

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 2022
Previous period:	For the year ended 30 June 2021

2. Results for announcement to the market

Revenues from ordinary activities	down	76.4%	to	\$ 2,437,085
Loss for the year attributable to the owners of Donaco International Limited	up	n/a %	to	(16,491,628)

	30 Jun 2022 Cents	30 Jun 2021 Cents
Basic (loss) / earnings per share	(1.34)	2.10
Diluted (loss) / earnings per share	(1.34)	2.10

Dividends

No dividends were paid for the year ended 30 June 2022.

Comments

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$16,491,628 (30 June 2021: profit of \$25,177,126, including 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 \$736,637 was recognised in the year ended 30 June 2022 (30 June 2021: \$8,784,961). The loss excluding the non-recurring income and impairment charge for the year ended 30 June 2022 was \$15,754,991 (30 June 2021: loss of \$16,923,713).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>10.83</u>	<u>11.63</u>

DONACO INTERNATIONAL LIMITED
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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 2022.

Previous period

No dividends were paid for the year ended 30 June 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 profit/(loss) (where material)	
	Reporting period	Previous period	Reporting period	Previous period
	%	%	\$	\$
Lao Cai International Hotel Joint Venture Company Limited	95.00%	95.00%	(3,336,898)	(4,019,146)
<i>Group's aggregate share of associates and joint venture entities' profit (where material)</i>				
Loss from ordinary activities before income tax			<u>(3,336,898)</u>	<u>(4,019,146)</u>
Income tax benefit on operating activities			<u>(15,925)</u>	<u>(14,251)</u>

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 2022 is based on accounts which are currently being audited by the company's Independent auditor, Crowe Sydney.

The audit opinion may include a material uncertainty related to going concern.

11. Attachments

Details of attachments (if any):

The Preliminary Final Report of Donaco International Limited for the year ended 30 June 2022 is attached.

12. Signed



Signed _____

Date: 30 August 2022

Mr Porntat Amatavivadhana
Non-Executive Chairman

DONACO INTERNATIONAL LIMITED
ABN 28 007 424 777

Preliminary Final Report
30 June 2022

DONACO INTERNATIONAL LIMITED
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30 June 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 year ended 30 June 2022. 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 30 August 2022. 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 2022

	Note	Consolidated	
		2022	2021
		\$	\$
Revenue from continuing operations	3	2,437,085	10,319,467
Other income	4	-	50,885,800
Total income		<u>2,437,085</u>	<u>61,205,267</u>
Expenses			
Food and beverages		(252,365)	(380,809)
Employee benefits expense		(3,188,848)	(4,792,577)
Depreciation and amortisation expense		(8,358,521)	(8,984,417)
Impairment expense	5	(736,637)	(8,784,961)
Legal and compliance		(633,915)	(848,507)
Marketing and promotions		(31,206)	(691,000)
Professional & consultants		(328,930)	(413,481)
Property costs		(1,185,798)	(1,929,903)
Telecommunications and hosting		(114,048)	(148,926)
Gaming costs		(118,204)	(100,933)
Administrative expenses		(1,022,654)	(1,231,412)
Net loss on foreign exchange		(1,391,201)	(45,726)
Other expenses		(15,137)	(15,822)
Finance costs	5	(1,666,579)	(6,636,504)
Total expenses		<u>(19,044,043)</u>	<u>(35,004,978)</u>
(Loss) / profit before income tax expense from continuing operations		(16,606,958)	26,200,289
Income tax expense		<u>(59,414)</u>	<u>(1,253,339)</u>
(Loss) / profit after income tax expense from continuing operations		(16,666,372)	24,946,950
(Loss) / profit after income tax expense for the year		(16,666,372)	24,946,950
Other comprehensive income / (loss)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>7,824,283</u>	<u>(14,357,740)</u>
Other comprehensive income / (loss) for the year, net of tax		<u>7,824,283</u>	<u>(14,357,740)</u>
Total comprehensive (loss) / income for the year		<u>(8,842,089)</u>	<u>10,589,210</u>
(Loss) / profit after income tax expense for the year is attributable to:			
Non-controlling interest		(174,744)	(230,176)
Owners of Donaco International Limited		<u>(16,491,628)</u>	<u>25,177,126</u>
		<u>(16,666,372)</u>	<u>24,946,950</u>
Total comprehensive (loss) / income from continuing operations for the year is attributable to:			
Non-controlling interest		(174,744)	(230,176)
Owners of Donaco International Limited		<u>(8,667,345)</u>	<u>10,819,386</u>
		<u>(8,842,089)</u>	<u>10,589,210</u>
(Loss) / profit per share for (loss) / profit attributable to the owners of Donaco International Limited			
		Cents	Cents
Basic (loss) / earnings per share	13	(1.34)	2.10
Diluted (loss) / earnings per share	13	(1.34)	2.10

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 2022

	Note	Consolidated	
		2022	2021
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	6	6,092,656	6,316,530
Trade and other receivables		318,349	1,241,609
Inventories		700,217	712,622
Other current assets		314,157	345,948
Total current assets		<u>7,425,379</u>	<u>8,616,709</u>
Non-current assets			
Property, plant and equipment	7	170,408,030	170,963,833
Intangibles (including licences)	8	20,094,128	19,048,737
Construction in progress		493,307	456,257
Deferred tax assets		48,815	28,974
Other non-current assets		758,439	3,947
Total non-current assets		<u>191,802,719</u>	<u>190,501,748</u>
Total assets		<u>199,228,098</u>	<u>199,118,457</u>
Liabilities			
Current liabilities			
Trade and other payables		18,224,865	16,213,767
Lease liabilities	9	-	41,445
Borrowings	10	16,939,518	11,097,986
Income tax payable		1,488,914	1,291,435
Employee benefits		96,344	75,887
Total current liabilities		<u>36,749,641</u>	<u>28,720,520</u>
Non-current liabilities			
Trade and other payables		10,842	12,814
Lease liabilities	9	8,575,146	7,650,565
Total non-current liabilities		<u>8,585,988</u>	<u>7,663,379</u>
Total liabilities		<u>45,335,629</u>	<u>36,383,899</u>
Net assets		<u>153,892,469</u>	<u>162,734,558</u>
Equity			
Issued capital		372,584,126	372,584,126
Reserves		41,146,061	33,321,778
Retained profits		(261,464,559)	(244,972,931)
Equity attributable to the owners of Donaco International Limited		<u>152,265,628</u>	<u>160,932,973</u>
Non-controlling interest		1,626,841	1,801,585
Total equity		<u>153,892,469</u>	<u>162,734,558</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 2022

	Issued capital	Reserves	Retained profits	Non-controlling interest	Total equity
Consolidated	\$	\$	\$	\$	\$
Balance at 1 July 2020	358,372,299	47,679,518	(270,150,057)	2,031,761	137,933,521
Profit 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	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>
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 year	-	-	(16,491,628)	(174,744)	(16,666,372)
Other comprehensive income for the year, net of tax	-	7,824,283	-	-	7,824,283
Total comprehensive loss for the year	-	7,824,283	(16,491,628)	(174,744)	(8,842,089)
Balance at 30 June 2022	<u>372,584,126</u>	<u>41,146,061</u>	<u>(261,464,559)</u>	<u>1,626,841</u>	<u>153,892,469</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 2022

	Note	Consolidated	
		2022	2021
		\$	\$
Cash flow from operating activities			
Receipts from customers		2,726,753	12,558,829
Payments to suppliers and employees		<u>(8,091,736)</u>	<u>(16,262,873)</u>
		(5,364,983)	(3,704,044)
Interest received		965	1,559
Interest and other finance costs paid		(346,883)	(838,424)
Government levies, gaming taxes and GST		(51)	(59)
Net cash flows used in operating activities		<u>(5,710,952)</u>	<u>(4,540,968)</u>
Cash flow from investing activities			
Payments for property, plant and equipment		<u>(1,889)</u>	<u>(187,819)</u>
Net cash flows used in investing activities		<u>(1,889)</u>	<u>(187,819)</u>
Cash flow from financing activities			
Proceeds from share issue		-	14,412,881
Share issue transaction costs		-	(201,054)
Proceeds from borrowings		14,369,667	493,243
Repayment of borrowings		(9,734,849)	(16,150,859)
Payments for principal elements of lease		-	(100,761)
Net cash flows from / (used in) financing activities		<u>4,634,818</u>	<u>(1,546,550)</u>
Net decrease in cash and cash equivalents		(1,078,023)	(6,275,337)
Cash and cash equivalents, beginning of the financial year		6,316,530	12,630,359
Effects of exchange rate changes on cash and cash equivalents		854,149	(38,492)
Cash and cash equivalents at the end of the financial year	6	<u>6,092,656</u>	<u>6,316,530</u>

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

Note 1. Significant accounting policies

These preliminary financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 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 30 June 2022, the consolidated entity recorded net current liabilities of A\$29.3 million (30 June 2021: A\$20.1 million). The consolidated entity recorded a net loss after tax of A\$16.7 million (30 June 2021: net profit after tax of A\$24.9 million), and net operating cash outflows of A\$5.7 million (2021: A\$4.5 million) for the year ended on that date.

During the year, Donaco repaid the outstanding loan from Mega Bank, with the final instalment paid on 30 December 2021. An unsecured loan facility agreement 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\$11.3 million as at 30 June 2022 spot rate). An additional loan facility agreement was entered into on 2 May 2022 for an additional US\$5 million (AU\$7.3 million at the 30 June 2022 spot rate). As at 30 June 2022, US\$10.4 million had been drawn down on the loan, leaving an unutilised portion of US \$2.4 million (AU\$15.1 million and AU\$3.5 million respectively as at 30 June 2022 spot rate). 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 original loan facility of US\$7.8 million (AU\$11.3 million as at 30 June 2022 spot rate) is due to be repaid three years from the first drawdown, while the additional loan facility of US\$5 million (AU\$7.3 million at the 30 June 2022 spot rate) is due to be repaid four years from the first drawdown under the additional facility agreement. 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 creditor of the Company 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 audited financial statements for the year ended 30 June 2022.

Notwithstanding the net current liability position and lingering conditions surrounding COVID-19, management have prepared the 30 June 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. The Aristo casino in Vietnam has been operating on a limited basis since 8 May 2020. As a result of these operating restrictions as well as minimal international travel, revenue and EBITDA have been heavily impacted for the year ended 30 June 2022. However, management is optimistic about the future outlook, following the resumption of limited operations for DSV and the reopening of the Cambodian border with Thailand, which has traditionally been where the vast majority of DSV's customers originate from. The increase in vaccination rates and the decline in COVID-19 infection rates in the region are also encouraging signs that international travel will gradually increase. 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. Under the restrictions, management has continued to focus on cost control measures to ensure its monthly cash burn rate remains within their targeted range and is implementing strategic initiatives to target significant growth once the external conditions stabilise. Management also expects that its cash flow position will continue to improve to meet operational needs of the business.

The Board of Directors acknowledges that there is significant uncertainty over Donaco's ability to meet its working capital requirements. In the event that Donaco is unable to raise additional capital or debt to meet working capital requirements, or operating restrictions are re-imposed on the DSV casino, 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 standard for the first time in the current reporting period:

- *AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2*

The AASB made amendments to AASB 9 Financial Instruments, AASB 139 Financial Instruments: Recognition and Measurement, AASB 7 Financial Instruments: Disclosures, AASB 4 Insurance Contracts and AASB 16 Leases to address issues that arise during the reform of an interest rate benchmark (IBOR), including the replacement of one benchmark with an alternative one.

The above standard 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 2022

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 - 2022				
Revenue				
Sales to external customers	1,489,696	946,416	-	2,436,112
Interest	875	-	98	973
Total revenue	<u>1,490,571</u>	<u>946,416</u>	<u>98</u>	<u>2,437,085</u>
EBITDA				
Depreciation and amortisation	(3,157,224)	(1,470,542)	(2,742,620)	(4,406,439)
Impairment of assets	-	(736,637)	-	(736,637)
Interest revenue	875	-	98	973
Non-recurring items	-	-	(48,552)	(48,552)
Net exchange gains / (losses)	63,337	(1,081,358)	(373,182)	(1,391,203)
Non-controlling interest	174,744	-	-	174,744
Finance costs	(225,353)	(790,855)	(650,371)	(1,666,579)
Loss before income tax expense	<u>(3,336,898)</u>	<u>(9,275,976)</u>	<u>(3,819,340)</u>	<u>(16,432,214)</u>
Income tax expense				(59,414)
Loss after income tax expense attributable to the owners of Donaco International Limited				<u>(16,491,628)</u>
Assets				
Segment assets	64,346,022	132,331,013	2,551,063	199,228,098
Total assets				<u>199,228,098</u>
Liabilities				
Segment liabilities	10,504,065	18,592,138	16,239,426	45,335,629
Total liabilities				<u>45,335,629</u>
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	<u>1,203,215</u>	<u>9,096,770</u>	<u>19,482</u>	<u>10,319,467</u>
EBITDA				
Depreciation and amortisation	(3,121,416)	4,237,341	(3,455,055)	(73,655)
Impairment of assets	-	(5,858,410)	(4,591)	(8,984,417)
Interest revenue	761	(8,784,961)	-	(8,784,961)
Non-recurring items	-	-	797	1,558
Net exchange gains / (losses)	66,848	(4,017,300)	50,723,995	46,706,695
Non-controlling interest	230,176	(551,755)	439,180	(45,727)
Finance costs	(339,574)	-	-	230,176
Profit/(loss) before income tax expense	<u>(4,019,146)</u>	<u>(15,490,507)</u>	<u>45,940,118</u>	<u>26,430,465</u>
Income tax expense				(1,253,339)
Profit after income tax expense attributable to the owners of Donaco International Limited				<u>25,177,126</u>
Assets				
Segment assets	63,459,301	132,034,268	3,624,888	199,118,457
Total assets				<u>199,118,457</u>
Liabilities				
Segment liabilities	10,383,071	16,389,086	9,611,742	36,383,899
Total liabilities				<u>36,383,899</u>

DONACO INTERNATIONAL LIMITED
Notes to the financial statements
30 June 2022

	Consolidated	
	2022	2021
	\$	\$
Note 3. Revenue		
From continuing operations		
<i>Sales revenue</i>		
Casino		
- Gaming revenue	2,007,545	9,613,632
- Non-gaming revenue	428,567	685,592
Government grants and incentives	-	18,685
Interest	973	1,558
	<u>2,437,085</u>	<u>10,319,467</u>
Revenue from continuing operations	<u><u>2,437,085</u></u>	<u><u>10,319,467</u></u>

	2022	2021
	\$	\$
Note 4. Other income		
Proceeds on settlement of litigation matters	-	50,885,800
	<u>-</u>	<u>50,885,800</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) has been recognised by the consolidated entity during the year ended 30 June 2021 as proceeds to remove the non-competition and non-solicitation clauses previously agreed in the Share Sale Agreement over the Star Vegas business.

	2022	2021
	\$	\$
Note 5. Expenses		
(Loss) / profit before income tax from continuing operations includes the following specific expenses:		
<i>Impairment expense</i>		
Casino licence (see note 8)	-	8,376,114
Trade and other receivables	736,637	408,847
	<u>736,637</u>	<u>8,784,961</u>
<i>Finance costs</i>		
Interest on settlement proceeds	-	4,017,300
Interest on borrowings	1,666,579	2,619,204
	<u>1,666,579</u>	<u>6,636,504</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 during the year ended 30 June 2021 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 2022

	Consolidated	
	2022	2021
	\$	\$
Note 6. Current assets - cash and cash equivalents		
Cash on hand	5,772,551	4,660,311
Cash at bank	320,105	1,412,484
Short-term deposit	-	243,735
	<u>6,092,656</u>	<u>6,316,530</u>

	2022	2021
	\$	\$
Note 7. Non-current assets - property, plant and equipment		
Leasehold buildings and structures - at cost	170,461,796	160,928,571
Less: Accumulated depreciation for leasehold buildings and structures	<u>(37,338,602)</u>	<u>(30,876,960)</u>
	133,123,194	130,051,611
Right-of-use asset - at cost	32,320,082	32,546,350
Less: Accumulated depreciation for right-of-use asset	<u>(1,373,691)</u>	<u>(612,403)</u>
	30,946,391	31,933,947
Furniture and fittings - at cost	4,968,670	5,014,034
Less: Accumulated depreciation for furniture and fittings	<u>(4,955,201)</u>	<u>(4,994,474)</u>
	13,469	19,560
Machinery and equipment - at cost	42,163,097	40,769,823
Less: Accumulated depreciation for machinery and equipment	<u>(36,048,496)</u>	<u>(32,507,683)</u>
	6,114,601	8,262,140
Motor vehicles - at cost	1,887,949	1,864,274
Less: Accumulated depreciation for motor vehicles	<u>(1,852,364)</u>	<u>(1,739,062)</u>
	35,585	125,212
Office equipment and other - at cost	3,529,087	3,373,347
Less: Accumulated depreciation for office equipment and other	<u>(3,403,444)</u>	<u>(2,940,200)</u>
	125,643	433,147
Consumables	49,147	138,216
	<u>49,147</u>	<u>138,216</u>
	<u>170,408,030</u>	<u>170,963,833</u>

	2022	2021
	\$	\$
Note 8. Non-current assets - intangibles		
Goodwill - at cost	<u>2,426,187</u>	<u>2,426,187</u>
Land right - at cost	70,159	64,160
Less: Accumulated amortisation for land right	<u>(46,335)</u>	<u>(39,976)</u>
	23,824	24,184
Casino licence	431,560,006	395,869,288
Less: Accumulated impairment	<u>(413,915,889)</u>	<u>(379,270,922)</u>
	17,644,117	16,598,366
	<u>20,094,128</u>	<u>19,048,737</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	
	2022	2021
	\$	\$
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 2022. Based on the valuation undertaken as at 30 June 2022, the value in use was determined to be \$55,671,029 (US\$38,351,772).

The valuation as at 30 June 2022 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 116% in the first year, based on actual revenue in FY2022, followed by a growth rate of 150% in the second year, 23% to 62% in the subsequent three years and a terminal year growth rate of 3%. The pre-tax discount rate used of 14.53% 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 23,230 VND: 1 USD. Capital expenditure of VND18.6 billion (AU\$1.2 million at 30 June 2022 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 1.02% in the discount rate (from 14.53% to 15.55%) would result in impairment of the cash-generating unit of Lao Cai, as would a decrease in forecast revenue in excess of 6% 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 2022 (2021: 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.

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\$145 million as at 30 June 2022) must be satisfied over a period of time and shall be implemented in five phases as follows:

- Phase 1 (Year 1) - at least KHR50 billion (approximately US\$12.5 million, or AU\$18 million at 30 June 2022)
- Phase 2 (Year 4) - at least KHR100 billion (approximately US\$25 million, or AU\$36 million at 30 June 2022)
- Phase 3 (Year 7) - at least KHR200 billion (approximately US\$50 million, or AU\$73 million at 30 June 2022)
- Phase 4 (Year 11) - at least KHR300 billion (approximately US\$75 million, or AU\$109 million at 30 June 2022)
- Phase 5 (Year 15) - at least KHR400 billion (approximately US\$100 million, or AU\$145 million at 30 June 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 30 June 2022) to US\$12.5 million (AU\$18 million at 30 June 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.

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 2022. Based on the valuation undertaken as at 30 June 2022, the value in use was determined to be \$125,986,894 (US\$86,791,743 converted at 30 June 2022 spot rate).

Note 8. Non-current assets - intangibles (continued)

DNA Star Vegas - Casino licence (continued)

The valuation as at 30 June 2022 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 first year of revenue in the valuation is based on approximately 60% of pre-pandemic monthly average revenue during the period June 2019 to March 2020.

The second year of forecast revenue in the valuation reflects a growth rate of 9.1% and 3% in subsequent years. The pre-tax discount rate used of 16.52% reflects specific risks relating to the relevant segments and the countries in which they operate. The discount rate has been decreased compared to the prior period rate used of 18.65%. The valuation was determined using a foreign exchange rate between Thai Baht and US Dollar of 35.359 THB:1 USD. Capital expenditure of THB96 million (AU\$4 million at the spot rate) in total over the forecast period was included in the valuation.

The recoverable amount calculation for the cash-generating unit of DNA Star Vegas is most sensitive to changes in the discount rate and forecast revenue. An increase in excess of 0.98% (from 16.52% to 17.50%) would result in impairment of the cash-generating unit of DNA Star Vegas, as would a decrease in forecast revenue in excess of 3.41% for the first two years within the forecast period.

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. Based on the valuation, the Directors determined that no impairment loss was required to be recognised for the year ended 30 June 2022 (2021: \$8,376,114).

Note 9. 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 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\$29.0 million as at 30 June 2022 spot rate) to Lee Hoe Property Co., Ltd. The monthly lease payment is US\$20,000 (AU\$29,032 as at 30 June 2022 spot rate) for the first 5 years from the effective settlement date, US\$30,000 (AU\$43,548 as at 30 June 2022 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\$23.2 million as at 30 June 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 30 June 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 30 June 2022 is approximately 39 years.

(i) Amounts recognised in the statement of financial position

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

	Consolidated	
	2022	2021
	\$	\$
Right-of-use assets (recognised as part of property, plant and equipment)		
Properties	30,946,391	31,933,947
	<u>30,946,391</u>	<u>31,933,947</u>
	Consolidated	
	2022	2021
	\$	\$
Lease liability		
Properties - current	-	41,445
Properties - non-current	8,575,146	7,650,565
	<u>8,575,146</u>	<u>7,692,010</u>

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Note 9. Leases (continued)

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

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

(i) Amounts recognised in the statement of comprehensive income

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

	Consolidated	
	2022	2021
	\$	\$
Depreciation of right-of-use asset (recognised as part of depreciation expense)	<u>765,077</u>	<u>554,864</u>
Interest expense (included in finance cost)	<u>473,034</u>	<u>336,138</u>

There were no payments made for the leases in Cambodia and Vietnam during the year ended 30 June 2022 (30 June 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 30 June 2022 was \$786,864 (30 June 2021: \$399,030), 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 year ended 30 June 2022.

Note 10. Current liabilities - Borrowings

	Consolidated	
	2022	2021
	\$	\$
Joint Stock Commercial Ocean Bank	1,510,999	1,559,595
Mega International Commercial Bank Co Ltd	-	9,044,680
Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank)	288,165	493,711
Shareholder loan	<u>15,140,354</u>	<u>-</u>
	<u>16,939,518</u>	<u>11,097,986</u>

An unsecured loan facility agreement 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\$11.3 million as at 30 June 2022 spot rate). An additional loan facility agreement was entered into on 2 May 2022 for an additional US\$5 million (AU\$7.3 million at the 30 June 2022 spot rate). As at 30 June 2022, US\$10.4 million had been drawn down on the loan, leaving an unutilised portion of US \$2.4 million (AU\$15.1 million and AU\$3.5 million respectively as at 30 June 2022 spot rate). 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 original loan facility of US\$7.8 million (AU\$11.3 million as at 30 June 2022 spot rate) is due to be repaid three years from the first drawdown, while the additional loan facility of US\$5 million (AU\$7.3 million at the 30 June 2022 spot rate) is due to be repaid four years from the first drawdown under the additional facility agreement. 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 creditor of the Company 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 audited financial statements for the year ended 30 June 2022.

	Consolidated	
	2022	2021
	\$	\$
<i>Total secured liabilities</i>		
The total secured liabilities (current and non-current) are as follows:		
Joint Stock Commercial Ocean Bank	1,510,999	1,559,595
Mega International Commercial Bank Co Ltd	-	9,044,680
Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank)	288,165	493,711
	<u>1,799,164</u>	<u>11,097,986</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. Total borrowings as per the statement of financial position as at 30 June 2022 under this arrangement were \$1,510,999 (30 June 2021: \$1,559,595).

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Note 10. Current liabilities - Borrowings (continued)

Mega International Commercial Bank Co Ltd

The final instalment to Mega Bank was paid on 30 December 2021 and the loan is now fully repaid. The assets that were pledged as security for the loan from Mega International Commercial Bank Co Ltd were also released as of 22 March 2022.

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 has a maturity date of 18 September 2022. The borrowing is guaranteed over properties held by Lao Cai International Hotel Joint Venture Company Ltd. Total borrowings as at 30 June 2022 is \$288,165 (30 June 2021: \$493,711).

	Consolidated	
	2022	2021
	\$	\$
<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	11,097,986
Shareholder loan	18,580,376	-
	<u>20,379,540</u>	<u>11,097,986</u>
Used at the reporting date		
Bank loans	1,799,164	11,097,986
Shareholder loan	15,140,354	-
	<u>16,939,518</u>	<u>11,097,986</u>
Unused at the reporting date		
Bank loans	-	-
Shareholder loan	3,440,022	-
	<u>3,440,022</u>	<u>-</u>

Note 11. Events after the reporting period

DSV casino licence renewal

On 19 August 2022, the licence for the DNA Star Vegas casino was renewed, and will expire on 31 December 2026.

Additional funding

In July 2022, a drawdown of US\$0.7 million (AU\$1.1 million as at 30 June 2022 spot rate) was made under the additional loan facility entered into on 2 May 2022, leaving an unutilised portion of US\$1.7 million (AU\$2.5 million as at 30 June 2022 spot rate). A further US\$0.3m (AU\$0.4 million as at 30 June 2022 spot rate) is expected to be drawn down in late August or September 2022.

COVID-19 pandemic

Subsequent to year end, the impact of the COVID-19 pandemic continues to evolve with the easing of travel restrictions by the Thai and Cambodian governments, as a result of high vaccination rates and declining COVID-19 infection rates in the region. Management continues to place a heavy emphasis on continued cost control measures and mitigation activities in order to reduce operating expenses and to preserve cash balances. The consolidated entity will continue to monitor the potential implications of the ongoing pandemic and the impact on operations.

There are no other events subsequent to the reporting period that may have a material impact on the financial statements.

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Note 12. Contingent assets and liabilities

As at 30 June 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	
	2022	2021
	\$	\$
Penalties plus interest on non-payment of tax obligatory payments to MoEF under:		
- Lump Sum Tax Regime	1,292,471	232,768
- Real Tax Regime	288,397	133,010
	<u>1,580,868</u>	<u>365,778</u>

Other than the above, there are no contingent assets or liabilities at 30 June 2022 or 30 June 2021.

Note 13. Earnings / (loss) per share

	Consolidated	
	2022	2021
	\$	\$
<i>(Loss) / profit per share for profit from continuing operations</i>		
(Loss) / profit after income tax	(16,666,372)	24,946,950
Non-controlling interest share of loss	174,744	230,176
(Loss) / profit after income tax attributable to the owners of Donaco International Limited	<u>(16,491,628)</u>	<u>25,177,126</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic loss / earnings per share	1,234,727,414	1,199,365,413
Adjustments for calculation of diluted (loss) / earnings per share:		
Options and warrants over ordinary shares which are dilutive	-	-
Weighted average number of ordinary shares used in calculating diluted (loss) / earnings per share	<u>1,234,727,414</u>	<u>1,199,365,413</u>
	Cents	Cents
Basic (loss) / earnings per share	(1.34)	2.10
Diluted (loss) / earnings per share	(1.34)	2.10

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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 June 2022	30 June 2021
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.