

DONACO INTERNATIONAL LIMITED
ABN 28 007 424 777

Full Year Statutory Accounts
30 June 2021

Contents Page

From the Chairman	3
From the Chief Executive Officer	4
Directors' report	5
Auditor's independence declaration	21
Statement of profit or loss and other comprehensive income	22
Statement of financial position	23
Statement of changes in equity	24
Statement of cash flows	25
Notes to the financial statements	26
Directors' declaration	57
Independent auditor's report to the members of Donaco International Limited	58
Shareholder information	63
Corporate directory	65

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. 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

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 September 2021. The directors have the power to amend and reissue the financial statements.

From the Chairman

Dear fellow shareholders,

Donaco's recent performance has shown our deeper commitment towards business sustainability during this COVID-19 pandemic. Continuing with cost management and cash flow management, I believe that Donaco will prevail during the pandemic.

For the financial year, the Group reported statutory net profit after tax of A\$25.2 million, which included non-recurring items totalling A\$37.9 million. The non-recurring items are non-cash income of A\$50.9 million Star Vegas settlement, A\$8.4 million Star Vegas license impairment charge, A\$0.4 million impairment of trade and other receivables, A\$4.0 million settlement interest and A\$0.2 million non-recurring legal fees. Excluding the non-recurring items, underlying net loss after tax was A\$12.7 million, an increase of A\$6.4 million from FY20 net loss after tax of A\$6.3 million.

The group recorded a negative EBITDA of A\$0.1 million for the financial year 2021, down from prior year positive EBITDA of A\$10.4 million, and generated an underlying net loss after tax of A\$12.7 million (excluding the non-recurring items). Group revenue of A\$10.3 million was recorded for the financial year, compared to prior year of A\$53.5 million, and the group recorded a negative operational cash flow of A\$4.5 million, an increase on prior year negative cash flow of A\$3.2 million. Much of this reflects the broader uncertainty caused by the pandemic, which also affects the group's casino operations in Cambodia and Vietnam.

Despite the declined venue performances in financial year 2021, Donaco has successfully settled all legal cases with the Thai Vendors in relation to Star Vegas which contributed non-cash income of A\$50.9 million. Mega Bank debt continued to decline to A\$9.0 million as at 30 June 2021 with final repayment in December 2021. The repayments to Mega Bank from July 2021 has been supported by a US\$7.8 million (A\$10.4 million as at 30 June 2021 spot rate) shareholder loan from Mr. Lee Bug Huy, aka Techatut Sukcharoenkraisri, Chief Executive Officer and an executive director of the group.

Looking forward, financial year 2022 will be the year to gradually resume casino operations in Cambodia and Vietnam as the vaccinations will continue to be administered in the regions.

Porntat Amatavivadhana
Chairman

DONACO INTERNATIONAL LIMITED
ABN 28 007 424 777
30 June 2021

Dear Shareholders,

In the financial year 2021, our group has continued to face challenges under the COVID-19 pandemic. I am proud of our group's response to each of these challenges and the continued tight cost control measures to preserve Star Vegas, Aristo and shareholder value.

As the COVID-19 pandemic has continued and Star Vegas only operated on a limited basis about 7 months during financial year 2021 and stopped operations in April 2021, Star Vegas overall performance has fallen against prior corresponding period with EBITDA down by 62% to A\$4.2 million. The 73% decline in net gaming revenue to A\$8.7 million, was compounded by a higher VIP gross win rate of 4.48% but with a lower VIP turnover of A\$213.5 million. Non-gaming revenue was down 95% to A\$0.4 million. Since Cambodia has been aggressive in rolling out the vaccination programs and plan to recover its economy by the end of the year, Star Vegas anticipates to resume limited casino operations in December 2021.

Aristo reopened on 8 May 2020 and has been operating on a limited basis ever since while the border with China remains closed. This has been reflected in Aristo's venue performance as its EBITDA is down 118% to a loss of A\$0.9 million. The main driver of revenue, net gaming revenue, was down 89% to A\$0.9 million with lower VIP gross win rate of 1.88% and a lower VIP turnover of A\$25.2 million. Non-gaming revenue fell 94% to A\$0.3 million. Aristo will continue to adapt to border changes with local management having the discretion to tailor operations to local conditions.

Throughout and post financial year 2021, Donaco continued to receive Mega Bank's support and agreed on a new repayment plan to repay the remaining US\$6.8 million (A\$9.0 million as at 30 June 2021 spot rate) with final debt repayment in December 2021. To fund the needs to make principal repayments to Mega Bank and also to meet working capital needs, Donaco has raised A\$14.4 million (before cost) on 27 July 2020 and signed a new shareholder loan agreement of US\$7.8 million (A\$10.4 million as at 30 June 2021 spot rate).

Lee Bug Huy
Group Chief Executive Officer

DONACO INTERNATIONAL LIMITED
ABN 28 007 424 777
30 June 2021

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'group') 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 year ended 30 June 2021.

Directors

The following persons were directors of Donaco International Limited as at the beginning of the financial year or until the date of this report, unless otherwise stated:

Yan Ho Leo Chan (resigned 21 December 2020)
 Kurkye Wong (resigned 21 December 2020)
 Roderick John Sutton
 Simon Vertullo (resigned 2 September 2020)
 Norman Mel Ashton (resigned 2 September 2020)
 Lee Bug Huy (appointed 3 August 2020)
 Porntat Amatavivadhana (appointed 3 August 2020)
 Andrew Phillips (appointed 2 September 2020)
 Issaraya Intrapai boon (appointed 2 September 2020)

Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of the operation of leisure and hospitality businesses across the Asia Pacific region, specifically:

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

Dividends

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

Review of operations and financial results

Result Highlights

Underlying net loss after tax (NLAT) attributable to owners of the Company of A\$12.7 million, up from net loss after tax (NLAT) of A\$6.3 million in FY20. Revenue at Star Vegas and Aristo continues to be severely affected by the ongoing COVID-19 pandemic which resulted in the further temporary closure of the Star Vegas casino while Aristo is only operating on a limited basis. The borders between Vietnam and China, and Cambodia and Thailand remain closed, resulting in low visitation numbers as the majority of the casino patrons are foreigners.

- Statutory NPAT / (NLAT)
- Contribution of non-recurring items in NPAT / (NLAT) result
- Underlying NLAT
- Group Revenue
 - Star Vegas revenue
 - Aristo revenue
- Group Earnings Before Interest, Tax, Depreciation, Amortisation and Impairment (EBITDA)
- Underlying Group EBITDA
- Balance sheet with
 - Cash
 - Borrowings
 - Net debt
- Net debt to equity ratio

	2021 \$ million	2020 \$ million
	25.2	(58.9)
	37.9	(52.6)
	(12.7)	(6.3)
	10.3	53.5
	9.1	39.7
	1.2	13.7
	(0.1)	10.4
	(0.1)	10.4
	6.3	12.6
	11.1	28.2
	4.8	15.6
	3.0%	11.5%

Review of operations and financial results (continued)

Reported profit after tax attributable to owners of the Company was A\$25.2 million, which included non-recurring items totalling A\$37.9 million. In contrast, the loss after tax reported in FY20 was A\$58.9 million which included non-recurring items totalling negative A\$52.6 million.

The non-recurring items in FY21 include the Star Vegas licence impairment charge of A\$8.4 million (2020: \$A50.3 million), proceeds on settlement of litigation matters of A\$50.9 million, interest expense of A\$4.0 million on settlement of unpaid management fees, legal fees of A\$0.2 million (2020: \$2.0 million) incurred in relation to the litigation matters and A\$0.4 million in write-off of trade receivables.

Excluding the non-recurring items, underlying NLAT for the Group was A\$12.7 million, up from NLAT of A\$6.3 million in FY20.

Venue Performances

Star Vegas - FY21 v FY20

- Net Gaming Revenue down 73% to A\$8.7 million
- Non-Gaming Revenue down 95% to A\$0.4 million
- EBITDA down 62% to A\$4.2 million
- Property Level NPAT down to loss of \$A6.9 million
- VIP Gross Win rate 4.48%

Star Vegas in Cambodia reopened on 25 September 2020 at limited capacity following Government approval after being closed from 1 April 2020. Star Vegas again closed from 27 April 2021 following the order from the Cambodian local Government for the temporary closure of all casinos in the Banteay Meanchay region until further notice. Limited casino operations for only 7 months of the year has led to a 73% decline in gaming revenue and a 82% decrease in VIP turnover at Star Vegas. Operating expenses were down 83% as cost reduction measures were proactively implemented to minimise the COVID-19 financial impact. Star Vegas will continue to maintain a tight cost control strategy while operations remain closed.

Aristo International Hotel - FY21 v FY20

- Net Gaming Revenue down 89% to A\$0.9 million
- Non-Gaming Revenue down 94% to \$A0.3 million
- EBITDA down 118% to loss of A\$0.9 million
- Property Level NPAT down to loss of A\$4.2 million
- VIP Gross Win rate 1.88%

Aristo was temporarily closed from 1 April 2020 in adherence to the Vietnamese Government mandating the temporary closure of all casinos, and was allowed to reopen on 8 May 2020. However the business continues to operate on a limited basis as the border with China remains closed. This subsequently resulted in total revenue and EBITDA declining by 91% and 118% compared to the prior corresponding period. Operating expenses decreased by 77% compared to FY20, as robust cost reduction measures were implemented to minimize the financial impact from COVID-19. Aristo will continue to adapt to border changes with local management having the discretion to tailor operations to local conditions.

Capital Management

No FY21 dividend is payable due to underlying NLAT. It is noted that dividends are restricted to 100% of statutory net profit after tax under the Mega Bank loan facility.

On 27 July 2020, Donaco successfully completed an entitlement offer that has raised approximately A\$14.4 million (before costs). Under the entitlement offer, 1 new share was offered for every 2 existing shares held by eligible shareholders at a price of \$0.035 per new share, for a total of 411,796,609 new shares. This entitlement offer was fully underwritten by Mr Lee Bug Huy and Mr Lee Bug Tong.

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.

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 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. Details are set out under 'Matters subsequent to the end of the financial year' below.

Significant changes in the state of affairs

Apart from the impact of the COVID-19 pandemic as set out under Review of operations and financial results and elsewhere in the Directors' report, there were no other significant changes in the state of affairs during the financial year.

Matters subsequent to the end of the financial year

Dividend

There will be no dividend declared for FY2021.

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. Drawdowns of US\$1 million (AU\$1.3 million as at 30 June 21 spot rate) were made in July, August and September 2021, and the next drawdown of US\$1 million (AU\$1.3 million as at 30 June 2021 spot rate) is scheduled on 29 October 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.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

The company operates leisure and entertainment businesses across the Asia Pacific region.

Our largest business is the Star Vegas Resort & Club, a successful casino and hotel complex in Poipet, Cambodia, on the border with Thailand. Star Vegas was established in 1999, and is the largest and highest quality of the Poipet casino hotels. The property has more than 100 gaming tables, more than 800 slot machines, and 385 hotel rooms.

Our flagship business is the Aristo International Hotel, a successful boutique casino in northern Vietnam, located on the border with Yunnan Province, China. Established in 2002, the property is now a five star resort complex with 400 hotel rooms. Donaco is a pioneer casino operator in Vietnam, and owns a 95% interest in the business, in a joint venture with the Government of Vietnam.

Due to an outbreak in the regional area surrounding Star Vegas which started in January 2021, Star Vegas has temporarily closed 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. While Aristo has reopened since May 2020, it is still operating on a limited basis and patronage at the casino is expected to remain low as the border between Vietnam and China remain closed and most of Aristo's patrons are Chinese residents. Donaco will continue to monitor the COVID-19 situation closely and implement measures to keep visitors and staff as safe as possible.

The positive results achieved in the December 2020 quarter provides the Board with confidence that Donaco is well-equipped to meet the ongoing challenges posed by the pandemic. There will be a continual focus on maintaining a tight control over operating costs. With vaccinations being administered at high levels daily across the region around Star Vegas and Aristo, Donaco is ready to resume full casino operations once the COVID-19 situation improves and international borders reopen.

Except as noted above, information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulations

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	Norman Mel Ashton
Title:	Non-Executive Chairman (resigned 2 September 2020)
Experience and expertise:	Mr Ashton is a listed company director with over 37 years' experience across the hospitality, property, banking and finance, and mining and resources sectors. A chartered accountant, Mr Ashton has senior leadership experience in restructuring and insolvency having worked with KPMG and as one of the Founding Partners of PPB.
Other current directorships:	Aurora Labs Ltd (ASX: A3D)
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit & Risk Management Committee
Interests in shares:	None
Interests in Options:	None
Name:	Yan Ho Leo Chan
Title:	Executive Director (resigned 21 December 2020)
Experience and expertise:	Mr Chan is a representative from Argyle Street Management Limited (ASM), an institutional investor. ASM was founded in Hong Kong SAR in 2002 and currently manages approximately US\$1.7 billion. Mr Chan is an Executive Director of ASM, and has more than 13 years' experience in making and managing investments throughout Asia. He holds a Bachelor of Economics and Finance from the University of Hong Kong.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	None
Interests in Options:	None
Name:	Kurkye Wong
Title:	Executive Director (resigned 21 December 2020)
Experience and expertise:	Mr Wong is a representative from Argyle Street Management Limited (ASM), an institutional investor. ASM was founded in Hong Kong SAR in 2002 and currently manages approximately US\$1.7 billion. Mr Wong is Vice President of ASM, and has previously worked at KPMG and FTI Consulting in Hong Kong. He holds a Bachelor of Business from the Queensland University of Technology, a Juris Doctor from the Chinese University of Hong Kong, and a Master's Degree in Financial Engineering from Stanford University.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	None
Interests in Options:	None

Information on directors (continued)

Name:
Title:
Experience and expertise:

Roderick John Sutton
Non-Executive Director
Mr Sutton has over 25 years' experience in business advisory and management. He is currently a Special Advisor to the Asia Pacific region of FTI Consulting, a professional services and consulting business listed on the New York Stock Exchange. Upon joining FTI Consulting in 2020, Rod was appointed as its Chairman of Asia Pacific. In that role he had oversight of all elements of the Asia Pacific business including FTI Consulting's numerous client-facing activities, regional and global strategy, vetting of acquisition opportunities, and management of all support functions.

Other current directorships:
Former directorships (last 3 years):
Special responsibilities:

None
None
Chair of the Audit & Risk Management Committee (effective 19 December 2019 and re-appointed 2 September 2020)

Interests in shares:
Interests in Options:

1,539,000 ordinary shares
None

Name:
Title:
Experience and expertise:

Simon Vertullo
Non-Executive Director (resigned 2 September 2020)
Mr Vertullo is an experienced chartered accountant with broad financial, transactional and operational expertise, having worked extensively with listed and large privately-owned companies throughout Australia, Asia and the United Kingdom. He has experience in senior finance executive roles with a focus on managing performance, risk and turnarounds and has previously worked with the leading restructuring practices of KordaMentha and KPMG.

Other current directorships:
Former directorships (last 3 years):
Special responsibilities:
Interests in shares:
Interests in Options:

None
None
Member of the Audit & Risk Management Committee
None
None

Name:
Title:
Experience and expertise:

Lee Bug Huy (Techatut Sukcharoenkraisri)
Executive Director (appointed 3 August 2020)
Mr Huy is Vice President at the Casino at Star Vegas Casino & Resorts Co, Ltd where he has been responsible for developing the model for the slot machine business. He has significant experience in gaming and casino management and has previously acted as an executive director of the Company (previously appointed on 1 July 2015). Mr Huy holds a BSc majoring in Chemical Engineering.

Other current directorships:
Former directorships (last 3 years):
Special responsibilities:
Interests in shares:
Interests in Options:

None
None
Chief Executive Officer (effective 3 September 2020)
260,451,476 ordinary shares
None

Information on directors (continued)

Name:	Porntat Amatavivadhana
Title:	Non-Executive Chairman (effective 3 September 2020) (appointed Non-Executive Director 3 August 2020)
Experience and expertise:	Mr Amatavivadhana is a founding principal and CEO of Infinite Capital, a successful boutique corporate advisory firm based in Bangkok. He has considerable experience in mergers & acquisitions, corporate restructuring and capital raisings. Mr Amatavivadhana is currently an independent director at Sansiri Plc, one of the largest real estate developers in Thailand, which is listed on the Stock Exchange of Thailand. Mr Amatavivadhana has also previously acted as non-executive director of the Company (previously appointed 1 July 2015). Mr Amatavivadhana holds a MSc in Management Science and a BA in Finance and Banking.
Other current directorships:	Sansiri Plc (BKK: SIRI)
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	3,555,405 ordinary shares
Interests in Options:	None
Name:	Andrew Guy Phillips
Title:	Independent non-executive director (appointed 2 September 2020)
Experience and expertise:	Mr Phillips brings over 25 years' experience working in senior financial and commercial management positions with both publicly listed companies and multinationals based in Australia and New Zealand. He has a thorough knowledge of international finance and corporate services and has an extensive network of contacts throughout Asia and the Americas.
Other current directorships:	Lithium Power International Ltd (ASX: LPI) Southern Cross Exploration NL (ASX: SXX)
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	None
Interests in Options:	None
Name:	Mr Issaraya Intrapai boon
Title:	Non-executive director (appointed 2 September 2020)
Experience and expertise:	Mr Intrapai boon has over 20 years' experience in engineering, operation, maintenance and planning within the water section. He is currently the Manager Treatment Plants for Unitywater, Australian provider of essential water supply and sewage treatment services, bringing in-depth capability in leading large teams and managing an operational budget of \$20+ million.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	None
Interests in Options:	None

'Other current directorships' and 'Former directorships (last 3 years)' quoted above are directorships for listed entities only, and exclude directorships of all other types of entities, unless otherwise stated.

Company secretary

The company secretary is Mr Hasaka Martin who was appointed on 30 April 2021. Mr Martin is the company secretary of Emerson Corporate Services which offers a full range of compliance and company secretarial services to companies, funds and family offices.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2021, and the number of meetings attended by each director were:

	Full board		Audit & Risk Management Committee		Nominations, Remuneration & Corporate Governance Committee	
	Attended	Held	Attended	Held	Attended	Held
Norman Mel Ashton	1	3	1	2	-	-
Porntat Amatavivadhana	11	11	-	-	-	-
Yan Yo Leo Chan	7	7	-	-	-	-
Kurkye Wong	7	7	-	-	-	-
Roderick John Sutton	10	11	4	5	-	-
Simon Vertullo	2	3	2	2	-	-
Lee Bug Huy	11	11	-	-	-	-
Andrew Phillips	7	8	3	3	-	-
Issaraya Intrapai boon	8	8	3	3	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Executive Summary
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Share-based compensation
- Additional disclosures relating to key management personnel

Executive Summary

Donaco uses a simple framework for executive remuneration, consisting of three elements:

1. Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits (if any)
2. Short-term incentives, which are paid in cash, but only if executives satisfy applicable key performance indicators ("KPIs")
3. Long-term incentives, under which executives may receive annual grants of restricted shares purchased on market, but only if applicable KPIs are satisfied. The shares vest over a three-year period.

For short-term incentives in FY21, the following KPIs applied:

1. Achievement of the budgeted earnings before interest, tax, depreciation and amortisation (EBITDA) target for the Donaco Group (30%)
2. Achievement of the budgeted revenue target for the Star Vegas property, in Thai Baht terms (25%)
3. Achievement of the budgeted revenue target for the Aristo property, in Chinese Renminbi terms (25%)
4. Achievement of a personal KPI relating to the executive's individual areas of responsibility (20%)

The first three KPIs above were not satisfied for FY21. One executive satisfied their personal KPI during the year.

For long-term incentives in FY21, the following KPI was required to be satisfied:

1. Achievement of the budgeted earnings before interest, tax, depreciation and amortisation (EBITDA) target for the Donaco Group

This KPI was not satisfied, and accordingly no long-term incentives were awarded.

Shareholders should note that share price movements per se are not an applicable KPI. Share prices are affected by many factors beyond the control of management. However all of the applicable KPIs should, if achieved, have a positive impact on Donaco's performance, which would normally be reflected in the share price, subject to any external factors. Accordingly, the remuneration framework focuses executives on matters that they can control, which are expected to provide benefits to shareholders through a higher share price.

In addition, the award of restricted shares under the long term incentive plan aligns the interests of executives with shareholders. Executives benefit directly if the share price increases, and also suffer directly if the share prices decreases.

Remuneration report (audited) (continued)

Principles used to determine the nature and amount of remuneration

Introduction

The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract and retain high quality personnel, and motivate them to achieve high performance.

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward.

Board Oversight

The Board has an established Nominations, Remuneration and Corporate Governance Committee (the "Remuneration Committee"). It is primarily responsible for setting the overall remuneration policy and guidelines for the Company, and its functions include:

- reviewing and recommending to the Board for approval, the Company's general approach towards remuneration, and to oversee the development and implementation of remuneration programs;
- reviewing and recommending to the Board for approval, corporate goals and objectives relevant to the remuneration of the Managing Director/Chief Executive Officer, and evaluating the performance of the Managing Director/Chief Executive Officer in light of those goals and objectives;
- reviewing and recommending to the Board for approval, remuneration programs applicable to the Company executives, and ensuring that these programs differ from the structure of remuneration for non-executive directors; and
- reviewing the remuneration of non-executive directors, and ensuring that the structure of non-executive directors' remuneration is clearly distinguished from that of executives by ensuring that non-executive directors are remunerated by way of fees, do not participate in schemes designed for the remuneration of executives, do not receive options or bonus payments, and are not provided with retirement benefits other than statutory superannuation.

Due to recent changes in the composition of the Board, all matters in respect of nomination and remuneration are currently being addressed at the Board level.

Remuneration Framework

In consultation with external remuneration consultants when necessary (refer to the section 'Use of Remuneration Consultants' below), the Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity. The framework is designed to satisfy the following key criteria for good reward governance practices:

- aligned to shareholders' interests
- competitiveness and reasonableness
- performance linkage/alignment of executive compensation
- transparency

The remuneration framework is aligned to shareholders' interests:

- has economic profit as a core component of plan design
- focuses on sustained growth in shareholders wealth, consisting of growth in share price, as well as focusing the executive on key non-financial drivers of values
- attracts and retains high calibre executives

The remuneration framework is also aligned to program participants' interests, in that it:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholders wealth
- provides a clear structure for earning rewards

All remuneration paid to directors and executives is valued at cost to the Company and expensed.

In accordance with best practice corporate governance, the structures of remuneration for non-executive directors and for executives are separate.

Remuneration report (audited) (continued)

Principles used to determine the nature and amount of remuneration (continued)

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Remuneration Committee. The Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market.

There are no bonuses payable to non-executive directors, and there are no termination payments for non-executive directors on retirement from office, other than statutory superannuation entitlements. Non-executive directors are not granted options or shares.

ASX Listing Rules require that the aggregate of non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the 2013 Annual General Meeting, where the shareholders approved a maximum aggregate remuneration of \$750,000, including statutory superannuation contributions.

Executive remuneration

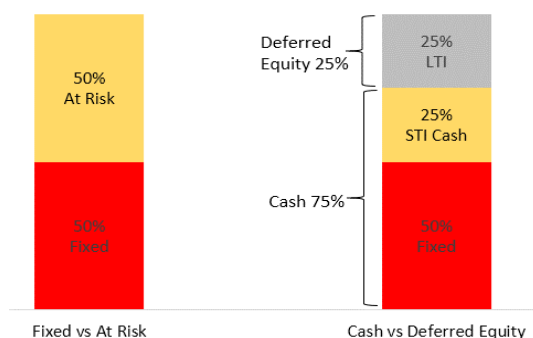
The consolidated entity's remuneration policy is to ensure that executive remuneration packages properly reflect a person's duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating executives of the highest calibre. As a result, remuneration packages for the Managing Director/Chief Executive Officer and senior executives include both fixed and performance-based remuneration.

The executive remuneration and reward framework has three components:

- fixed remuneration, consisting of base salary and non-monetary benefits, together with other statutory forms of remuneration such as superannuation and long service leave
- short-term incentives, paid in cash
- long term incentives, currently consisting of restricted shares purchased on market

The combination of these components comprises the executive's total remuneration.

Senior Executives Remuneration Mix



Fixed remuneration

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits (if any), is determined by considering the scope of the executive's responsibility, importance to the business, competitiveness in the market, and assessed potential. The total remuneration package for executives includes superannuation and other non-cash benefits to reflect the total employment cost to the Company, inclusive of any fringe benefits tax.

Fixed remuneration is reviewed annually by the Remuneration Committee, based on individual and business unit performance, the overall performance of the consolidated entity, and comparable market remuneration.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The objective of the fixed remuneration component is to attract and retain high quality executives, and to recognise market relativities and statutory requirements.

Short term incentives

The short term incentive (STI) framework provides senior executives with the opportunity to earn an annual cash bonus, up to a maximum amount of 50% of base salary. Clear key performance indicators (KPIs) have been established by the Remuneration Committee. Achievement of these KPIs gives the executive an opportunity to earn a fixed percentage of their maximum STI, subject to final review and approval by the Board.

DONACO INTERNATIONAL LIMITED

ABN 28 007 424 777

30 June 2021

Remuneration report (audited) (continued)

Principles used to determine the nature and amount of remuneration (continued)

For FY21, the KPIs applied and the applicable percentage of STI were:

1. Achievement of the budgeted earnings before interest, tax, depreciation and amortisation (EBITDA) target for the Donaco Group. The applicable EBITDA target was AUD46.6m (This KPI is worth 30% of the potential incentive).
2. Achievement of the budgeted revenue target for the Star Vegas property, in Thai Baht terms. The applicable revenue target was THB663.9 million (25%).
3. Achievement of the budgeted revenue target for the Aristo property, in Chinese Renminbi terms. The applicable revenue target was RMB10.1 million (25%).
4. Achievement of a personal KPI relating to the executive's individual areas of responsibility (20%).

The objective of these KPIs is clearly designed to focus on financial criteria, including top line revenue growth, while maintaining a focus on disciplined cost control, as expressed through the EBITDA target for the Group. In addition, executives also maintained a focus on key non-financial criteria, relating to the personal KPI applicable to the individual executive's area of responsibility.

The first three KPIs above were not satisfied for FY21. One executive satisfied their personal KPI during the year.

Long term incentives

The long-term incentive ('LTI') program currently consists of restricted shares purchased on market. This plan was adopted in FY17 to replace the former option plan, which was thought to be excessively complex, and could potentially result in significant dilution of shareholders.

The objective of the LTI component is to focus on sustainable shareholder value creation, as expressed through share price growth.

Under the LTI plan, the Board has actively sought to align senior executive remuneration with shareholder interests. Shares are purchased on market and held in an employee share trust (the Trust). The shares will vest to the employees over the vesting period of three years. The aim of the scheme is to ensure that executives are motivated to think like shareholders, with a focus on taking actions that will lead to sustainable increases in the share price. The structure of the scheme also ensures that there is no dilution of shareholders.

The total annual dollar value of shares to be purchased is a maximum of A\$1,000,000. The number of shares to be purchased each year will depend on the share price at the time that purchases take place.

The scheme is executed in a similar manner to an on-market buy-back, allowing the Trust to stand in the market and purchase shares at appropriate times. However, the shares will not be cancelled, but will be held in the Trust, to be distributed to employees over the vesting period of three years.

LTI awards are made on an annual basis, subject to achievement of applicable KPIs. This ensures that at any given time, the executives have at risk a number of LTI awards, with different vesting periods and amounts. This helps to smooth out both the risk and the cash flow for the Company and for executives.

The LTI scheme allows for an award of a maximum of 50% of base salary in the form of restricted shares, subject to achievement of applicable KPIs which are set annually.

During FY21 and FY20, the Trust did not purchase any shares on market. The applicable KPI was not satisfied in both years, and accordingly no awards of shares were made.

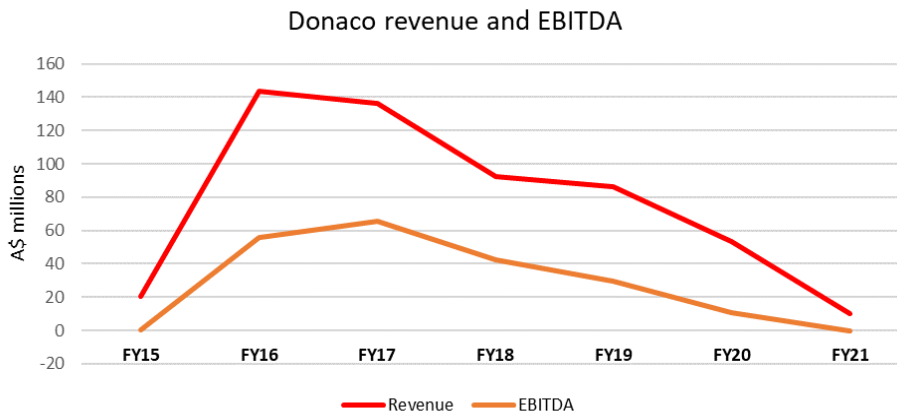
Relationship between remuneration policy and company performance

As detailed above, Donaco's remuneration policy is directly linked to company performance, particularly in relation to top-line revenue growth and cost control, to ultimately create long-term shareholder value. STI and LTI awards are dependent on defined KPIs being met, which are primarily financial in nature, and are at the discretion of the Remuneration Committee.

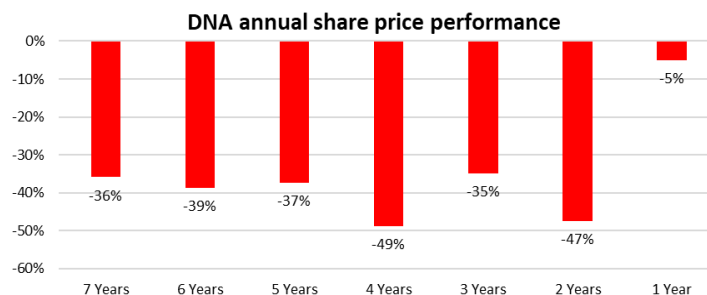
Remuneration report (audited) (continued)

Principles used to determine the nature and amount of remuneration (continued)

Over the six-year period from FY15 to FY20, revenue and EBITDA have increased at an average annual growth rate of 21.25% and 79.94% respectively, driven by Star Vegas becoming part of the Group at the beginning of FY16. However, the ongoing COVID-19 pandemic has adversely affected revenue and EBITDA in the FY21 year, which in turn has resulted in a decline in average growth rates over the seven-year period to FY21.



Donaco's share price has been declining in recent years, reflecting lower earnings brought on by the Star Vegas vendor's breaches of the non-complete agreement, and market concerns over the resulting legal disputes, and in both FY20 and FY21 as a result of the COVID-19 pandemic.



The Nominations, Remuneration and Corporate Governance Committee considers that the remuneration framework has an appropriate mix of fixed and performance based remuneration. Since performance during FY21 did not meet expectations, executives forfeited all or the majority of their short term incentive, and also forfeited all of their long term incentive.

The Committee also considers that the remuneration framework in place will assist to increase shareholder wealth if maintained over the coming years, subject to any adjustments that are necessary or desirable to reflect the Company's circumstances.

Use of remuneration consultants

There were no remuneration consultants engaged during the financial years ended 30 June 2021 and 30 June 2020.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of Donaco International Limited:

- Norman Mel Ashton - Non-Executive Chairman (resigned 2 September 2020)
- Yan Ho Leo Chan - Executive Director (resigned 21 December 2020)
- Kurkye Wong - Executive Director (resigned 21 December 2020)
- Roderick John Sutton - Non-Executive Director
- Simon Vertullo - Non-Executive Director (resigned 2 September 2020)
- Porntat Amatavivadhana - Non-Executive Chairman (effective 2 September 2020, appointed Non-Executive Director 3 August 2020)
- Lee Bug Huy - Executive Director (appointed 3 August 2020)
- Andrew Phillips - Non-Executive Director (appointed 2 September 2020)
- Issaraya Intrapai boon - Non-Executive Director (appointed 2 September 2020)

And the following persons:

- Paul Arbuckle - Chief Executive Officer (terminated 4 August 2020)
- Gordon Lo - Chief Financial Officer

Remuneration report (audited) (continued)

	Short-term benefits			Post employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Termination payment	Bonus	Super	Leave entitlements	Equity-settled	Total
2021	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Norman Ashton	20,000	-	-	-	-	-	20,000
Roderick Sutton	120,001	-	-	-	-	-	120,001
Simon Vertullo	18,000	-	-	-	-	-	18,000
Porntat Amatavivadhana	110,000	-	-	-	-	-	110,000
Andrew Phillips	109,327	-	-	-	-	-	109,327
Issaraya Intrapai boon	99,545	-	-	9,457	-	-	109,002
<i>Executive Directors:</i>							
Kurkye Wong	105,482	110,959	-	-	-	-	216,441
Yan Ho Leo Chan	105,482	110,959	-	-	-	-	216,441
Lee Bug Huy	260,000	-	-	-	-	-	260,000
<i>Other Key Management Personnel:</i>							
Paul Arbuckle	31,525	-	-	1,808	-	-	33,333
Gordon Lo	250,029	-	90,689	3,169	-	-	343,887
	1,229,391	221,918	90,689	14,434	-	-	1,556,432

The bonus above was paid during FY21 and relates to performance for the period 1 January 2020 to 31 December 2020.

No bonus amounts were accrued to directors and key management personnel in FY21 for performance during FY21.

	Short-term benefits			Post employment benefits	Long-term benefits	Share-based payments¹	
	Cash salary and fees	Termination payment	Bonus	Super	Leave entitlements	Equity-settled	Total
2020	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Stuart McGregor	86,758	-	-	8,242	-	-	95,000
Norman Ashton	67,097	-	-	-	-	-	67,097
Lim Keong Hoe	6,314	-	-	-	-	-	6,314
Yugo Kinoshita	35,398	-	-	-	-	-	35,398
Roderick Sutton	70,057	-	-	-	-	-	70,057
Simon Vertullo	71,670	-	-	-	-	-	71,670
David Green	73,059	-	-	6,941	-	-	80,000
<i>Executive Directors:</i>							
Lim Keong Yew	5,243	-	-	-	-	11,115	16,358
Benedict Reichel	200,047	527,879	33,270	16,667	-	62,394	840,257
Kurkye Wong	126,313	-	-	-	-	-	126,313
Yan Ho Leo Chan	126,313	-	-	-	-	-	126,313
<i>Other Key Management Personnel:</i>							
Paul Arbuckle	413,608	-	-	21,003	-	-	434,611
Chong Kwong Yang	162,333	208,776	13,750	17,751	-	4,250	406,860
Gordon Lo	184,153	-	-	1,728	-	-	185,881
	1,628,363	736,655	47,020	72,332	-	77,759	2,562,129

¹These amounts relate to shares acquired by an employee share trust which will vest to employees over the vesting period of three years. These shares were either forfeited or subject to accelerated vesting during the year. None remains unvested as at 30 June 2021 and 2020.

Remuneration report (audited) (continued)

Details of remuneration (continued)

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2021	2020	2021	2020	2021	2020
<i>Non-Executive Directors:</i>						
Norman Ashton	100%	100%	0%	0%	0%	0%
Roderick Sutton	100%	100%	0%	0%	0%	0%
Simon Vertullo	100%	100%	0%	0%	0%	0%
Porntat Amatavivadhana	100%	n/a	0%	n/a	0%	n/a
Andrew Phillips	100%	n/a	0%	n/a	0%	n/a
Issaraya Intrapaiboon	100%	n/a	0%	n/a	0%	n/a
<i>Executive Directors:</i>						
Kurkye Wong	100%	100%	0%	0%	0%	0%
Yan Ho Leo Chan	100%	100%	0%	0%	0%	0%
Lee Bug Huy	100%	n/a	0%	n/a	0%	n/a
<i>Other Key Management Personnel:</i>						
Paul Arbuckle	100%	100%	0%	0%	0%	0%
Gordon Lo	74%	100%	26%	0%	0%	0%

The proportion of the cash bonus paid/payable or forfeited is as follows:

Name	Cash bonus paid/payable		Cash bonus forfeited	
	2021	2020	2021	2020
<i>Other Key Management Personnel:</i>				
Gordon Lo	100%	n/a	0%	n/a

In relation to performance during FY21, the proportions of the cash bonus paid/payable or forfeited are as follows:

Name	Cash bonus paid/payable	Cash bonus forfeited
	2022	2022
<i>Executive Directors:</i>		
Lee Bug Huy	0%	100%
<i>Other Key Management Personnel:</i>		
Gordon Lo	0%	100%

Criteria for performance-based remuneration

The short-term incentive ('STI') program is designed to align the targets of executives with the targets of the consolidated entity. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPIs') being achieved. The Board, advised by the Nominations, Remuneration and Corporate Governance Committee, applied these criteria in determining the award of performance-based remuneration during the year.

For performance during FY21, the relevant criteria for the award of bonuses relate to revenue growth at each operating business, namely the Star Vegas and the Aristo International Hotel, as well as the achievement of budgeted EBITDA targets for the consolidated entity, and a personal KPI for each executive.

There were no share options granted or forfeited during the year (2020: nil).

There were no shares granted or forfeited during the year.

Service Agreements

Remuneration and other terms of employment for the Chief Executive Officer, Chief Financial Officer and the other key management personnel are formalised in contracts of employment. The service agreements specify the components of remuneration, benefits and notice periods. The specified executives are employed under contracts with no fixed term. The company may terminate the contracts immediately if the executive is guilty of serious misconduct or wilful neglect of duties. Otherwise, the company may terminate the contracts by giving between three to six months' notice or paying three to six months' salary, as stipulated in the contracts.

Remuneration report (audited) (continued)

Share-based compensation

Shares

There were no shares granted as part of compensation during the year ended 30 June 2021.

Options

There were no options issued as part of compensation during the year ended 30 June 2021.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2021.

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions / (Disposals)	Other changes during the year	Balance at the end of the year
<i>Ordinary shares</i>					
Paul Arbuckle ¹	166,667	-	-	(166,667)	-
Yan Ho Leo Chan ¹	-	-	-	-	-
Kurkye Wong ¹	-	-	-	-	-
Roderick Sutton	-	-	1,539,000	-	1,539,000
Simon Vertullo ¹	-	-	-	-	-
Norman Ashton ¹	-	-	-	-	-
Gordon Lo	-	-	-	-	-
Lee Bug Huy	-	-	-	260,451,476	260,451,476
Porntat Amatavivadhana	-	-	-	3,355,405	3,355,405
Andrew Phillips	-	-	-	-	-
Issaraya Intrapaiboon	-	-	-	-	-

¹No longer member of key management personnel as at 30 June 2021.

Option holding

There were no options over ordinary shares in the company held during the financial year.

Transactions with related parties and key management personnel

The following transactions occurred with related parties during 2021:

	Consolidated	
	2021	2020
	\$	\$
Non-competition settlement amount from vendors of DNA Star Vegas	50,885,800	-
Settlement of management fee payable and interest expense to vendors of DNA Star Vegas	(24,103,800)	-
Rental received from Arte Mobile Technology Pte Ltd (subsidiary of Isentric Limited)	-	7,448

The above transactions occurred at commercial rates.

This concludes the remuneration report, which has been audited.

Shares under option

There were no unissued ordinary shares of Donaco International Limited under option at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of Donaco International Limited issued, during the year ended 30 June 2021 and up to the date of this report, on the exercise of options granted (2020: nil).

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 29 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 29 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Auditor

Crowe Sydney continues in office in accordance with section 327 of the *Corporations Act 2001*.

Officers of the company who are former partners of Crowe Sydney

There are no officers of the company who are former partners of Crowe Sydney.

DONACO INTERNATIONAL LIMITED
ABN 28 007 424 777
30 June 2021

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 298 (2) (1) of the *Corporation Act 2001* .

On behalf of the directors



Mr Porntat Amatavivadhana
Non-Executive Chairman

29 September 2021
Sydney

29 September 2021

The Board of Directors
Level 18
420 George Street
Sydney NSW 2000
Australia

Dear Board Members

Donaco International Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of Donaco International Limited.

As lead audit partner for the audit of the financial report of Donaco International Limited for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, that there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

**Crowe Sydney**

Suwarti Asmono
Partner

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. Liability limited by a scheme approved under Professional Standards Legislation.

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DONACO INTERNATIONAL LIMITED
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2021

		Consolidated	
	Note	2021	2020
		\$	\$
Revenue from continuing operations	4	10,319,467	53,485,035
Other income	5	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	6	(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	6	(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 tax benefit / (expense)	7	<u>(1,253,339)</u>	<u>(2,485,516)</u>
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>	<u>5,210,790</u>
Other comprehensive (loss) / income for the year, net of tax		<u>(14,357,740)</u>	<u>5,210,790</u>
Total comprehensive income / (loss) for the year		<u>10,589,210</u>	<u>(53,662,829)</u>
Profit / (loss) for the year is attributable to:			
Non-controlling interest		(230,176)	11,815
Owners of Donaco International Limited		<u>25,177,126</u>	<u>(58,885,434)</u>
		<u>24,946,950</u>	<u>(58,873,619)</u>
Total comprehensive income / (loss) for the year is attributable to:			
Non-controlling interest		(230,176)	11,815
Owners of Donaco International Limited		<u>10,819,386</u>	<u>(53,674,644)</u>
		<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	36	2.10	(7.15)
Diluted earnings / (loss) per share	36	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	8	6,316,530	12,630,359
Trade and other receivables	9	1,241,609	1,280,432
Inventories	10	712,622	670,810
Other current assets	11	345,948	549,716
Total current assets		<u>8,616,709</u>	<u>15,131,317</u>
Non-current assets			
Property, plant and equipment	12	170,963,833	165,809,709
Intangibles (including licences)	13	19,048,737	29,941,540
Construction in progress	14	456,257	495,712
Deferred tax assets		28,974	15,163
Other non-current assets	15	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	16,213,767	41,267,324
Lease liabilities	22	41,445	812,591
Borrowings	17	11,097,986	27,325,224
Income tax payable	18	1,291,435	154,296
Employee benefits	19	75,887	196,371
Total current liabilities		<u>28,720,520</u>	<u>69,755,806</u>
Non-current liabilities			
Trade and other payables	20	12,814	40,277
Lease liabilities	22	7,650,565	2,761,061
Borrowings	21	-	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	23	372,584,126	358,372,299
Reserves	24	33,321,778	47,679,518
Accumulated losses	25	(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		<u>1,801,585</u>	<u>2,031,761</u>
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

Consolidated	Note	Issued capital \$	Reserves \$	Accumulated losses \$	Non-controlling interest \$	Total equity \$
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	23, 24	(284,646)	284,646	-	-	-
Share-based payments	24	-	(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	23	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

	Consolidated	
Note	2021	2020
	\$	\$
Cash flow from operating activities		
Receipts from customers	12,558,829	58,161,494
Payments to suppliers and employees	(15,342,878)	(47,990,245)
	(2,784,049)	10,171,249
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, income taxes and GST	(59)	(10,407,250)
Net cash flows from operating activities	35(a)	
	(4,540,968)	(3,211,922)
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	(187,819)	(1,026,838)
Cash flow from financing activities		
Proceeds from share issue	14,412,881	-
Share issue transaction costs	(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	35(b)	
	(1,546,550)	(9,700,233)
Net decrease in cash and cash equivalents	(6,275,337)	(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	(38,492)	1,084
Cash and cash equivalents at the end of the financial year	8	
	6,316,530	12,630,359

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

DONACO INTERNATIONAL LIMITED
Notes to financial statements
30 June 2021

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Going concern

At 30 June 2021, the consolidated entity recorded net current liabilities of AU\$20.1 million (30 June 2020: A\$54.6 million). The consolidated entity recorded a net profit after tax of AU\$24.9 million (2020: net loss after tax of AU\$58.9 million), and net operating cash outflows of AU\$4.5 million (2020: AU\$3.2 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 over the Star Vegas business. The settlement concluded the various proceedings in Singapore, Australia, Thailand and Cambodia with Somboon Sukhareonkraisri, 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, the landlord, 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 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.

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.

Note 1. Significant accounting policies (continued)

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

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.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2021. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for the revaluation of financial assets and liabilities at fair value through profit or loss and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 32.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Donaco International Limited ('company' or 'parent entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. Donaco International Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Note 1. Significant accounting policies (continued)

Principles of consolidation (continued)

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Donaco International Limited's functional and presentation currency.

DNA Star Vegas Co Ltd, a subsidiary within the Group, has casino and hotel operations in Cambodia. Its functional currency is Thai Baht.

Donaco Singapore Pte Ltd has an interest in the Lao Cai International Hotel Joint Venture Company which operates a casino and hotel in Vietnam. The functional currency of the Joint Venture Company is Vietnamese Dong.

The subsidiaries of Donaco that operate in the aforementioned foreign countries are consolidated into the Hong Kong group (Star Vegas Group) and the Singapore Group (Aristo Group). At this level, the presentation currency is US Dollar.

Subsequently, these consolidated groups are consolidated with the Australian operations and converted to Australian dollars.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

Goodwill, casino licence and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operations and translated at the closing rate.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

Revenue is recognised when control of the good or service is transferred to the customer, and only to the extent that it is highly probable that a significant reversal will not occur. Revenue is measured at the fair value of the consideration received or receivable.

Casino revenue

Revenue at the playing tables is recognised upon the differences between chips at the closing and chips at the opening of each table plus chips transferred from the playing table to the cage, less chips transferred from the cage to the playing table. Revenue is recognised on a net basis after commission and profit sharing is paid to junket operators.

Revenue from slot machines represents the amount received over the exchange counter less the amount returned to customers and profit-sharing paid.

Sale of goods

The consolidated entity sale of goods consist of food and beverages sales. Revenue from the sale of goods is recognised at the point of sale, when a group entity sells a product to the customer.

Rendering of services

Revenue from the provision of accommodation and hospitality services is recognised in the accounting period in which the services are provided to the customer.

Complimentary goods or services

For gaming transactions that include complimentary goods or services being provided to customers, the consolidated entity allocates revenue from the gaming transaction to the good or service provided based on the standalone selling price which is the arm's length price for that good or service available to the public.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Government grants and incentives

Government grants and incentives are recognised at their fair value where there is reasonable assurance that the grants and incentives will be received and the consolidated entity will comply with all the attached conditions.

Note 1. Significant accounting policies (continued)

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

The amount of impairment loss is determined using the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance. The expected loss rates used in measuring the expected credit losses are based on historical loss rates, adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the debtors to settle the receivables. These factors include significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivables are impaired.

The amount of the impairment loss is recognised in the consolidated statement of profit or loss and other comprehensive income. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent year, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the consolidated statement of comprehensive income.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Inventories

Inventories include consumable stores, food and beverages and are carried at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis and comprises all costs of purchases, conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised in the statement of profit or loss and other comprehensive income, in the period in which the reversal occurs.

Note 1. Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings and structures	25-50 years
Leasehold improvements	2-5 years
Machinery and equipment	5-15 years
Motor vehicles	5-6 years
Office equipment and other	3-8 years
Furniture and fittings	3-8 years
Consumables	1-8 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Leases

Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the lease asset is available for use by the consolidated entity. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments, less any lease incentives receivable.

The lease payments are discounted using the consolidated entity's incremental borrowing rates.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability; and
- any lease payments made at or before the commencement date, less any lease incentives received.

Right-of-use assets are depreciated over the lease term on a straight-line basis.

Intangible assets

Land rights

The intangible asset includes costs incurred to acquire interests in the usage of land in the Socialist Republic of Vietnam for the original hotel, located in Lao Cai. The term of the agreement is 30 years from the initial licencing date of 19 July 2002. These land use rights are stated at cost less accumulated amortisation. Amortisation is calculated on a straight line basis over a period of 30 years, from the licencing date. At the expiry of the land term it is expected that the relevant State body will consider an application for extension.

Casino license

The Group consider casino licenses to be intangible assets with indefinite useful lives. Accordingly, they are not amortised and are tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on casino licenses are recognised in the profit or loss.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Prepaid construction costs

Amounts recognised as prepaid construction costs relate to tranche payments made to third party developers in connection with the construction of the new Lao Cai Casino. Tranche payments are made in advance of construction work being performed in accordance with the terms of the contractor agreements, however once associated works have been completed an amount equal to the tranche payment is transferred from prepaid construction costs to construction in progress. Once recognised as part of construction in progress the amounts are then carried on the Statement of Financial Position at cost, until such time as the asset is completed and ready for its intended use. Work in progress is not depreciated, but tested for impairment annually. Once ready for its intended use an amount equal to the cost of the completed asset will be transferred to property plant and equipment and accounted for in accordance with the consolidated entity's accounting policy for property plant and equipment.

Note 1. Significant accounting policies (continued)

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred including:

- interest on short term and long term borrowings.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be wholly settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled. Non-accumulating sick leave is expensed to profit or loss when incurred.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be wholly settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled share-based compensation benefits are provided to employees. Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using an amended Black-Scholes Merton model that takes into account the exercise price, the term of the option, an exercise price multiple, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Note 1. Significant accounting policies (continued)

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The financial instruments recognised at fair value in the Consolidated Statement of Financial Position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consist of the following levels:

- a. Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- b. Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- c. Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The directors consider that the carrying amount of all financial assets and liabilities recorded in the financial statements approximate their fair value.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where the consolidated entity purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Donaco International Limited as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of Donaco International Limited.

Dividends

Provision is made for the amount of any dividend declared, determined or announced by the directors on or before the end of the financial year but not distributed at balance date.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Donaco International Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented gross of GST and similar taxes. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

The casino licence is stated at cost less impairment losses, if any. The licence issued by the royal government of Cambodia is renewable annually and deemed to be with indefinite useful life, and therefore should not be amortised. Its useful life is reviewed at each reporting period to determine whether events and circumstances continue to exist to support indefinite useful life assessment. Impairment testing by comparing its recoverable amount with its carrying amount is performed annually. In the event that the expected future economic benefits are no longer probable of being recovered, the licences are written down to their recoverable amount.

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on the higher of value-in-use calculations and fair value less costs of disposal. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates, including Cambodia, Vietnam and Hong Kong. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Allowance for expected credit losses

The consolidated entity reviews the collectability of trade receivables on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. An allowance for expected credit losses is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. The amount of expected credit loss is determined using the simplified approach which uses a lifetime expected loss allowance. The expected loss rates used in measuring the expected credit losses are based on historical loss rates, adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the debtors to settle the receivables. These factors include significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivables are impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows.

Estimating incremental borrowing rate for leases

The incremental borrowing rate is used to measure lease liabilities, if the consolidated entity is unable to readily determine the interest rate implicit in the lease. The incremental borrowing rate is the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what the lessee would have had to pay, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

Lease term

As part of the settlement agreements, an amended perpetual lease agreement was executed as of 2 March 2020 in relation to the DNA Star Vegas lease of the land in Poi Pet, Cambodia (see note 22). 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 Donaco and the landlord 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.

DNA Star Vegas casino licence renewal

The DNA Star Vegas casino licence issued by the royal government of Cambodia is renewable annually and is deemed to have an indefinite useful life. The annual casino licence renewal process commenced in December 2020 and the casino licence renewal fee was paid in January 2021. In August 2021, DNA Star Vegas submitted an application for a change in casino licence holder and paid the applicable fee. Based on legal advice received by the company, application for the change in casino licence holder is still in progress, however the physical casino licence is expected to be granted before mid-November 2021.

DONACO INTERNATIONAL LIMITED
Notes to financial statements
30 June 2021

Note 3. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into three operating segments: Casino operations in Vietnam, Casino operations in 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. Casino operations are segmented geographically between casino operations in Vietnam and Cambodia.

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

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

Types of products and services

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

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

Intersegment transactions

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

Operating segment information for continuing operations

	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	<u>1,203,215</u>	<u>9,096,770</u>	<u>19,482</u>	<u>10,319,467</u>
EBITDA	(855,941)	4,237,341	(3,455,055)	(73,655)
Depreciation and amortisation	(3,121,416)	(5,858,410)	(4,591)	(8,984,417)
Impairment of assets	-	(8,784,961)	-	(8,784,961)
Interest revenue	761	-	797	1,558
Non-recurring items	-	(4,017,300)	50,723,995	46,706,695
Net exchange gains / (losses)	66,848	(551,755)	439,180	(45,727)
Non-controlling interest	230,176	-	-	230,176
Finance costs	(339,574)	(515,422)	(1,764,208)	(2,619,204)
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 financial statements
30 June 2021

Note 3. Operating segments (continued)

	Casino Operations Vietnam \$	Casino Operations Cambodia \$	Corporate Operations \$	Total \$
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	4,857,953	11,014,690	(5,492,608)	10,380,035
Depreciation and amortisation	(3,760,731)	(6,419,583)	(40,202)	(10,220,516)
Impairment of assets	-	(50,512,420)	-	(50,512,420)
Interest revenue	15,495	-	11,748	27,243
Non-recurring items	-	-	(1,991,054)	(1,991,054)
Net exchange gains / (losses)	(159,250)	-	81,805	(77,445)
Non-controlling interest	(11,815)	-	-	(11,815)
Finance costs	(611,703)	(186,666)	(3,195,577)	(3,993,946)
Profit/(loss) before income tax expense	329,949	(46,103,979)	(10,625,888)	(56,399,918)
Income tax expense				(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
Total liabilities				

Geographical information

	Sales to external customers		Geographical non-current assets	
	2021	2020	2021	2020
	\$	\$	\$	\$
Australia	-	-	2,427,389	2,432,487
Vietnam	1,202,454	13,712,137	59,365,982	67,952,564
Cambodia	9,096,770	39,707,837	128,708,377	125,881,361
	10,299,224	53,419,974	190,501,748	196,266,412

Major customers

Transactions involving a single external customer amounting to 10 per cent of more of the consolidated entity's revenue during the current and previous financial years are set out below:

2021	No. of customers	% of revenue	\$
Casino operations Cambodia	2	27%	2,757,226

2020

There was no single external customer that contributed 10% or more of the consolidated entity's revenue during 2020.

Note 4. Revenue

	Consolidated	
	2021	2020
	\$	\$
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
Revenue from continuing operations	10,319,467	53,485,035

Gaming revenue represents net house takings arising from casino operations.

Non-gaming revenue represents house revenue from room rental, food and beverage sales and other related services recognised when the services are rendered.

DONACO INTERNATIONAL LIMITED
Notes to financial statements
30 June 2021

Note 4. Revenue (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 - 30 June 2021				
Revenue				
Gaming revenue	877,505	8,736,127	-	9,613,632
Non-gaming revenue	324,949	360,643	-	685,592
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
Timing of revenue recognition				
At a point in time	1,027,097	8,955,132	-	9,982,229
Over time	176,118	141,638	19,482	337,238
	1,203,215	9,096,770	19,482	10,319,467
Consolidated - 30 June 2020				
Revenue				
Gaming revenue	8,089,850	32,617,006	-	40,706,856
Non-gaming revenue	5,622,287	7,090,831	-	12,713,118
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
Timing of revenue recognition				
At a point in time	9,708,737	37,667,019	-	47,375,756
Over time	4,018,895	2,040,818	49,566	6,109,279
	13,727,632	39,707,837	49,566	53,485,035

	Consolidated	
	2021	2020
	\$	\$
Note 5. Other income		
Proceeds on settlement of litigation matters	50,885,800	-
	50,885,800	-

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 as proceeds to remove the non-competition and non-solicitation clauses previously agreed in the Share Sale Agreement over the Star Vegas business.

	Consolidated	
	2021	2020
	\$	\$
Note 6. Expenses		
Profit / (loss) before income tax from continuing operations includes the following specific expenses:		
<i>Impairment of assets</i>		
Casino licence (see note 13)	8,376,114	50,326,357
Trade and other receivables (see note 9)	408,847	186,063
	8,784,961	50,512,420

DONACO INTERNATIONAL LIMITED
Notes to financial statements
30 June 2021

Note 6. Expenses (continued)

Profit / (loss) before income tax from continuing operations includes the following specific expenses:

Finance costs

Interest on settlement proceeds

Interest on borrowings

Consolidated
2021 2020
\$ \$

4,017,300	-
2,619,204	3,993,946
6,636,504	3,993,946

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.

Note 7. Income tax expense

Income tax expense

Current tax

Deferred tax

Aggregate income tax expense

Consolidated
2021 2020
\$ \$

1,268,340	2,500,938
(15,001)	(15,422)
1,253,339	2,485,516

Income tax expense is attributable to:

Profit from continuing operations

Aggregate income tax expense

1,253,339	2,485,516
1,253,339	2,485,516

Numerical reconciliation of income tax expense and tax at the statutory rate

Profit / (loss) before income tax expense from continuing operations

26,200,289	(56,388,103)
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Profits tax using:

Australian corporation tax at the statutory tax rate of 30% (2020: 30%)

7,860,087	(16,916,431)
-----------	--------------

Tax effect of difference in overseas corporation tax at the statutory tax rate of 20% (2020: 20%)

(4,394,527)	5,173,110
-------------	-----------

Tax effect amounts which are not (taxable) / deductible in calculating taxable income

(6,914,977)	11,657,159
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Losses not brought to account

225,429	982,322
---------	---------

Tax exempt profits from Cambodian operations

3,098,101	(738,224)
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Obligation payments in Cambodia under Lump Sum Tax Regime (note (a))

874,636	2,362,161
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Gaming duty payments in Cambodia under Real Tax Regime (note (b))

393,695	-
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Adjustment for investment spending in Vietnam

110,895	(34,581)
---------	----------

Income tax expense

1,253,339	2,485,516
-----------	-----------

(a) Lump Sum Tax Regime

Under the Lump Sum Tax Regime which was effective until 31 December 2020, income tax expense represents monthly gaming obligatory payments and monthly non-gaming obligatory payments payable by the Company to the Ministry of Economy and Finance ("MoEF") of the Kingdom of Cambodia. The monthly gaming obligatory payments and non-gaming obligatory payments are as follows:

- In respect of gaming activities, DNA Star Vegas is required to pay the obligatory payment which is a fixed gaming tax. On payment of this fixed gaming tax, DNA Star Vegas will be exempted from all categories of taxes on gaming activities including advance profits tax, minimum tax and advance tax on distribution of dividends.
- As for non-gaming obligatory payment, it comprises various other taxes such as salary tax, fringe benefit tax, withholding tax, value added tax, patent tax, tax on rental of moveable properties, minimum tax, advance profit tax, advertising tax and specific tax on entertainment services which are included in the statement profit or loss and other comprehensive income.

Note 7. Income tax expense (continued)

(a) Lump Sum Tax Regime (continued)

- Monthly payments for the obligatory payment are due on the first week of the following month. In the event of late payment within 7 days from the due date, there will be a penalty of 2% on the late payment and compounding interest of 2% per month. In addition, in the event of late payment after 15 days when an official government notice is issued to DNA Star Vegas, the penalty will be increased from 2% to 25% on the late payment plus compounding interest of 2% per month. Non-compliance with the abovementioned requirements may result in the MoEF not issuing the casino licence in successive years.
- On 30 March 2020, the MoEF had issued a directive to exempt all casino operators from making monthly obligatory payments from 1 April 2020 until the date of recommencement of their business. DNA Star Vegas had stopped making obligatory payments since April 2020 due to its temporary closure, in accordance with the directive from the MoEF. DNA Star Vegas recommenced its operations from 25 September 2020 to 27 April 2021, limiting its operations to a minimum level (less than 35%). During this limited operation, DNA Star Vegas did not make the monthly obligatory payments, however an accrual for the monthly obligatory payment and the 2% penalty on the late payment plus compounding interest of 2% per month has been made as at 30 June 2021. The accruals for the obligatory payment and associated penalties amount to US\$668,000 (AU\$888,507 as at 30 June 2021 spot rate) and USD\$122,347 (AU\$162,734 as at 30 June 2021 spot rate) respectively.
- The MoEF has not issued any notice for the increase penalty at 25%. DNA Star Vegas is therefore not currently liable for this 25% penalty. This amount has been disclosed as a contingent liability in note 38.

(b) Real Tax Regime

(i) In respect of gaming activities

On 14 November 2020, the Law on the Management of Commercial Gambling ("Gambling Law") has been promulgated in the Kingdom of Cambodia.

Pursuant to Article 81 and 82 of Gambling Law, the casino operator and/or the owner of the casino and/or the owner of the Integrated Commercial Gambling Centre shall fulfill the payment of periodic gaming duty revenue during the licensing period. The gaming duty rate is determined as follows:

- For casinos located in the Integrated Commercial Gambling Centre, the rate is 4% for VIP guest and 7% for ordinary gaming guest on gross gambling revenue.
- For casinos that are not located in the Integrated Commercial Gambling Centre, the rate is 7% on gross gambling revenue.

Monthly payment for the gaming duty is due within the first week of the following month. In the event of a late payment within 7 days after receiving the reminder letter for the non-payment of gaming duty, there will be a penalty of 2% on the late payment and compounding interest of 2% per month. In addition, in the event of a late payment within 15 days after receiving the first penalty letter, the penalty will be increased from 2% to 25% on the late payment plus compounding interest of 2% per month. The MoEF has the right to revoke the casino licence in the event of non-compliance with the abovementioned requirements where the payment of gaming duty is overdue for 180 days.

DNA Star Vegas has not applied to be taxed under the Integrated Commercial Gambling Centre, therefore the applicable gaming duty rate is 7%. During the period of its limited operations, DNA Star Vegas has not made payments of the monthly gaming duty, however an accrual of US\$302,931 (AU\$402,929 as at 30 June 2021 spot rate) has been made as at 30 June 2021.

The MoEF has not issued any reminder letter and/or first penalty letter on the penalty plus interest, therefore DNA Star Vegas is not currently liable for these penalties and interest. These amounts have been disclosed as contingent liabilities in note 38.

(ii) In respect of non-gaming activities

Pursuant to Article 81 of the Gambling Law, the casino operator and/or the owner of the casino and/or the owner of the Integrated Commercial Gambling Centre shall comply with the Cambodian Law on Taxation for various other taxes such as salary tax, fringe benefit tax, withholding tax, value added tax, patent tax, tax on rental of moveable properties, minimum tax, advance profit tax, advertising tax and specific tax on entertainment services.

(c) The parent entity has not brought to account tax losses with a tax effect of \$723,162 (2020: \$955,546).

DONACO INTERNATIONAL LIMITED
Notes to financial statements
30 June 2021

	Consolidated	
	2021	2020
	\$	\$
Note 8. 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>

Note 9. Current assets - trade and other receivables

Trade receivables	1,072,138	610,883
Other receivables	153,375	644,547
Tax-related receivables	16,096	25,002
	<u>1,241,609</u>	<u>1,280,432</u>

Impairment of receivables

The consolidated entity recognised a loss of \$408,847 in respect of impairment of receivables for the year ended 30 June 2021 (2020: \$186,063).

	Consolidated	
	2021	2020
	\$	\$
Note 10. Current assets - inventories		
Food and beverage - at cost	<u>712,622</u>	<u>670,810</u>

Note 11. Current assets - other

Bonds and security deposits	274,420	354,792
Prepayments	24,544	127,896
Other current assets	46,984	67,028
	<u>345,948</u>	<u>549,716</u>

Note 12. 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	(30,876,960)	(29,513,287)
	<u>130,051,611</u>	<u>148,426,117</u>
Right-of-use asset - at cost (see note 22)	32,546,350	3,549,358
Less: Accumulated depreciation for right-of-use asset	(612,403)	(120,711)
	<u>31,933,947</u>	<u>3,428,647</u>
Furniture and fittings - at cost	5,014,034	5,695,362
Less: Accumulated depreciation for furniture and fittings	(4,994,474)	(5,649,274)
	<u>19,560</u>	<u>46,088</u>
Machinery and equipment - at cost	40,769,823	47,906,102
Less: Accumulated depreciation for machinery and equipment	(32,507,683)	(35,586,636)
	<u>8,262,140</u>	<u>12,319,466</u>
Motor vehicles - at cost	1,864,274	2,344,341
Less: Accumulated depreciation for motor vehicles	(1,739,062)	(2,087,510)
	<u>125,212</u>	<u>256,831</u>
Office equipment and other - at cost	3,373,347	3,808,247
Less: Accumulated depreciation for office equipment and other	(2,940,200)	(2,833,645)
	<u>433,147</u>	<u>974,602</u>
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	(3,548,764)	(3,887,606)
	<u>-</u>	<u>-</u>
	<u>170,963,833</u>	<u>165,809,709</u>

DONACO INTERNATIONAL LIMITED
Notes to financial statements
For the year ended 30 June 2021

Note 12. Non-current assets – Property, plant and equipment (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Leasehold buildings	Furniture and fittings	Machinery and equipment	Motor vehicles	Office equipment and other	Consumables	Right-of-use asset	Total
Consolidated	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2019	150,234,646	88,660	14,984,716	600,090	1,499,229	552,787	-	167,960,128
Additions	70,239	23,142	894,520	-	18,912	118,690	3,549,435	4,674,938
Disposals	(3)	-	(241,414)	(163,798)	(14,686)	-	-	(419,901)
Exchange differences	3,348,193	2,474	392,110	8,468	39,861	19,335	2,244	3,812,685
Depreciation expense	(5,226,958)	(68,188)	(3,710,466)	(187,929)	(568,714)	(332,854)	(123,032)	(10,218,141)
Balance at 30 June 2020	148,426,117	46,088	12,319,466	256,831	974,602	357,958	3,428,647	165,809,709
Additions	154,609	-	21,761	-	-	33,110	29,456,700	29,666,180
Disposals	-	-	(7,924)	-	-	(93,441)	(36,805)	(138,170)
Exchange differences	(13,790,337)	(4,762)	(1,096,970)	(25,103)	(85,634)	(29,080)	(359,731)	(15,391,617)
Depreciation expense	(4,738,778)	(21,766)	(2,974,193)	(106,516)	(455,821)	(130,331)	(554,864)	(8,982,269)
Balance at 30 June 2021	130,051,611	19,560	8,262,140	125,212	433,147	138,216	31,933,947	170,963,833

Consumables represent low value, high turnover items that are depreciated in accordance with company policy and local legislation.

DONACO INTERNATIONAL LIMITED
Notes to financial statements
30 June 2021

Note 13. Non-current assets - intangibles

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

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Goodwill	Land right	Casino licence	Total
	\$	\$	\$	\$
Consolidated				
Balance at 1 July 2019	2,426,187	30,127	75,116,422	77,572,736
Impairment of assets	-	-	(50,326,357)	(50,326,357)
Exchange differences	-	859	2,696,677	2,697,536
Amortisation expense	-	(2,375)	-	(2,375)
Balance at 30 June 2020	2,426,187	28,611	27,486,742	29,941,540
Impairment of assets	-	-	(8,376,114)	(8,376,114)
Exchange differences	-	(2,279)	(2,512,262)	(2,514,541)
Amortisation expense	-	(2,148)	-	(2,148)
Balance at 30 June 2021	<u>2,426,187</u>	<u>24,184</u>	<u>16,598,366</u>	<u>19,048,737</u>

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	2,426,187	2,426,187
Total goodwill	<u>2,426,187</u>	<u>2,426,187</u>

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, based on actual revenue in FY2021, 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).

DONACO INTERNATIONAL LIMITED
Notes to financial statements
30 June 2021

Note 13. 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.

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 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).

Land right

Intangible asset of \$24,184 (2020: \$28,611) relates to a 30-year land use right in the Socialist Republic of Vietnam. Land use right is stated at cost less accumulated amortisation and any impairment losses. The amortisation period is 30 years. 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.

Note 14. Non-current assets - construction in progress

	Consolidated	
	2021	2020
	\$	\$
Property construction works in progress - at cost	456,257	495,712

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Construction works in progress
	\$
Balance at 1 July 2019	505,527
Additions	29,580
Disposals	(53,018)
Exchange differences	13,623
Balance at 30 June 2020	495,712
Exchange differences	(39,455)
Balance at 30 June 2021	456,257

Construction relates to costs incurred for the construction of the new Aristo Casino.

Amounts previously recognised as prepaid construction costs are transferred to construction in progress, once associated works have been completed.

Once recognised as part of construction in progress the amounts are then carried on the statement of financial position at cost, until such time as the asset is completed and ready for its intended use. Work in progress is not depreciated, but tested for impairment annually. Once ready for its intended use an amount equal to the cost of the completed asset will be transferred to property plant and equipment or non current prepayment and accounted for in accordance with the consolidated entity's accounting policy for each asset class.

DONACO INTERNATIONAL LIMITED
Notes to financial statements
30 June 2021

Note 15. Non-current assets - other

	Consolidated 2021 \$	2020 \$
Other debtors	3,947	4,288

Note 16. Current liabilities - trade and other payables

Trade payables (note 27)	3,707,146	7,822,565
Deposits received	36,553	74,839
Floating chips (note 27)	6,817,476	4,759,231
Interest payable	9,266	17,315
Other payables and accrued expenses	5,643,326	28,593,374
	<u>16,213,767</u>	<u>41,267,324</u>

Refer to note 27 for further information on financial instruments.

Floating chips

The number of floating chips is determined as the difference between the number of chips in use and the actual chips counted by the casino as at reporting date.

Note 17. Current liabilities - borrowings

	Consolidated 2021 \$	2020 \$
Joint Stock Commercial Ocean Bank	1,559,595	1,390,924
Mega International Commercial Bank Co Ltd	9,044,680	24,990,986
Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank)	493,711	943,314
	<u>11,097,986</u>	<u>27,325,224</u>

Refer to note 27 for further information on financial instruments.

Total secured liabilities

The total secured current liabilities are as follows:

Joint Stock Commercial Ocean Bank	1,559,595	1,390,924
Mega International Commercial Bank Co Ltd	9,044,680	24,990,986
Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank)	493,711	943,314
	<u>11,097,986</u>	<u>27,325,224</u>

A new loan repayment plan was agreed with Mega Bank to repay the remaining loan balance of US\$6.8 million at 30 June 2021 (AU\$9.0 million as at the 30 June 2021 spot rate). This plan comprises monthly repayments of US\$1 million (AU\$1.3 million at 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.

Mega Bank has also granted a waiver in relation to the default interest and cash and cash equivalent covenant under the loan facility as at 30 June 2021.

Assets pledged as security

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

- i. A parent company guarantee from the parent entity for the debt owed by Donaco Hong Kong Limited;
- ii. A pledge of the shares in Donaco Hong Kong Limited owned by the parent entity (carrying value \$73,591,673, 2020: \$73,591,673);
- iii. A pledge of the shares in DNA Star Vegas Co. Ltd owned by Donaco Hong Kong Limited (carrying value \$105,354,030, 2020: \$115,413,395);
- iv. A pledge of the debt service reserve account maintained by Donaco Hong Kong Limited;
- v. A security assignment of contractual rights held by the parent entity under the purchase agreement for DNA Star Vegas;
- vi. A security agreement over the assets of DNA Star Vegas; and
- vii. A hypothec agreement over the land and buildings of DNA Star Vegas.

Mortgage to Joint Stock Commercial Ocean Bank

A mortgage was registered by the Ocean Bank of Vietnam over the assets of the Aristo International Hotel on 11 July 2011. Total borrowings as per the statement of financial position as at 30 June 2021 under this arrangement were \$1,559,595 (2020: \$2,297,988).

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

DONACO INTERNATIONAL LIMITED
Notes to financial statements
30 June 2021

Note 17. Current liabilities - borrowings (continued)

Joint Stock Commercial Bank for Foreign Trade of Vietnam

The loan from the Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank) was drawn down on 4 November 2020. The borrowing is guaranteed over properties held by Lao Cai International Hotel Joint Venture Company Ltd and is for a term of 9 months. Total borrowings as at 30 June 2021 is \$493,711 (2020: \$943,314).

	Consolidated	
	2021	2020
	\$	\$
<i>Financing arrangements</i>		
Unrestricted access was available at the reporting date to the following lines of credit (current and non current):		
Total facilities		
Bank loans	11,097,986	28,232,288
Used at the reporting date		
Bank loans	11,097,986	28,232,288
Unused at the reporting date		
Bank loans	-	-

Note 18. Current liabilities - income tax

Provision for income tax	1,291,435	154,296
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Note 19. Current liabilities - employee benefits

Annual leave	-	2,388
Accrued salaries, wages and other benefits	75,887	193,983
	75,887	196,371

Note 20. Non-current liabilities - trade and other payables

Other payables - non current	12,814	40,277
	12,814	40,277

Note 21. Non-current liabilities - borrowings

Joint Stock Commercial Ocean Bank	-	907,064
	-	907,064

Refer to note 27 for further information on financial instruments.

Total secured liabilities

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

Joint Stock Commercial Ocean Bank	1,559,595	2,297,988
Mega International Commercial Bank Co Ltd	9,044,680	24,990,986
Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank)	493,711	943,314
	11,097,986	28,232,288

DONACO INTERNATIONAL LIMITED
Notes to financial statements
30 June 2021

Note 22. 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 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 per month (AU\$39,903 as at 30 June 2021 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\$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%.

(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.

DONACO INTERNATIONAL LIMITED
Notes to financial statements
30 June 2021

Note 23. Equity - issued capital

	2021	Consolidated	2021	2020
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>1,234,727,414</u>	<u>822,930,805</u>	<u>372,584,126</u>	<u>358,372,299</u>
Details		Date	Shares	\$
Balance		30 June 2019	823,592,773	358,656,945
Employee shares forfeited		31 December 2019	(661,968)	(284,646)
Balance		30 June 2020	822,930,805	358,372,299
Shares issued		27 July 2020	411,796,609	14,211,827
Balance		30 June 2021	<u>1,234,727,414</u>	<u>372,584,126</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

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 AUD14.4 million (before costs). The offer was subsequently completed on 27 July 2020, with a total of 113,692,949 of new shares applied for by shareholders and the remaining 298,103,660 new shares acquired by Mr Lee Bug Tong and Mr Lee Bug Huy. Post completion of the entitlement offer and associated underwriting, Mr Lee Bug Huy and Mr Lee Bug Tong hold a relevant interest in the Company of 42.12%, an increase from their previous interest of 17.99%.

The funds raised 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.

Capital risk management

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment.

The consolidated entity is subject to certain financing arrangements and meeting these is given priority in all capital risk management decisions. The financing arrangements contain certain covenants relating to interest cover (the ratio of consolidated EBITDA to consolidated finance charges), and debt ratio (the ratio of consolidated net debt to EBITDA), which apply to Donaco Hong Kong Limited. In addition, covenants relating to the debt equity ratio (the ratio of consolidated total debt to consolidated total equity), and minimum cash holdings, apply to the consolidated entity.

In light of the impact to the consolidated entity as result of the COVID-19 global pandemic, Mega Bank has granted a waiver in relation to the default interest and cash and cash equivalent covenant under the loan facility agreement as at 30 June 2021.

The capital risk management policy remains unchanged from the 2020 financial statements.

Treasury shares are shares in Donaco International Limited that are held by Smartequity EIS Pty Ltd for the purpose of issuing shares under the employee share scheme. Shares issued to employees are recognised on a first-in-first-out basis.

Details	Number of shares	\$
Opening balance 1 July 2019	595,224	233,470
Shares forfeited 31 December 2019	661,968	284,646
Balance 30 June 2020	<u>1,257,192</u>	<u>518,116</u>
Balance 30 June 2021	<u>1,257,192</u>	<u>518,116</u>

DONACO INTERNATIONAL LIMITED
Notes to financial statements
30 June 2021

Note 24. Equity - reserves

	Consolidated	
	2021	2020
	\$	\$
Revaluation surplus reserve	1,855,327	1,855,327
Foreign currency reserve	28,097,197	42,454,937
Employee share option reserve	3,369,254	3,369,254
	<u>33,321,778</u>	<u>47,679,518</u>

Consolidated	Revaluation surplus reserve	Share-based payment reserve	Foreign currency reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2019	1,855,327	3,088,689	37,244,147	42,188,163
Foreign currency translation	-	-	5,210,790	5,210,790
Shares forfeited	-	284,646	-	-
Share-based payments	-	(4,081)	-	280,565
	<u>1,855,327</u>	<u>3,369,254</u>	<u>42,454,937</u>	<u>47,679,518</u>
Balance at 30 June 2020	-	-	(14,357,740)	(14,357,740)
	<u>1,855,327</u>	<u>3,369,254</u>	<u>28,097,197</u>	<u>33,321,778</u>

Nature and purpose of equity reserves

Revaluation surplus

The revaluation surplus reserve is used to record increments and decrements in the fair value of net assets of disposed entities.

Share-based payment

The reserve is used to recognise:

- the grant date fair value of options issued to key management personnel but not exercised; and
- the issue of options held by the Employee Share Option Trust to key management personnel.

Foreign currency

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1 and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

	Consolidated	
	2021	2020
	\$	\$
Note 25. Equity - accumulated losses		
Accumulated losses at the beginning of the financial year	(270,150,057)	(211,264,623)
Profit / (loss) after income tax expense for the year	25,177,126	(58,885,434)
Accumulated losses at the end of the financial year	<u>(244,972,931)</u>	<u>(270,150,057)</u>

Note 26. Equity - dividends

The dividend policy that was announced on 29 August 2017 stated that the consolidated entity intends to pay out 10-30% of net profit after tax as dividends to shareholders, with the intention to provide regular half-yearly dividend payments, subject to the consolidated entity's then current working capital requirements and growth plans. Shareholders should note that the payment of dividends is not guaranteed.

No dividends were paid for the year ended 30 June 2021 (2020: nil).

Franking credit balance

	Consolidated	
	2021	2020
	\$	\$
Franking credits available for subsequent reporting periods after payment of tax liability based on a tax rate of 30% (2020: 30%)	<u>471,682</u>	<u>471,682</u>

Note 27. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Market risk

Market risk is the risk that changes in market prices, such as interest rate and foreign exchange rate will affect the consolidated entity's income.

Foreign currency risk

The consolidated entity is exposed to foreign exchange fluctuations in relation to cash generated for working capital purposes, denominated in foreign currencies and net investments in foreign operations, in which the functional currencies are Vietnamese Dong and Thai Baht.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. An assessment of the sensitivity of the consolidated entity's exposure to interest rate movements was performed, and was found to be immaterial for the purposes of this disclosure.

Exchange rate exposures are managed within approved policy parameters and material movements are not expected. The consolidated entity does not enter into any forward exchange contracts to buy or sell specified foreign currencies.

The average exchange rates and reporting date exchange rates applied were as follows:

	Average exchange rate		Reporting date exchange rate	
	2021	2020	2021	2020
Australian dollars				
USD	1.3391	1.4895	1.3301	1.4571
THB	0.0433	0.0480	0.0415	0.0471
VND	0.0001	0.0001	0.0001	0.0001
CNY	0.2024	0.2119	0.2060	0.2061
MYR	0.3246	0.3542	0.3203	0.3404
SGD	0.9947	1.0770	0.9892	1.0443
HKD	0.1726	0.1911	0.1713	0.1880

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
	2021	2020	2021	2020
Consolidated				
USD	236,450	798,847	(2,521,638)	(5,563,524)
CNY	2,642,200	6,352,003	(6,744,703)	(4,335,573)
MYR	67,322	25,657	(2,307)	(3,522)
SGD	-	60,593	(16,715)	(17,639)
HKD	11,761	38,249	(57,022)	(64,031)
	<u>2,957,733</u>	<u>7,275,349</u>	<u>(9,342,385)</u>	<u>(9,984,289)</u>

Note 27. Financial instruments (continued)

A 5% strengthening of the AUD against the various foreign currencies at the balance date would increase/(decrease) the Company's profit/(loss) after tax by the amounts shown below. The analysis assumes that all other variables remain constant.

Consolidated	% Change	AUD strengthened	
		Effect on profit after tax 2021	Effect on profit after tax 2020
USD	5%	114,259	238,234
CNY	5%	205,125	(100,822)
MYR	5%	(3,251)	(1,107)
SGD	5%	836	(2,148)
HKD	5%	2,263	1,289
		<u>319,232</u>	<u>135,446</u>

A 5% weakening of the AUD against the various currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

The consolidated entity's exposure to the risk of changes in market interest rates relates primarily to the consolidated entity's bank loans and debt obligations and its cash and cash equivalents. The consolidated entity manages its interest rate risk by using a combination of variable and fixed rate borrowings.

As at the reporting date, the consolidated entity had the following cash and cash equivalents and borrowings:

Consolidated	2021		2020	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	%	\$	%	\$
Bank loans	6.77%	(11,097,986)	7.66%	(28,232,288)
Cash at bank	0.01%	1,412,484	0.10%	3,166,510
Fixed deposits	3.10%	<u>243,735</u>	n/a	<u>-</u>
Net exposure to cash flow interest rate risk		<u>(9,441,767)</u>		<u>(25,065,778)</u>

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

An assessment of the sensitivity of the consolidated entity's exposure to interest rate movements was performed, and was found to be not significant for the purposes of this disclosure.

Note 27. Financial instruments (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity maintains cash to meet all its liquidity requirements and manages its liquidity by carefully monitoring cash outflows due in a day-to-day and week-to-week basis. Furthermore, the consolidated entity's long term liquidity needs are identified in its annual Board approved budget, and updated on a quarterly basis through revised forecasts.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid.

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual maturities
	%	\$	\$	\$	\$	\$
Consolidated - 2021						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	3,707,146	-	-	-	3,707,146
Floating chips	-	6,817,476	-	-	-	6,817,476
<i>Interest bearing - variable</i>						
Bank loans	6.77%	11,097,986	-	-	-	11,097,986
Lease liabilities	2.31%	378,079	319,224	1,334,733	27,977,231	30,009,268
Total non-derivatives		22,000,687	319,224	1,334,733	27,977,231	51,631,876
Consolidated - 2020						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	7,822,565	-	-	-	7,822,565
Floating chips	-	4,759,231	-	-	-	4,759,231
<i>Interest-bearing - variable</i>						
Bank loans	7.66%	27,325,224	907,064	-	-	28,232,288
Lease liabilities	7.71%	298,284	245,146	548,705	13,665,993	14,758,128
Total non-derivatives		40,205,304	1,152,210	548,705	13,665,993	55,572,212

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

DONACO INTERNATIONAL LIMITED
Notes to financial statements
30 June 2021

Note 28. Key management personnel disclosures

Directors

The following persons were directors of Donaco International Limited during the financial year:

Kurkye Wong	Executive Director (resigned 21 December 2020)
Yan Ho Leo Chan	Executive Director (resigned 21 December 2020)
Roderick John Sutton	Non-Executive Director
Simon Vertullo	Non-Executive Director (resigned 2 September 2020)
Norman Mel Ashton	Non-Executive Director (resigned 2 September 2020)
Lee Bug Huy	Executive Director (appointed 3 August 2020)
Porntat Amatavivadhana	Non-Executive Chairman (effective 2 September 2020, appointed Non-Executive Director 3 August 2020)
Andrew Phillips	Non-Executive Director (appointed 2 September 2020)
Issaraya Intrapaiaboon	Non-Executive Director (appointed 2 September 2020)

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Paul Arbuckle	Chief Executive Officer (terminated 4 August 2020)
Gordon Lo	Chief Financial Officer

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2021	2020
	\$	\$
Short-term employee benefits	1,541,998	2,412,038
Post-employment benefits	14,434	72,332
Share-based payments	-	77,759
	<u>1,556,432</u>	<u>2,562,129</u>

Note 29. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Crowe the auditor of the company, and unrelated firms:

	Consolidated	
	2021	2020
	\$	\$
<i>Audit services - Crowe Sydney</i>		
Audit or review of the financial statements	<u>123,000</u>	<u>123,000</u>
	<u>123,000</u>	<u>123,000</u>
<i>Audit services - related firms</i>		
Audit or review of the financial statements	150,469	206,969
Preparation of the tax return	<u>1,034</u>	<u>1,145</u>
	<u>151,503</u>	<u>208,114</u>
<i>Audit services - unrelated firms</i>		
Audit or review of the financial statements	<u>47,782</u>	<u>79,182</u>
<i>Other services - unrelated firms</i>		
Preparation of the tax return	<u>2,204</u>	<u>2,657</u>
	<u>49,986</u>	<u>81,839</u>

DONACO INTERNATIONAL LIMITED
Notes to financial statements
30 June 2021

Note 30. Commitments

	Consolidated	
	2021	2020
	\$	\$
<i>Capital commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	37,258	-
	<u>37,258</u>	<u>-</u>
<i>Lease commitments - operating (as lessor)</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	-	7,520
	<u>-</u>	<u>7,520</u>

The consolidated entity leases out its premises in the DNA Star Vegas Casino under non-cancellable operating leases. There were no outstanding leases as at 30 June 2021.

Note 31. Related party transactions

Parent entity

Donaco International Limited is the legal parent entity. Donaco International Limited is listed on the Australian Securities Exchange (ASX: DNA).

Subsidiaries

Interests in subsidiaries are set out in note 33.

Key management personnel

Disclosures relating to key management personnel are set out in note 28 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties during 2021:

	Consolidated	
	2021	2020
	\$	\$
Non-competition settlement amount from vendors of DNA Star Vegas	50,885,800	-
Settlement of management fee payable and interest expense to vendors of DNA Star Vegas	(24,103,800)	-
Rental received from Arte Mobile Technology Pte Ltd (subsidiary of Isentric Limited)	-	7,448

The above transactions occurred at commercial rates.

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

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

DONACO INTERNATIONAL LIMITED
Notes to financial statements
30 June 2021

Note 32. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	2021 \$	Parent 2020 \$
Profit / (loss) after income tax	22,186,718	(54,222,285)
Total comprehensive income / (loss)	22,186,718	(54,222,285)

Statement of financial position

Total current assets	7,626,103	32,074,451
Total assets	153,466,660	162,451,492
Total current liabilities	15,055,633	60,439,010
Total liabilities	15,055,633	60,439,010
Equity		
Issued capital	420,547,212	406,335,385
Employee share option reserve	3,369,254	3,369,254
Accumulated losses	(285,505,439)	(307,692,157)
Total equity	138,411,027	102,012,482

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

As at 30 June 2021, the parent entity acts as a guarantor for the facility provided by Mega International Commercial Bank Co. Ltd to a controlled entity, Donaco Hong Kong Limited.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2021 and 30 June 2020.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity.

Note 33. 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	
		2021 %	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 *	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 - 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 33. Interests in subsidiaries (continued)

Summarised financial information

Summarised financial information of the subsidiary with non-controlling interests that are material to the consolidated entity are set out below:

Lao Cai International Hotel Joint Venture Company	2021	2020
	\$	\$
<i>Summarised statement of financial position</i>		
Current assets	4,093,319	7,650,189
Non-current assets	59,365,982	67,952,564
Total assets	63,459,301	75,602,753
Current liabilities	10,821,281	17,200,461
Non-current liabilities	5,943,869	3,065,414
Total liabilities	16,765,150	20,265,875
Net assets	46,694,151	55,336,878
<i>Summarised statement of profit or loss and other comprehensive income</i>		
Revenue	1,203,215	13,727,632
Expenses	(5,452,536)	(13,385,867)
(Loss) / profit before income tax expense	(4,249,321)	341,765
Income tax expense	15,001	(123,334)
(Loss) / profit after income tax expense	(4,234,320)	218,431
<i>Statement of cash flows</i>		
Net cash used in operating activities	(1,651,333)	(1,202,711)
Net cash from investing activities	761	46,195
Net cash used in financing activities	(994,735)	(6,104,935)
Net decrease in cash and cash equivalents	(2,645,307)	(7,261,451)
<i>Other financial information</i>		
(Loss) / profit attributable to non-controlling interests	(230,176)	11,815
Accumulated non-controlling interests at the end of reporting period	1,801,585	2,031,761

DONACO INTERNATIONAL LIMITED
Notes to financial statements
30 June 2021

Note 34. 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. Drawdowns of US\$1 million (AU\$1.3 million as at 30 June 2021 spot rate) were made in July, August and September 2021, and the next drawdown of US\$1 million (AU\$1.3 million as at 30 June 2021 spot rate) is scheduled on 29 October 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.

COVID-19 pandemic

Subsequent to year end, the impact of the COVID-19 pandemic continues to evolve with restrictions imposed by the Cambodian government and international borders remaining shut. As vaccination efforts progress in Thailand and Cambodia, Donaco prepares to resume full casino operations at Aristo and Star Vegas once the COVID-19 situation improves. 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.

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 35. Net cash flows from operating activities

	Consolidated	
	2021	2020
	\$	\$
a) Reconciliation of profit / (loss) after income tax to net cash from operating activities		
Profit / (loss) after income tax expense for the year	24,946,950	(58,873,619)
Adjustments for:		
Depreciation and amortisation	8,984,417	10,220,516
Impairment of assets	8,784,961	50,512,420
Share-based payments	-	(4,081)
Non-cash net proceeds on settlement of litigation matters	(50,885,800)	-
Non-cash finance costs	6,732,271	978,452
Change in operating assets and liabilities:		
(Increase) / decrease in trade and other receivables	(370,023)	1,310,951
(Increase) / decrease in inventories	(41,812)	478,514
Decrease in other operating assets	204,109	492,861
Increase in deferred tax assets	(13,811)	(15,163)
Decrease in trade and other payables	(3,898,885)	(6,152,662)
Increase / (decrease) in provision for income tax	1,137,139	(1,610,400)
Decrease in provisions for employee benefits	(120,484)	(549,711)
Net cash used in operating activities	<u>(4,540,968)</u>	<u>(3,211,922)</u>
b) Change in liabilities arising from financing activities		
		2021
		\$
Borrowings at beginning of the year (note 21)		28,232,288
Proceeds from loan borrowings		493,243
Repayments		(16,150,859)
Foreign exchange adjustments		(2,345,520)
Other non-cash movements		868,834
Borrowings at end of the year (note 21)		<u>11,097,986</u>

DONACO INTERNATIONAL LIMITED
Notes to financial statements
30 June 2021

Note 36. Earnings / (loss) per share

	Consolidated	
	2021	2020
	\$	\$
Profit / (loss) after income tax	24,946,950	(58,873,619)
Non-controlling interest interest share of loss / (profit)	230,176	(11,815)
Profit / (loss) after income tax attributable to the owners of Donaco International Limited	<u>25,177,126</u>	<u>(58,885,434)</u>
	Numbers	Numbers
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 over ordinary shares	-	-
Weighted average number of ordinary shares used in calculating diluted earnings / loss per share	<u>1,199,365,413</u>	<u>823,261,789</u>
	Cents	Cents
Basic earnings / (loss) per share	2.10	(7.15)
Diluted earnings / (loss) per share	2.10	(7.15)

Note 37. Share-based payments

Employee shares

No shares were granted or outstanding under an employee share scheme at any time during the year ended 30 June 2021.

Employee options

No options were granted or outstanding at any time during the year ended 30 June 2021.

Note 38. Contingent assets and liabilities

As at 30 June 2021, 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 (see note 7). The contingent liabilities are as follows:

	2021	2020
	\$	\$
Penalties plus interest on non-payment of tax obligatory payments to MoEF under:		
- Lump Sum Tax Regime	232,768	-
- Real Tax Regime	133,010	-
	<u>365,778</u>	<u>-</u>

No provisions are recognised as it is not probable that a future sacrifice of economic benefits will be required.

DONACO INTERNATIONAL LIMITED
Directors' declaration
30 June 2021

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that 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.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



Mr Porntat Amatavivadhana
Chairman

29 September 2021
Sydney

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Donaco International Limited (the Company) and its subsidiaries (the consolidated entity), which comprises the consolidated statement of financial position as at 30 June 2021, 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the consolidated entity is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the consolidated entity 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* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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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 \$20,103,811 as at 30 June 2021. The consolidated entity recorded net operating cash outflows of \$4,540,968 and net profit after income tax of \$24,946,950 for the year then ended. The net profit after income tax included non-recurring other income of \$50,885,800. As stated in Note 1, the directors have prepared the 30 June 2021 financial report on a going concern basis and have been taking actions to address these financial positions. Should the events or actions set forth in Note 1 not eventuate, it may result in a material uncertainty that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of intangible assets (Note 13)

Key Audit Matter	How we addressed the key audit matter
The carrying value of the consolidated entity's casino licence asset was \$16.6 million as at 30 June 2021. The licence is classified as an intangible asset with indefinite useful life and is subject to annual impairment assessment. Impairment of \$8.4 million was recognised in the statement of profit or loss and other comprehensive income for the year based on impairment assessments performed as at 31 December 2020 and 30 June 2021. The impairment assessment of the intangible asset is a key audit matter because of the complexity and subjectivity involved, including key assumptions made.	Our audit procedures included, amongst others, the following: - Assessed management's determination of the cash generating unit ("CGU") and the CGU's carrying value. - Assessed reasonableness of cash flow forecasts by comparing the base year in the forecast calculation to the current period's actual results. - Assessed the appropriateness of the currency used in the model. The cash flow forecast is calculated in the Thai Baht (THB) and translated to the US Dollar (USD) at the valuation date, and subsequently translated into the Australian Dollar (AUD). - Together with our valuation specialists, assessed reasonableness of the key assumptions used, being revenue growth rate, discount rate, and terminal growth rate. - Tested the mathematical accuracy and components of the model that supports the impairment assessment. - Checked the sensitivity of the impairment assessment by focusing on the discount and growth rates. - Evaluated the adequacy of the judgments and sources of estimation uncertainty disclosures in the consolidated financial report.

Accounting outcome from the settlement agreements (Note 1, Note 5, Note 6, Note 22)

Key Audit Matter	How we addressed the key audit matter
The consolidated entity and the vendors of the Star Vegas business signed settlement agreements on 2 March 2020, and the agreements were finalised upon securing an approval from Mega Bank on 21 December 2020. The settlement concluded the various legal proceedings in Australia and other various jurisdictions. The accounting treatment of the settlement agreements is a key audit matter because of their significant impacts to various areas in the financial statements.	Our audit procedures included, amongst others, the following: • Read the settlement agreements and checked the completion to supporting documents, including an approval from Mega Bank. • Obtained and checked responses from the solicitors which confirmed that all legal issues had been set aside. • Assessed appropriateness of the accounting treatment of the transactions, including the recognition and measurement. • Checked updated lease and right-of-use assets calculation that incorporated the impact of the amended perpetual lease agreement. • Evaluated the adequacy of the presentation and disclosure in the consolidated financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the consolidated entity's Annual Report for the year ended 30 June 2021 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the consolidated entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the consolidated entity financial report. The auditor is responsible for the direction, supervision and performance of the consolidated entity audit. The auditor remains solely responsible for the audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the remuneration report included in pages 11 to 18 of the directors' report for the year ended 30 June 2021.

In our opinion, the remuneration report of Donaco International Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.



Crowe Sydney



Suwarti Asmono
Partner

29 September 2021
Sydney

DONACO INTERNATIONAL LIMITED
Shareholder information
30 June 2021

The shareholder information set out below was applicable as at 13 August 2021.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	318
1,001 to 5,000	335
5,001 to 10,000	203
10,001 to 100,000	552
100,001 and over	264
	<u>1,672</u>

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary Shares	
	Number held	% of total shares issued
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	254,106,470	20.57%
ON NUT ROAD LIMITED	158,574,603	12.84%
TECHATUT SUKCHAROENKRAISRI	149,051,830	12.07%
BHUVASITH CHAIARUNROJH	149,051,830	12.07%
CITICORP NOMINEES PTY LIMITED	112,324,096	9.09%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	74,308,277	6.02%
MR TECK LEE PATRICK TAN	38,232,459	3.09%
BNP PARIBAS NOMINEES PTY LTD<IB AU NOMS RETAILCLIENT DRP>	35,793,110	2.90%
BNP PARIBAS NOMS PTY LTD<DRP>	25,604,950	2.07%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	17,595,926	1.42%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	15,383,469	1.25%
BNP PARIBAS NOMINEES PTY LTD<LGT BANK AG DRP>	14,743,867	1.19%
MONEX BOOM SECURITIES (HK) LTD<CLIENTS ACCOUNT>	13,268,946	1.07%
BNP PARIBAS NOMS PTY LTD<UOB KH P/L AC UOB KH DRP>	9,421,736	0.76%
TA SECURITIES HOLDINGS BERHAD	7,359,313	0.60%
MR TIMOTHY JOHN EAKIN<ESTATE LATE VJA FLYNN A/C>	6,000,000	0.49%
HATIM TAIY PTY LIMITED<V J A FLYNN SETTLEMENT A/C>	5,616,500	0.45%
BNP PARIBAS NOMS(NZ) LTD<DRP>	4,745,000	0.38%
BNP PARIBAS NOMS PTY LTD<UOB KAY HIAN PRIV LTD DRP>	3,964,282	0.32%
DEFENDER EQUITIES PTY LTD<DEFENDER AUS OPPORTUN FD A/C>	3,570,000	0.29%
MR MACIEJ TOMCZAK	3,569,716	0.29%
	<u>1,102,286,380</u>	<u>89.23%</u>

Unquoted equity securities

	Number on issue
Employee options	-
Warrants	-

DONACO INTERNATIONAL LIMITED
Shareholder information
30 June 2021

Substantial holders

Substantial holders in the company are set out below:

	Ordinary Shares	
	Number held	% of total shares issued
ON NUT ROAD LIMITED	158,574,603	12.84%
ARGYLE STREET MANAGEMENT LIMITED, ARGYLE STREET MANAGEMENT HOLDINGS LIMITED, MR. KIN CHAN, AND MR. V-NEE YEH	158,574,603	12.84%
BHUVASITH CHAIARUNROJH (aka Lee Bug Tong)	260,451,477	21.08%
TECHATUT SUKCHAROENKRAISRI (aka Lee Bug Huy)	260,451,477	21.08%

Voting rights

The voting rights attached to ordinary shares and options are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options

There are no voting rights attached to options. Upon exercise of the option, the issued shares will confer full voting rights.

Warrants

There are no voting rights attached to warrants. Upon conversion of the warrant, the issued shares will confer full voting rights.

There are no other classes of equity securities.

DONACO INTERNATIONAL LIMITED
Corporate directory
30 June 2021

Directors	Porntat Amatavivadhana - Non-Executive Chairman (effective 2 September 2020) (appointed Non-Executive Director 3 August 2020) Roderick John Sutton - Non-Executive Director Lee Bug Huy - Executive Director (appointed 3 August 2020) Andrew Phillips - Non-Executive Director (appointed 2 September 2020) Issaraya Intrapaiboon - Non-Executive Director (appointed 2 September 2020)
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	Automic Level 5 126 Phillip Street Sydney NSW 2001 +61 2 9698 5414
Auditor	Crowe Sydney Level 15 1 O'Connell St Sydney NSW 2000
Stock exchange listing	Donaco International Limited shares are listed on the Australian Securities Exchange (ASX code: DNA)
Website	www.donacointernational.com
Corporate Governance Statement	The Corporate Governance Statement of Donaco International Limited is available from our website www.donacointernational.com , via the tab headed "Investor Relations".