net current liabilities primarily arise due to the remaining US\$6.8 million (AU\$9.0 million as at 30 June 2021 spot rate) loan from Mega Bank that is due for repayment by 31 December 2021.

During the period, the consolidated entity successfully completed an entitlement offer that raised approximately AU\$14.4 million. Under the agreement reached with Mega Bank, the proceeds of this capital injection were used to settle the principal repayment that was deferred from June 2020 to December 2020. A new loan repayment plan was agreed with Mega Bank to repay the remaining US\$6.8 million (AU\$9.0 million as at 30 June 2021 spot rate) loan balance. This plan comprises monthly repayments of US\$1 million (AU\$1.3 million as at 30 June 2021 spot rate) over six months from June 2021 to November 2021, with a final instalment of US\$1.8 million (AU\$2.4 million as at 30 June 2021 spot rate) to be paid by 31 December 2021. The first instalment of US\$1 million (AU\$1.3 million as at 30 June 2021 spot rate) has already been paid as at the reporting date. The consolidated entity has also received a waiver from Mega Bank in relation to the default interest and cash and cash equivalent covenant under the loan facility as at 30 June 2021. A shareholder loan from Mr Lee Bug Huy, the current Chief Executive Officer and an executive director of Donaco, has been approved by the Board for borrowings of up to US\$7.8 million (AU\$10.4 million as at 30 June 2021 spot rate). An unsecured loan facility agreement was signed in July 2021 between Mr Lee Bug Huy and Donaco for a commitment of US\$7.8 million (AU\$10.4 million as at 30 June 2021 spot rate), which is available for drawdowns between July 2021 and December 2021, subject to the terms of the agreement. The loan is due to be repaid three years from the first drawdown, however the lender 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 creditor of the Company in a detrimental way. Such financial support is provided for the foreseeable future covering a minimum period to September 2022. The majority of the loan terms are materially the same as those of the Mega Bank facility, including an interest rate of 6% per annum. The loan is expected to be repaid from operational cash flows within the loan term.

Notwithstanding the net current liability position and lingering conditions surrounding COVID-19, management have prepared the 30 June 2021 financial report on a going concern basis. The re-opening of Star Vegas in late September 2020 led to a positive EBITDA in the December 2020 quarter, however an outbreak which started in January 2021 in the regional area surrounding Star Vegas has deteriorated further, resulting in the temporary closure of the casino since 27 April 2021 pursuant to orders from the Cambodian local authorities. The outbreak has resulted in a further decline in visitation numbers, which were already low as the majority of the casino's visitors are foreign patrons and international borders with Cambodia remain closed. Management has kept a heavy emphasis on continued cost control measures and mitigation activities, in order to reduce operating expenses and to preserve cash balances. Management also believes that Donaco is well-equipped to meet the ongoing challenges posed by the pandemic, as demonstrated by the positive results achieved in the December 2020 quarter when the casinos reopened following their previous closure. Vaccinations are also being administered at high levels daily across the region around Star Vegas and Aristo, which would enable Donaco to resume operations readily once external conditions stabilise.

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 raise additional capital or debt to meet working capital requirements and the loan repayments to December 2021 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.

Note 1. Significant accounting policies (continued)

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has applied the following standards and amendments for the first time in the current reporting period:

- *AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material* [AASB 101 and AASB 108]

Amendments have been made to AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* and consequential amendments to other Australian Accounting Standards (AAS) which: i) use a consistent definition of materiality throughout AAS and the *Conceptual Framework for Financial Reporting*; ii) clarify when information is material; and iii) incorporate some of the guidance in AASB 101 about immaterial information.

- *Conceptual Framework for Financial Reporting* and AASB 2019-1 *Amendments to Australian Accounting Standards - References to the Conceptual Framework*

The AASB has issued a revised Conceptual Framework which introduces a new reporting entity concept. Additionally, the revised Conceptual Framework has updated the definitions of an asset and a liability and the recognition criteria, and introduced new concepts on measurement, presentation and disclosure and new guidance on derecognition of assets and liabilities. Consequential amendments to various other standards have also been made.

- *AASB 2019-5 Amendments to Australian Accounting Standards - Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia* [AASB 1054]

Amendments have been made to AASB 1054 *Australian Additional Disclosures* which clarify that entities that intend to comply with IFRS Standards will need to disclose the potential effect of new IFRS Standards that have not yet been issued by the AASB as Australian Accounting Standards.

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

Note 2. Operating segments

Identification of reportable operating segments

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

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

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

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

Types of products and services

The principal products and services of each of these operating segments are as follows:

Casino Operations - Vietnam	Comprises the Aristo International Hotel operating in Vietnam. These operations include hotel accommodation and gaming and leisure facilities.
Casino Operations - Cambodia	Comprises the Star Vegas Resort and Club, operating in Cambodia. These operations include hotel accommodation and gaming and leisure facilities.
Corporate Operations	Comprises the development and implementation of corporate strategy, commercial negotiations, corporate finance, treasury, management accounting, corporate governance and investor relations functions.

DONACO INTERNATIONAL LIMITED
Notes to the financial statements
30 June 2021

Note 2. Operating segments (continued)

Intersegment transactions

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

	Casino Operations Vietnam \$	Casino Operations Cambodia \$	Corporate Operations \$	Total \$
Consolidated - 2021				
Revenue				
Sales to external customers	1,202,454	9,096,770	-	10,299,224
Government grants and incentives	-	-	18,685	18,685
Interest	761	-	797	1,558
Total revenue	1,203,215	9,096,770	19,482	10,319,467
EBITDA				
Depreciation and amortisation	(855,941)	4,237,341	(3,455,055)	(73,655)
Impairment of assets	(3,121,416)	(5,858,410)	(4,591)	(8,984,417)
Interest revenue	-	(8,784,961)	-	(8,784,961)
Non-recurring items	761	-	797	1,558
Net exchange gains / (losses)	-	(4,017,300)	50,723,995	46,706,695
Non-controlling interest	66,848	(551,755)	439,180	(45,727)
Finance costs	-	-	230,176	230,176
Profit/(loss) before income tax expense	(4,249,322)	(15,490,507)	46,170,294	26,430,465
Income tax expense				(1,253,339)
Profit after income tax expense attributable to the owners of Donaco International Limited				25,177,126
Assets				
Segment assets	63,459,301	132,034,268	3,624,888	199,118,457
Total assets				199,118,457
Liabilities				
Segment liabilities	10,383,071	16,389,086	9,611,742	36,383,899
Total liabilities				36,383,899
Consolidated - 2020				
Revenue				
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
Total revenue	13,727,632	39,707,837	49,566	53,485,035
EBITDA				
Depreciation and amortisation	4,857,953	11,014,690	(5,492,608)	10,380,035
Impairment of assets	(3,760,731)	(6,419,583)	(40,202)	(10,220,516)
Interest revenue	-	(50,512,420)	-	(50,512,420)
Non-recurring items	15,495	-	11,748	27,243
Net exchange gains / (losses)	-	-	(1,991,054)	(1,991,054)
Non-controlling interest	(159,250)	-	81,805	(77,445)
Finance costs	(11,815)	-	-	(11,815)
Profit/(loss) before income tax expense	(611,703)	(186,666)	(3,195,577)	(3,993,946)
Income tax expense	329,949	(46,103,979)	(10,625,888)	(2,485,516)
Loss after income tax expense attributable to the owners of Donaco International Limited				(58,885,434)
Assets				
Segment assets	75,602,754	131,001,733	4,793,242	211,397,729
Total assets				211,397,729
Liabilities				
Segment liabilities	9,050,088	34,861,363	29,552,757	73,464,208
Total liabilities				73,464,208

DONACO INTERNATIONAL LIMITED
Notes to the financial statements
30 June 2021

	Consolidated	
	2021	2020
	\$	\$
Note 3. Revenue		
From continuing operations		
<i>Sales revenue</i>		
Casino		
- Gaming revenue	9,613,632	40,706,856
- Non-gaming revenue	685,592	12,713,118
Government grants and incentives	18,685	37,818
Interest	1,558	27,243
	<u>10,319,467</u>	<u>53,485,035</u>

	2021	2020
	\$	\$
Note 4. Other income		
Proceeds on settlement of litigation matters	<u>50,885,800</u>	<u>-</u>
	<u>50,885,800</u>	<u>-</u>

On securing approval from Mega Bank on 21 December 2020 for the settlement agreements of all litigation matters over the Star Vegas business, US\$38 million (AU\$50,885,800 as at 30 June 2021 average rate) have been recognised by the consolidated entity as proceeds to remove the non-competition and non-solicitation clauses previously agreed in the Share Sale Agreement over the Star Vegas business.

	2021	2020
	\$	\$
Note 5. Expenses		
Profit / (loss) before income tax from continuing operations includes the following specific expenses:		
<i>Impairment expense</i>		
Casino licence (see note 8)	8,376,114	50,326,357
Trade and other receivables	408,847	186,063
	<u>8,784,961</u>	<u>50,512,420</u>
<i>Finance costs</i>		
Interest on settlement proceeds	4,017,300	-
Interest on borrowings	2,619,204	3,993,946
	<u>6,636,504</u>	<u>3,993,946</u>

On securing approval from Mega Bank on 21 December 2020 for the settlement agreements of all litigation matters over the Star Vegas business, US\$3 million (AU\$4,017,300 as at 30 June 2021 average rate) has been recognised by the consolidated entity as interest on unpaid management fees which were due to the vendors of the Star Vegas business.

DONACO INTERNATIONAL LIMITED
Notes to the financial statements
30 June 2021

	Consolidated	
	2021	2020
	\$	\$
Note 6. Current assets - cash and cash equivalents		
Cash on hand	4,660,311	9,463,849
Cash at bank	1,412,484	3,166,510
Short-term deposit	243,735	-
	<u>6,316,530</u>	<u>12,630,359</u>

	2021	2020
	\$	\$
Note 7. Non-current assets - property, plant and equipment		
Leasehold buildings and structures - at cost	160,928,571	177,939,404
Less: Accumulated depreciation for leasehold buildings and structures	<u>(30,876,960)</u>	<u>(29,513,287)</u>
	130,051,611	148,426,117
Right-of-use asset - at cost	32,546,350	3,549,358
Less: Accumulated depreciation for right-of-use asset	<u>(612,403)</u>	<u>(120,711)</u>
	31,933,947	3,428,647
Furniture and fittings - at cost	5,014,034	5,695,362
Less: Accumulated depreciation for furniture and fittings	<u>(4,994,474)</u>	<u>(5,649,274)</u>
	19,560	46,088
Machinery and equipment - at cost	40,769,823	47,906,102
Less: Accumulated depreciation for machinery and equipment	<u>(32,507,683)</u>	<u>(35,586,636)</u>
	8,262,140	12,319,466
Motor vehicles - at cost	1,864,274	2,344,341
Less: Accumulated depreciation for motor vehicles	<u>(1,739,062)</u>	<u>(2,087,510)</u>
	125,212	256,831
Office equipment and other - at cost	3,373,347	3,808,247
Less: Accumulated depreciation for office equipment and other	<u>(2,940,200)</u>	<u>(2,833,645)</u>
	433,147	974,602
Consumables	138,216	357,958
	<u>138,216</u>	<u>357,958</u>
Interactive gaming - at cost	3,548,764	3,887,606
Less: Accumulated impairment	<u>(3,548,764)</u>	<u>(3,887,606)</u>
	-	-
	<u>170,963,833</u>	<u>165,809,709</u>

	2021	2020
	\$	\$
Note 8. Non-current assets - intangibles		
Goodwill - at cost	2,426,187	2,426,187
Land right - at cost	64,160	74,477
Less: Accumulated amortisation for land right	<u>(39,976)</u>	<u>(45,866)</u>
	24,184	28,611
Casino licence	395,869,288	435,515,568
Less: Accumulated impairment	<u>(379,270,922)</u>	<u>(408,028,826)</u>
	16,598,366	27,486,742
	<u>19,048,737</u>	<u>29,941,540</u>

Note 8. 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, Lao Cai and DNA Star Vegas. A business-level summary of the allocation of intangibles with indefinite useful lives is presented below:

	Consolidated	
	2021	2020
	\$	\$
Lao Cai International Hotel JVC - goodwill	2,426,187	2,426,187
Total goodwill	2,426,187	2,426,187

Lao Cai - goodwill

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. A valuation of the 100% equity interest in Lao Cai International Hotel JVC Limited was undertaken as at 30 June 2021. Based on the valuation undertaken as at 30 June 2021, the value in use was determined to be \$55,904,931 (US\$42,030,622).

The valuation as at 30 June 2021 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 growth rate of 196% in the first year, followed by a growth rate of 122% in the second year, 24% to 62% in the subsequent three years and a terminal year growth rate of 3%. The pre-tax discount rate used of 14.86% reflects specific risks relating to the relevant segments and the countries in which they operate. The valuation was determined using a foreign exchange rate between Vietnamese Dong and US dollar of 23,000 VND: 1 USD. Capital expenditure of VND 10.1 billion (AU\$584,087 at spot rate) in total over the forecast period was included in the valuation.

The recoverable amount calculation for the cash-generating unit of Lao Cai is most sensitive to changes in the discount rate and forecast revenue. An increase in excess of 1.17% in the discount rate (from 14.86% to 16.03%) would result in impairment of the cash-generating unit of Lao Cai, as would a decrease in forecast revenue in excess of 10% on average for the years within the forecast period.

Based on the valuation, the Directors determined that no impairment loss was required to be recognised for the year ended 30 June 2021 (2020: 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. A valuation of the 100% equity interest in DNA Star Vegas Company Limited was undertaken as at 30 June 2021. Based on the valuation undertaken as at 30 June 2021, the value in use was determined to be \$121,025,434 (US\$90,989,725).

The valuation as at 30 June 2021 was determined using budgeted gross margin based on past performance and its expectations for the future and are considered to be reasonably achievable. It is also based on the assumption that the casino will reopen in December 2021. The valuation is based on a 5-year cash flow forecast period. The valuation uses a revenue growth rate of 143.3% in the first year, based on actual revenue in FY2021, followed by a growth rate of 91.8% in the second year and a growth rate of 3% in subsequent years. The pre-tax discount rate used of 18.65% 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 21.13%. The valuation was determined using a foreign exchange rate between Thai Baht and US Dollar of 32.063 THB:1 USD. Capital expenditure of THB121 million (AU\$5 million at the spot rate) in total over the forecast period was included in the valuation.

The ongoing pandemic has resulted in a further temporary closure of the DNA Star Vegas casino since 27 April 2021, which was already experiencing low visitation numbers from foreign visitors while international borders remain closed. 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 of \$8,376,114 needed to be recognised for the year ended 30 June 2021 (2020: \$50,326,357).

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Note 9. Equity - entitlement offer

On 3 July 2020 the company issued a pro-rata, non-renounceable fully underwritten entitlement offer 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 AU\$14.4 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 of 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 were 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.

Note 10. Leases

As part of the settlement agreements on resolution of the dispute between Lee Hoe Property Co., Ltd, the landlord of DNA Star Vegas and the company, 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. 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\$26.6 million as at 30 June 2021 spot rate) to Lee Hoe Property Co., Ltd. The monthly lease payment is US\$20,000 (AU\$26,602 as at 30 June 2021 spot rate) for the first 5 years from the effective settlement date, US\$30,000 (AU\$39,903 as at 30 June 2021 spot rate) 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 (AU\$21.3 million as at 30 June 2021 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 30 June 2021 over the remaining 44 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 30 June 2021 is approximately 40 years.

(i) Amounts recognised in the statement of financial position

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

	Consolidated	
	2021	2020
	\$	\$
Right-of-use assets (recognised as part of property, plant and equipment)		
Properties	31,933,947	3,428,647
	<u>31,933,947</u>	<u>3,428,647</u>

The increase in the right-of-use assets during the financial year to 30 June 2021 is due to the additional lease payment of US\$20 million (AU\$26.6 million as at 30 June 2021 spot rate) to Lee Hoe Property Co., Ltd which grants Donaco security of tenure over the Star Vegas casino until 30 June 2115.

	Consolidated	
	2021	2020
	\$	\$
Lease liability		
Properties - current	41,445	812,591
Properties - non-current	7,650,565	2,761,061
	<u>7,692,010</u>	<u>3,573,652</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%.

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Note 10. Leases (continued)

(i) Amounts recognised in the statement of comprehensive income

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

	Consolidated	
	2021	2020
	\$	\$
Depreciation of right-of-use asset (recognised as part of depreciation expense)	554,864	123,032
Interest expense (included in finance cost)	336,138	248,251

The total cash outflow for leases in 2021 was \$436,899.

Note 11. Events after the reporting period

Additional funding

The Board of Donaco has approved a shareholder loan from Mr Lee Bug Huy, the current Chief Executive Officer and executive director of Donaco, for borrowings of up to US\$7.8 million (AU\$10.4 million as at 30 June 2021 spot rate). An unsecured loan facility agreement was signed in July 2021 between Mr Lee Bug Huy and Donaco for a commitment of US\$7.8 million (AU\$10.4 million as at 30 June 2021 spot rate), which is available for drawdowns between July 2021 and December 2021, subject to the terms of the agreement. The first drawdown of US\$1 million (AU\$1.3 million as at 30 Jun 21 spot rate) was made in July 2021, with the next drawdown of US1 million (AU\$1.3 million as at 30 June 2021 spot rate) scheduled in August 2021. The loan is due to be repaid three years from the first drawdown, however the lender 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 creditor of the Company in a detrimental way. Such financial support is provided for the foreseeable future covering a minimum period to September 2022. The terms of the loan are materially the same as those of the Mega Bank facility, including an interest rate of 6% per annum. The loan is expected to be repaid from operational cash flow within the loan term.

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 12. Contingent assets and liabilities

The Directors are not aware of any contingent assets or liabilities at 30 June 2021.

Note 13. Earnings / (loss) per share

	Consolidated	
	2021	2020
	\$	\$
<i>Profit / (loss) per share for profit from continuing operations</i>		
Profit / (loss) after income tax	24,946,950	(58,873,619)
Non-controlling interest share of loss / (profit)	230,176	(11,815)
Profit / (loss) after income tax attributable to the owners of Donaco International Limited	25,177,126	(58,885,434)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings / loss per share	1,199,365,413	823,261,789
Adjustments for calculation of diluted earnings / (loss) per share:		
Options and warrants over ordinary shares which are dilutive	-	-
Weighted average number of ordinary shares used in calculating diluted earnings / (loss) per share	1,199,365,413	823,261,789
	Cents	Cents
Basic earnings / (loss) per share	2.10	(7.15)
Diluted earnings / (loss) per share	2.10	(7.15)

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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	
		30 Jun 2021	30 Jun 2020
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.