

DONACO INTERNATIONAL LIMITED
ABN 28 007 424 777

Full Year Statutory Accounts
30 June 2023

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General information

The financial statements cover Donaco International Limited as a consolidated entity consisting of Donaco International Limited and the entities it controlled at the end of, or during, the year. 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 2023. The directors have the power to amend and reissue the financial statements.

From the Chairman

Dear fellow shareholders,

Donaco has successfully navigated the challenges posed by the Covid-19 pandemic and has emerged as a stronger business. While some impacts still persist, FY23 was a turnaround year, resulting in positive EBITDA growth.

The team has proactively built a resilient and sustainable business. The reopening of China's international borders in January 2023, and the tourism influx that followed through, allowed our operations, DNA Star Vegas (Star Vegas) and Aristo International Hotel (Aristo) to gradually recover.

Our Star Vegas business in Cambodia recorded an improved performance following the resumption of operations in June 2022. The asset delivered FY23 revenue of A\$19.9 million from FY22 revenue of A\$0.9 million, and EBITDA of A\$10.8 million, a great improvement from negative EBITDA of A\$1.5 million in FY22. Aristo in Vietnam, which is nearing a return to full operations, recorded FY23 revenue of \$4.4 million from A\$1.5 million in FY22, and EBITDA of A\$1.5 million, a big jump compared to FY22 negative EBITDA of A\$0.2 million. This resulted in our group achieving FY23 total revenue of A\$24.3 million compared to A\$2.4 million in FY22.

For the financial year, Donaco reported a statutory net loss after tax of A\$36.7 million. This loss included an impairment loss on intangible and other assets of A\$26.7 million, a non-recurring item of A\$5,000 and tax penalty on Aristo of A\$9.0 million. Excluding these factors, our net loss after tax is A\$1 million for the financial year. The impairment loss of A\$26.7 million included an impairment of the Star Vegas casino license, which was further impaired by A\$4.5 million. This impairment follows the recent subdued operating performance due to Covid-19 and a higher interest rates environment. Aristo faced a non-cash impairment charge of A\$22.2 million, with goodwill of A\$2.4 million written down to nil and the remaining impairment charge allocated against Aristo operations' non-current assets. Donaco has lodged an appeal against the tax penalty which was imposed on Aristo and we will continue to manage the situation and pursue the appeal process with the appropriate Vietnamese authorities.

Overall, Donaco recorded FY23 total EBITDA of A\$9.6 million, a substantial increase from prior year's negative EBITDA of A\$4.4 million. The group recorded total positive operational cash flow of A\$11.3 million, a significant improvement on FY22's negative operational cashflow of A\$5.7 million. The strong operational returns are in line with our continued efforts to recover Donaco's business following the Covid-19 pandemic. Additionally, we ended the year with a solid cash and cash equivalents balance of A\$16.7 million as of 30 June 2023.

Looking ahead to the financial year 2024, we anticipate Donaco's continued momentum to be sustained as a result of the projected increase in travel activity. Our outlook remains promising, and we will continue to manage the challenges and opportunities that arise while pursuing growth ahead.

I would also like to take the opportunity to thank you, our shareholders for your continued support, patience and trust in the business.



Porntat Amatavivadhana
Chairman

From the Chief Executive Officer

Dear Shareholders,

FY23 was a return to normality for Donaco following previous challenges stemming from the Covid-19 pandemic. The year resulted in FY23 Group revenue of A\$24.3 million compared to A\$2.4 million in FY22, and Group EBITDA of A\$9.6 million, a significant increase from FY22 negative EBITDA of A\$4.4 million.

Star Vegas commenced a gradual return to steady operations following its reopening in June 2022, aided by the Cambodia-Thai borders reopening. Since reopening, a number of strategic initiatives took place. Gaming machine arrangements were restructured, retail outlets were introduced and agreements reorganised with junket operators. These operational efficiencies have benefitted Star Vegas, and the business is now looking for further junket operators and to increase visitors to the casino.

Looking at Aristo which resumed operations in May 2020, the business received increased visitations from Chinese customers as the Vietnam-China borders fully reopened in January 2023. In order to attract VIP visitors, Aristo reduced the minimum turnover requirement to qualify as an active junket operator, from RMB 6 million to RMB 3 million. The move encouraged the return of junket operators, accelerating traction in VIP visitors, and contributed to Aristo's gaming and non-gaming revenue.

During the financial year 2023, Donaco continued to take stringent cost control measures and remained focused on driving a resilient business in order to meet commitments to shareholders and stakeholders.

The travel flows between the Thailand-Cambodia and Vietnam-China borders are expected to continue to ramp-up and benefit our operations, in addition to various Government initiatives with major tourism campaigns. Aristo was acknowledged as the only 5-star hotel in the city of Lao Cai for a period of 5 years, which also presents a major opportunity to attract new customers. With an estimated annual capacity of 1.5 million passengers, the construction of Sapa airport in Lao Cai, the regional area where Aristo is located, is also envisaged to provide substantial economic potential for Donaco once the airport opens in 2025.

As we continue to manage the business, we expect a recovery to accelerate into the financial year 2024.



Lee Bug Huy
Group Chief Executive Officer

DONACO INTERNATIONAL LIMITED
ABN 28 007 424 777
30 June 2023

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 2023.

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:

Roderick John Sutton
Lee Bug Huy
Porntat Amatavivadhana
Andrew Phillips
Issaraya Intrapaiboon

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 2023.

Review of operations and financial results

Result Highlights

Underlying net loss after tax (NLAT) attributable to owners of the Company of A\$1 million, up from NLAT of A\$16.5 million in FY22, primarily due to an impairment charge of A\$26.7 million that was recognised during the year (impairment charge of \$0.7 million in FY22). Revenue at Star Vegas and Aristo improved substantially in the second half of FY23, following the gradual resumption of operations in both casinos after limited prior activity due to the pandemic.

	2023 \$ million	2022 \$ million
• Statutory NLAT	(36.7)	(16.5)
• Contribution of non-recurring items in NLAT	(35.7)	-
• Underlying NLAT	(1.0)	(16.5)
• Group Revenue	24.3	2.4
- Star Vegas revenue	19.9	0.9
- Aristo revenue	4.4	1.5
• Group Earnings Before Interest, Tax, Depreciation, Amortisation and Impairment (EBITDA)	9.6	(4.4)
• Underlying Group EBITDA	9.6	(4.4)
• Balance sheet with		
- Cash	16.7	6.1
- Borrowings	18.3	16.9
- Net debt	1.6	10.8
- Net debt to equity ratio	1.3%	7.1%

Reported loss after tax attributable to owners of the Company was A\$36.7 million, which included non-recurring items totalling A\$35.7 million. In contrast, the loss after tax reported in FY22 was A\$16.5 million.

The non-recurring items in FY23 include A\$4.5 million for the Star Vegas licence impairment, A\$22.2 million for Lao Cai impairment which comprises A\$2.4 million for write-off of goodwill and A\$19.8 million impairment allocated against Lao Cai's property, plant and equipment, land right and construction in progress and A\$9.0 million for Lao Cai tax fine and penalty.

Excluding the non-recurring items, underlying NLAT for the Group was A\$1 million, up from underlying NLAT of \$16.5 million in FY22.

Review of operations and financial results (continued)

Venue Performances

Star Vegas - FY23 v FY22

- Net Gaming Revenue up 2232% to A\$18.2 million
- Non-Gaming Revenue up 931% to A\$1.7 million
- EBITDA up to a profit of A\$10.8 million
- Property Level NPAT up to profit of A\$3.4 million (excluding impairment)
- Property Level impairment of A\$4.5 million

Star Vegas in Cambodia reopened for limited operations on 18 June 2022 and has since reached full operational capacity. As operations advanced to full capabilities, Star Vegas delivered positive results, generating net revenue of A\$19.9 million and EBITDA of A\$10.8 million.

Aristo International Hotel - FY23 v FY22

- Net Gaming Revenue up 131% to A\$2.8 million
- Non-Gaming Revenue up 496% to A\$1.6 million
- EBITDA up to a profit of A\$1.5 million
- Property Level NPAT up to loss of A\$1.5 million (excluding impairment, tax and penalties)
- Property Level impairment of A\$22.2 million

In the first half of FY23, Aristo was affected by the decrease in foreign visitors as the border between Vietnam and China remained closed. Since the reopening of the border in January 2023, operations have steadily resumed which resulted in Aristo delivering net revenue of A\$4.4 million and EBITDA of A\$1.5 million. VIP turnover has also accelerated since February 2023 with an average room occupancy of 40.18% on weekdays and 52.78% on weekends.

Capital Management

Unsecured loan facilities are held with Mr Lee Bug Huy, the current Chief Executive Officer and executive director. As at 30 June 2023, US\$12.1 million (AU\$18.3 million as at 30 June 2023 spot rate) had been drawn down on the loans, leaving an unutilised portion of US\$0.7 million (AU\$1.0 million as at 30 June 2023 spot rate). Under an annex to the original loan facility agreement that was entered into on 20 September 2023, the original loan facility of US\$7.8 million (AU\$11.8 million as at 30 June 2023 spot rate) is due to be repaid by 22 July 2027, six years from the first drawdown (as extended from the original repayment due date of 22 July 2024), while the additional loan facility of US\$5 million (AU\$7.5 million as at 30 June 2023 spot rate) is due to be repaid by 13 May 2026, four years from the first drawdown. The lender however may at any time require early repayment with a minimum of one month's prior notice. The lender has provided a letter of financial support to Donaco which states that he will not withdraw or call upon the loan should it affect any creditors of the Company and its subsidiaries in a detrimental way. Such financial support is provided for the foreseeable future covering a minimum period of 12 months from the date of issue of the audited financial statements for the year ended 30 June 2023.

Material business risks

The Board of Directors is committed to monitoring and mitigating business risks faced by the business, including the following key risks that have the potential to materially impact its material prospects:

Regulatory

The regulatory framework in which the Company operates is not only complex but also subject to change from time to time, which may impact the environment in which the Company operates. Over the past financial year, there has also been continued focus on regulatory oversight of casino operators in Cambodia and Vietnam. Regulatory risk is mitigated by close monitoring of the evolving regulatory landscape, including maintaining frequent and transparent engagement with the governments and regulators in the jurisdictions in which the Company operates and with industry stakeholders to ensure that expectations are met and high standards of compliance are maintained.

All the aforementioned risks are managed through the Company's Risk Management Policy which includes review and monitoring by the Audit and Risk Management Committee and the Board.

Political and compliance

The Company must comply with a range of statutory requirements in multiple jurisdictions. Changes to fiscal or regulatory regimes, adverse changes to tax laws, difficulties in interpreting or complying with local laws, material differences in sustainability standards and practices, or changes to existing political, judicial or administrative policies and changing community expectations.

The Company seeks to manage and minimise this risk through its existing risk management framework.

Review of operations and financial results (continued)

Material business risks (continued)

Anti-bribery and corruption

The Company operates in an industry which presents high money-laundering risks and in jurisdictions with varying degrees of political, economic and judicial stability, which also exposes the Company to the risk of bribery and corruption.

The Company has a clear Anti-Bribery and Anti-Corruption Policy and internal controls and procedures in place to protect against such risks. However, there can be no assurances that such controls, policies and procedures will absolutely protect the Company from potentially improper or criminal acts.

Liquidity and solvency

The Company's ability to achieve its business objectives is dependent on it being able to effectively manage its liquidity and solvency throughout a period of no and/or significantly diminished revenue and earnings. There is significant complexity related to managing those matters, and the Company's ability to demonstrate fiscal resilience during these times is critical to maintaining long term investor and regulatory confidence.

The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and maintaining flexibility in funding by keeping committed credit lines available with a variety of counterparties and maintaining transparent relationships with its lenders.

Given the cautious economic outlook and the ongoing regulatory focus, the Company continues to adopt a conservative approach to capital management.

Loss of casino license

A significant disruption to operations would arise through the suspension, cancellation or expiry of any of the Company's casino licences, which would have a significant negative impact.

The Company has mitigated this risk by maintaining a robust compliance culture and practices to ensure compliance with licence conditions and gaming legislation and regulations, and maintaining engagement with the governments and regulators in each jurisdiction in which the Company operates.

Significant changes in the state of affairs

There were no significant changes in the state of affairs during the financial year.

Matters subsequent to the end of the financial year

Additional funding

In July 2023, a repayment of US\$0.1 million (AU\$0.2 million as at 30 June 2023 spot rate) was made in relation to the shareholder loan, with a subsequent draw down of the same amount made in the same month. A further US\$0.1m (AU\$0.2 million as at 30 June 2023 spot rate) was drawn down in August 2023, with a repayment of the same amount also made in the same month. In September 2023, a repayment of US\$0.1 million (AU\$0.2 million as at 30 June 2023 spot rate) was drawn down, with a repayment made of the same amount in the same month. The unutilised portion of the additional loan facility entered into on 2 May 2022 is US\$0.7 million (AU\$1.0 million as at 30 June 2023 spot rate). Under an annex to the original loan facility agreement that was entered into on 20 September 2023, the repayment due date of the original loan facility of US\$7.8 million (AU\$11.8 million as at 30 June 2023 spot rate) has been extended to 22 July 2027, from the original repayment due date of 22 July 2024.

Lao Cai tax collections and penalties

On 31 July 2023, Lao Cai engaged with the Vietnamese General Department of Taxation (GDT) to further discuss the complaint letter that it had submitted to the GDT regarding its tax decision issued on 30 January 2023. On 12 September 2023, the GDT issued Decision No. 1357/QD-TCT regarding the settlement of the first legal complaint submitted by management on 6 February 2023. In this decision, based on its review of the first complaint and the supporting documents submitted, the GDT concluded that it disagrees with the content of the first complaint and decides that the fine for the tax administrative violations as set out in Decision No. 15/QD-TCT remains unchanged. Decision No. 1357/QD-TCT also notes that, should Lao Cai disagree with this decision, management has the right to make a legal complaint to the Vietnamese Ministry of Finance (MoF) or to sue the GDT in court in line with legal regulations on administrative proceedings within 30 days from the date of receiving this decision. In response to Decision No. 1357/QD-TCT, management has submitted a second letter of legal complaint on 22 September 2023 to provide further explanation for excluding floating chips from taxable revenue, and to request that the MoF consider readjustment of the taxable revenue of Lao Cai for FY2018, FY2019 and FY2020 as well as the associated tax shortfall and penalties. The response from the MoF is still pending, and there remains significant uncertainty regarding the outcome.

No other matter or circumstance has arisen since 30 June 2023 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.

The full reopening of the borders between Vietnam and mainland China where historically majority of Lao Cai's customers come from, has resulted in an increase in patronage at the Lao Cai casino since January 2023 and delivered better than forecast results for the period January 2023 to June 2023. Management believe that international travel will continue to increase, particularly from January 2024 when they anticipate the return of more players and junkets from mainland China during the Lunar New Year in January 2024, as experienced in the past. The casino expects to resume full twenty-four hour operations in FY2024. The recent recognition by the Lao Cai Ministry of Culture, Sports and Tourism of Aristo as the only 5-star hotel in the Lao Cai province also presents a major opportunity for Lao Cai to attract a significant number of new customers. It is also noted that the construction of the Sapa airport in Lao Cai presents a significant opportunity for Aristo to attract a significant number of new customers. The airport has a capacity of 1.5 million passengers a year and is expected to be open in 2025. Additionally, Lao Cai has settled all its local bank loans and has no further bank loan agreements in effect. The Cambodian government also recently launched a major tourism campaign to attract Thai visitors, which management anticipates would result in positive flow-on effects to the DNA Star Vegas (DSV) casino. Donaco will also continue to refine its focus on maximising operational efficiencies across both Lao Cai and DSV operations, as well as practising prudent financial management to maintain healthy cash balances.

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:	Roderick John Sutton
Title:	Non-Executive Director
Experience and expertise:	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:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Audit & Risk Management Committee (effective 19 December 2019 and re-appointed 2 September 2020)
Interests in shares:	1,539,000 ordinary shares
Interests in Options:	None
Name:	Lee Bug Huy (Techatut Sukcharoenkraisri)
Title:	Executive Director
Experience and expertise:	Mr Lee 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 Lee holds a BSc majoring in Chemical Engineering.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chief Executive Officer (effective 3 September 2020)
Interests in shares:	260,451,476 ordinary shares
Interests in Options:	None

Information on directors (continued)

Name:	Porntat Amatavivadhana
Title:	Non-Executive Chairman
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:	3,355,405 ordinary shares
Interests in Options:	None
Name:	Andrew Guy Phillips
Title:	Independent non-executive director
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:	Issaraya Intrapai boon
Title:	Non-executive director
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 Ms Joan Dabon as of 19 September 2023. Prior to this, the company secretary was Mr Hasaka Martin. Ms Dabon is a Chartered Secretary with Source Governance and has over 7 years' experience in providing company secretarial and corporate advisory services to listed companies across a variety of sectors.

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 2023, 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
Roderick John Sutton	3	3	3	3	-	-
Lee Bug Huy	3	3	-	-	-	-
Pornrat Amatavivadhana	3	3	-	-	-	-
Andrew Phillips	3	3	3	3	-	-
Issaraya Intrapaboon	3	3	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 FY23, 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 third KPI above was met while the first two KPIs above were not satisfied for FY23. One executive satisfied their personal KPI during the year.

For long-term incentives in FY23, 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.

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.

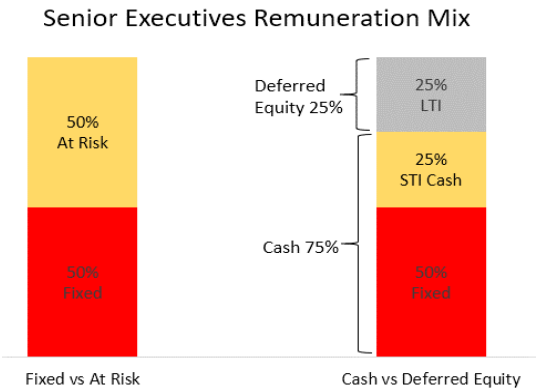
Executive remuneration

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.



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 2023

Remuneration report (audited) (continued)

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

For FY23, 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 AUD12.7m (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 THB579.8 million (25%).
3. Achievement of the budgeted revenue target for the Aristo property, in Chinese Renminbi terms. The applicable revenue target was RMB13.2 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 third KPI above was met while the first two KPIs above were not satisfied for FY23. 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 FY23 and FY22, 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

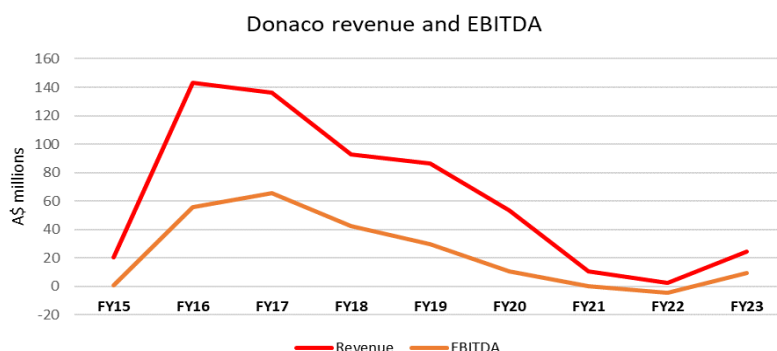
As detailed above, Donaco's remuneration policy is directly linked to company performance, particularly in relation to top-line revenue growth and cost control, to ultimately create long-term shareholder value. STI and LTI awards are dependent on defined KPIs being met, which are primarily financial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

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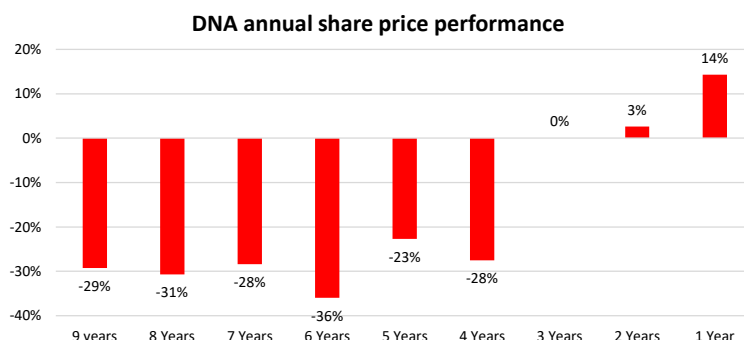
Remuneration report (audited) (continued)

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. The COVID-19 pandemic adversely affected revenue and EBITDA in the FY21 and FY22 years, which resulted in a minimal increase in average growth rates over the eight-year period to FY22. The rollout of vaccines and decline in infection rates led to the gradual resumption of casino operations throughout FY23, as international borders reopened and travel resumed. This has resulted in an improvement in the average growth rate for revenue and EBITDA over the nine-year period to FY23, of 2.22% and 42.98% respectively.



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-compete agreement, market concerns over the resulting legal disputes, and in FY20, FY21 and FY22 as a result of the COVID-19 pandemic. However, the share price has improved in FY23, reflecting the resumption of operations and international travel following the end of the restrictions imposed during the 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 FY23 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 2022 and 30 June 2023.

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:

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

And the following person:

- Gordon Lo - Chief Financial Officer

Remuneration report (audited) (continued)

Details of remuneration (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
	\$	\$	\$	\$	\$	\$	\$
2023							
<i>Non-Executive Directors:</i>							
Roderick Sutton	120,000	-	-	-	-	-	120,000
Porntat Amatavivadhana	120,000	-	-	-	-	-	120,000
Andrew Phillips	132,600	-	-	-	-	-	132,600
Issaraya Intrapai boon	120,000	-	-	12,600	-	-	132,600
<i>Executive Directors:</i>							
Lee Bug Huy	300,000	-	-	-	-	-	300,000
<i>Other Key Management Personnel:</i>							
Gordon Lo	267,307	-	99,495	3,411	-	-	370,213
	1,059,907	-	99,495	16,011	-	-	1,175,413

The bonus above was paid during FY23 and relates to performance for the period 1 January 2022 to 31 December 2022.

No bonus amounts were accrued to directors and key management personnel in FY23 for performance during FY23.

	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
	\$	\$	\$	\$	\$	\$	\$
2022							
<i>Non-Executive Directors:</i>							
Roderick Sutton	120,000	-	-	-	-	-	120,000
Porntat Amatavivadhana	120,000	-	-	-	-	-	120,000
Andrew Phillips	132,000	-	-	-	-	-	132,000
Issaraya Intrapai boon	120,000	-	-	12,000	-	-	132,000
<i>Executive Directors:</i>							
Lee Bug Huy	300,000	-	-	-	-	-	300,000
<i>Other Key Management Personnel:</i>							
Gordon Lo	248,949	-	92,820	3,177	-	-	344,946
	1,040,949	-	92,820	15,177	-	-	1,148,946

The bonus above was paid during FY22 and relates to performance for the period 1 January 2021 to 31 December 2021.

No bonus amounts were accrued to directors and key management personnel in FY22 for performance during FY22.

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	
	2023	2022	2023	2022	2023	2022
<i>Non-Executive Directors:</i>						
Roderick Sutton	100%	100%	0%	0%	0%	0%
Porntat Amatavivadhana	100%	100%	0%	0%	0%	0%
Andrew Phillips	100%	100%	0%	0%	0%	0%
Issaraya Intrapaiboon	100%	100%	0%	0%	0%	0%
<i>Executive Directors:</i>						
Lee Bug Huy	100%	100%	0%	0%	0%	0%
<i>Other Key Management Personnel:</i>						
Gordon Lo	73%	73%	27%	27%	0%	0%

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

Name	Cash bonus paid/payable		Cash bonus forfeited	
	2023	2022	2023	2022
<i>Other Key Management Personnel:</i>				
Gordon Lo	100%	100%	0%	0%

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 FY23, 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 (2022: nil).

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.

30 June 2023

Remuneration report (audited) (continued)

Share-based compensation

Shares

There were no shares granted as part of compensation during the year ended 30 June 2023.

Options

There were no options issued as part of compensation during the year ended 30 June 2023.

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 2023.

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>					
Roderick Sutton	1,539,000	-	-	-	1,539,000
Gordon Lo	-	-	-	-	-
Lee Bug Huy	260,451,476	-	-	-	260,451,476
Porntat Amatavivadhana	3,355,405	-	-	-	3,355,405
Andrew Phillips	-	-	-	-	-
Issaraya Intrapai boon	-	-	-	-	-

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 the year:

	Consolidated	
	2023	2022
	\$	\$
Interest expenses on shareholder loan from Mr Lee Bug Huy	(1,157,992)	(460,905)

The above transactions occurred at commercial rates.

Loans to/from related parties

The following loan balances were held with related parties at year end:

	Consolidated	
	2023	2022
	\$	\$
Shareholder loan from Mr Lee Bug Huy	18,325,650	15,140,354
Interest payable to Mr Lee Bug Huy	1,618,896	460,905

The loan was made on normal commercial terms and conditions at market 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 2023 and up to the date of this report, on the exercise of options granted (2022: 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 27 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 27 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.

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

The Audit Committee Members were satisfied that the approval:

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

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

The directors are in the process of appointing a new auditor.

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 2023

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 2023
Sydney

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29 September 2023

The Board of Directors
Level 43
25 Martin Place
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 financial year ended 30 June 2023, 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

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The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is external audit, conducted via the Crowe Australasia external audit division and Unison SMSF Audit. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

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DONACO INTERNATIONAL LIMITED
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

		Consolidated	
	Note	2023	2022
		\$	\$
Revenue from continuing operations	4	24,327,480	2,437,085
Total income		<u>24,327,480</u>	<u>2,437,085</u>
Expenses			
Food and beverages		(947,287)	(252,365)
Employee benefits expense		(6,739,423)	(3,188,848)
Depreciation and amortisation expense	5	(7,331,105)	(8,358,521)
Impairment expense	5	(26,739,077)	(736,637)
Legal and compliance		(586,330)	(633,915)
Marketing and promotions		(975,121)	(31,206)
Professional and consultants		(546,815)	(328,930)
Property costs		(1,960,583)	(1,185,798)
Telecommunications and hosting		(119,977)	(114,048)
Gaming costs		(975,759)	(118,204)
Administrative expenses		(1,761,257)	(1,022,654)
Net loss on foreign exchange		(300,208)	(1,391,201)
Other expenses		(105,444)	(15,137)
Taxation fines and penalties	5	(8,958,403)	-
Finance costs	5	(2,361,955)	(1,666,579)
Total expenses		<u>(60,408,744)</u>	<u>(19,044,043)</u>
(Loss) before income tax expense from continuing operations		(36,081,264)	(16,606,958)
Income tax expense	6	(2,333,937)	(59,414)
(Loss) after income tax expense for the year		(38,415,201)	(16,666,372)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		5,188,214	7,824,283
Other comprehensive income for the year, net of tax		<u>5,188,214</u>	<u>7,824,283</u>
Total comprehensive (loss) for the year		<u>(33,226,987)</u>	<u>(8,842,089)</u>
(Loss) for the year is attributable to:			
Non-controlling interest		(1,665,482)	(174,744)
Owners of Donaco International Limited		<u>(36,749,719)</u>	<u>(16,491,628)</u>
		<u>(38,415,201)</u>	<u>(16,666,372)</u>
Total comprehensive (loss) for the year is attributable to:			
Non-controlling interest		(1,665,482)	(174,744)
Owners of Donaco International Limited		<u>(31,561,505)</u>	<u>(8,667,345)</u>
		<u>(33,226,987)</u>	<u>(8,842,089)</u>
(Loss) per share for (loss) attributable to the owners of Donaco International Limited		Cents	Cents
Basic (loss) per share	34	(2.98)	(1.34)
Diluted (loss) per share	34	(2.98)	(1.34)

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 2023

		Consolidated	
	Note	2023	2022
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	7	16,723,912	6,092,656
Trade and other receivables	8	133,718	318,349
Inventories	9	613,028	700,217
Other current assets	10	406,575	314,157
Total current assets		<u>17,877,233</u>	<u>7,425,379</u>
Non-current assets			
Property, plant and equipment	11	148,862,035	170,408,030
Intangibles (including licences)	12	13,813,889	20,094,128
Construction in progress	13	350,757	493,307
Deferred tax assets		69,478	48,815
Other non-current assets	14	782,863	758,439
Total non-current assets		<u>163,879,022</u>	<u>191,802,719</u>
Total assets		<u>181,756,255</u>	<u>199,228,098</u>
Liabilities			
Current liabilities			
Trade and other payables	15	31,700,850	18,224,865
Lease liabilities	20	3,802	-
Borrowings	16	18,325,650	16,939,518
Income tax payable	17	1,735,719	1,488,914
Employee benefits	18	168,891	96,344
Total current liabilities		<u>51,934,912</u>	<u>36,749,641</u>
Non-current liabilities			
Trade and other payables	19	21,038	10,842
Lease liabilities	20	9,134,823	8,575,146
Total non-current liabilities		<u>9,155,861</u>	<u>8,585,988</u>
Total liabilities		<u>61,090,773</u>	<u>45,335,629</u>
Net assets		<u>120,665,482</u>	<u>153,892,469</u>
Equity			
Issued capital	21	372,584,126	372,584,126
Reserves	22	46,334,275	41,146,061
Accumulated losses	23	(298,214,278)	(261,464,559)
Equity attributable to the owners of Donaco International Limited		<u>120,704,123</u>	<u>152,265,628</u>
Non-controlling interest		<u>(38,641)</u>	<u>1,626,841</u>
Total equity		<u>120,665,482</u>	<u>153,892,469</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

DONACO INTERNATIONAL LIMITED
Statement of changes in equity
For the year ended 30 June 2023

	Note	Issued capital \$	Reserves \$	Accumulated losses \$	Non-controlling interest \$	Total equity \$
Consolidated						
Balance at 1 July 2021		372,584,126	33,321,778	(244,972,931)	1,801,585	162,734,558
Loss after income tax for the year		-	-	(16,491,628)	(174,744)	(16,666,372)
Other comprehensive income for the year, net of tax		-	7,824,283	-	-	7,824,283
Total comprehensive loss for the year		-	7,824,283	(16,491,628)	(174,744)	(8,842,089)
Balance at 30 June 2022		<u>372,584,126</u>	<u>41,146,061</u>	<u>(261,464,559)</u>	<u>1,626,841</u>	<u>153,892,469</u>
Balance at 1 July 2022		372,584,126	41,146,061	(261,464,559)	1,626,841	153,892,469
Loss after income tax for the year		-	-	(36,749,719)	(1,665,482)	(38,415,201)
Other comprehensive income for the year, net of tax		-	5,188,214	-	-	5,188,214
Total comprehensive loss for the year		-	5,188,214	(36,749,719)	(1,665,482)	(33,226,987)
Balance at 30 June 2023		<u>372,584,126</u>	<u>46,334,275</u>	<u>(298,214,278)</u>	<u>(38,641)</u>	<u>120,665,482</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 2023

Note	Consolidated	
	2023	2022
	\$	\$
Cash flow from operating activities		
Receipts from customers	28,138,036	2,726,753
Payments to suppliers and employees	(13,092,121)	(8,091,736)
	<u>15,045,915</u>	<u>(5,364,983)</u>
Interest received	391	965
Interest and other finance costs paid	(50,377)	(346,883)
Government levies, gaming taxes, income taxes and GST	(3,745,817)	(51)
Net cash flows from / (used in) operating activities	33(a) <u>11,250,112</u>	<u>(5,710,952)</u>
Cash flow from investing activities		
Payments for property, plant and equipment	(134,118)	(1,889)
Proceeds from disposal of property, plant and equipment	25,676	-
Net cash flows from investing activities	<u>(108,442)</u>	<u>(1,889)</u>
Cash flow from financing activities		
Proceeds from borrowings	33(b) 6,482,025	14,369,667
Repayment of borrowings	33(b) (5,760,396)	(9,734,849)
Net cash flows from financing activities	<u>721,629</u>	<u>4,634,818</u>
Net decrease in cash and cash equivalents	11,863,299	(1,078,023)
Cash and cash equivalents, beginning of the financial year	6,092,656	6,316,530
Effects of exchange rate changes on cash and cash equivalents	(1,232,043)	854,149
Cash and cash equivalents at the end of the financial year	7 <u><u>16,723,912</u></u>	<u><u>6,092,656</u></u>

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

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 2023, the consolidated entity recorded net current liabilities of AU\$34.1 million (30 June 2022: A\$29.3 million). The consolidated entity recorded a net loss after tax of AU\$38.4 million (2022: net loss after tax of AU\$16.7 million), and net operating cash inflow of AU\$11.3 million (2022: net operating cash outflow of AU\$5.7 million) for the year ended on that date.

Unsecured loan facilities are held with Mr Lee Bug Huy, the current Chief Executive Officer and executive director. As at 30 June 2023, US\$12.1 million had been drawn down on the loans, leaving an unutilised portion of US\$0.7 million (AU\$18.3 million and AU\$1.0 million respectively as at 30 June 2023 spot rate). Under an annex to the original loan facility agreement that was entered into on 20 September 2023, the original loan facility of US\$7.8 million (AU\$11.8 million as at 30 June 2023 spot rate) is due to be repaid by 22 July 2027, six years from the first drawdown (as extended from the original repayment due date of 22 July 2024), while the additional loan facility of US\$5 million (AU\$7.5 million as at 30 June 2023 spot rate) is due to be repaid by 13 May 2026, four years from the first drawdown. The lender however may at any time require early repayment with a minimum of one month's prior notice. The lender has provided a letter of financial support to Donaco which states that he will not withdraw or call upon the loan should it affect any creditors of the Company and its subsidiaries in a detrimental way. Such financial support is provided for the foreseeable future covering a minimum period of 12 months from the date of issue of the audited financial statements for the year ended 30 June 2023.

On 30 January 2023, Lao Cai received Decision No. 15/QD-TCT from the Vietnamese General Department of Taxation (GDT), dated 11 January 2023, regarding the requirement to pay tax collections and penalties primarily associated with the determination of tax payable for floating chips, with a total amount of approximately VND 149.3 billion (approximately AU\$9.6 million as at 30 June 2023 spot rate). The tax penalty and interest is due to be paid 10 days after the receipt date of the decision, being 9 February 2023. The decision was issued after an inspection conducted by the tax authorities for the fiscal years ended 30 June 2019, 30 June 2020 and 30 June 2021. On the basis that the tax assessment arose due to the Vietnamese GDT's decision on inspection of Lao Cai's historical tax treatment of floating chips for prior years, management considers that a present obligation existed as at 30 June 2023 in respect of this tax assessment. Accordingly the tax and penalties have been recognised as income tax payable and other payables in the consolidated financial statements as at 30 June 2023. However management disagrees with this decision and is pursuing complaint procedures in accordance with the laws and regulations of Vietnam. Management submitted a complaint letter to the Vietnamese GDT on 6 February 2023 and received a notice from the GDT on 24 February 2023 confirming their receipt and acceptance of this complaint letter. Lao Cai subsequently provided supporting documents which were referred to in the complaint letter to the GDT at their request. On 31 July 2023, management and the internal checking department under the GDT engaged in a dialogue session to discuss further management's opinion on the decision and their reasons. Following this dialogue session, Lao Cai provided further explanation on their tax treatment of unredeemed chips to the GDT. On 12 September 2023, the GDT issued Decision No. 1357/QD-TCT regarding the settlement of the first legal complaint submitted by management on 6 February 2023. In this decision, based on its review of the first complaint and the supporting documents submitted, the GDT concluded that it disagrees with the content of the first complaint and decides that the fine for the tax administrative violations as set out in Decision No. 15/QD-TCT remains unchanged. Decision No. 1357/QD-TCT also notes that, should Lao Cai disagree with this decision, management has the right to make a legal complaint to the Vietnamese Ministry of Finance (MoF) or to sue the GDT in court in line with legal regulations on administrative proceedings within 30 days from the date of receiving this decision. In response to Decision No. 1357/QD-TCT, management has submitted a second letter of legal complaint on 22 September 2023 to provide further explanation for excluding floating chips from taxable revenue, and to request that the MoF consider readjustment of the taxable revenue of Lao Cai for FY2018, FY2019 and FY2020 as well as the associated tax shortfall and penalties. The response from the MoF is still pending, and there remains significant uncertainty regarding the outcome. Mr Lee Bug Huy has provided a letter of financial support to Donaco which states that he will continue to finance the operations of the Group (including the payment of the income tax payables, penalties and interests on Lao Cai of VND149.3 billion (AU\$9.6 million as at 30 June 2023 spot rate) if the Group is not able to settle the payment when it falls due. Such financial support is provided for the foreseeable future covering a minimum period of 12 months from the date of issue of the audited financial statements for the year ended 30 June 2023.

Notwithstanding the net current liability position, management have prepared the 30 June 2023 financial report on a going concern basis. The full reopening of the borders between Vietnam and mainland China where historically majority of Lao Cai's customers come from, has resulted in an increase in patronage at the Lao Cai casino since January 2023 and delivered better than forecast results for the period January 2023 to June 2023. Management believe that international travel will continue to increase, particularly from January 2024 when they anticipate the return of more players and junkets from mainland China during the Lunar New Year in January 2024, as experienced in the past. The casino expects to resume full twenty-four hour operations in FY2024. The recent recognition by the Lao Cai Ministry of Culture, Sports and Tourism of Aristo as the only 5-star hotel in the Lao Cai province also presents a major opportunity for Lao Cai to attract a significant number of new customers. It is also noted that the construction of the Sapa airport in Lao Cai presents a significant opportunity for Aristo to attract a significant number of new customers. The airport has a capacity of 1.5 million passengers a year and is expected to be open in 2025. Additionally, Lao Cai has settled all its local bank loans and has no further bank loan agreements in effect. As noted above, management has lodged an appeal against the tax penalty imposed on Lao Cai and will continue to pursue its appeal with the Vietnamese authorities.

The Cambodian government also recently launched a major tourism campaign to attract Thai visitors, which management anticipates would result in positive flow-on effects to the DNA Star Vegas (DSV) casino. Donaco will also continue to refine its focus on maximising operational efficiencies across both Lao Cai and DSV operations, as well as practising prudent financial management to maintain healthy cash balances.

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

- the continued support of the shareholder Mr Lee Bug Huy on the basis that the existing loans from him will not be recalled and that he will continue to provide financing to meet operational needs, including payment of the Lao Cai tax penalties and interest; and
- improvement in the operating environments for both the DNA Star Vegas and Aristo casino operations.

In the event that the above conditions are not satisfied, then this could have a material impact on the consolidated entity continuing as a going concern, and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amount and classification of liabilities that may be necessary should the Group not continue as a going concern.

Note 1. Significant accounting policies (continued)

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has applied the following standard for the first time in the current reporting period:

- AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments*

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

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

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 2023. 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 30.

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 2023 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.

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.

Note 1. Significant accounting policies (continued)

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 Lao Cai International Hotel 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.

Gaming 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 at a point in time as 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.

Rental income

Rental income is accounted for on a straight-line method over the lease term.

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 realisable 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 the shorter of their expected useful lives or lease term 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 considers casino licenses to be intangible assets with indefinite useful lives, on the basis that the licenses are renewable every five years indefinitely, subject to the Group continuing to meet all necessary requirements for renewal. 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 considered to have an indefinite useful life, on the basis that it is renewable every five years indefinitely subject to the Group continuing to meet all necessary requirements for renewal. The licence 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 or more frequently if events or changes in circumstances indicate that the licence might be impaired. In the event that the expected future economic benefits are no longer probable of being recovered, the licence is written down to their recoverable amount.

The casino licence was renewed on 19 August 2022, and will expire on 31 December 2026. Following the promulgation of the Law on the Management of Commercial Gambling in November 2020 (the Law), the Royal Government of Cambodia issued on 26 August 2021 Sub-Decree No. 166 on the Minimum Capital Requirement for Casino Operation. This sub-decree sets out the definition of "capital" and the minimum capital requirements for new and existing casino operators in Cambodia, which apply to both stand-alone casinos and casinos within integrated resorts. The minimum capital requirements that apply to DNA Star Vegas are set out in note 12.

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 management's estimates of revenue growth, future operating conditions, 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.

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 on resolution of the dispute between Lee Hoe Property Co., Ltd, the landlord of DNA Star Vegas and the company, an amended perpetual lease agreement was executed as of 2 March 2020 in relation to the DNA Star Vegas lease of the land in Poi Pet, Cambodia (see note 20). 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 whether the option to renew will be exercised. The lease liability and right-of-use asset have been calculated as at 30 June 2023 over the remaining 42 years to June 2065.

Lease in Cambodia

For the lease in Cambodia, the outstanding payable balance as at 30 June 2023 was \$1,176,474 (30 June 2022: \$786,864), recognised in trade and other payables. Under the lease agreement, the landlord Lee Hoe Property Co., Ltd has the right to terminate the lease without penalty, after giving a one-month written notice to DSV. DSV has received a confirmation letter from Lee Hoe Property Co., Ltd, in which the landlord confirms that they will not exercise this right to terminate for the foreseeable future, covering a minimum period of 12 months from the date of issue of the audited financial statements for the year ended 30 June 2023. It is a Board of Directors' significant judgement in the consideration of the Group's reliance on the confirmation letter of Lee Hoe Property Co., Ltd that it has the intention to continue with the lease arrangement and will not exercise its right to terminate the lease. This confirmation has been provided in the form of a non-legally binding written undertaking.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Going concern

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

- the continued support of the shareholder Mr Lee Bug Huy on the basis that the existing loans from him will not be recalled and that he will continue to provide financing to meet operational needs, including payment of the Lao Cai tax penalties and interest. It is a Board of Directors' significant judgement in the consideration of the Group's reliance on the financial support of Mr Lee Bug Huy that he has the financial capacity and intention to provide such financial support. This support has been provided in the form of a non-legally binding written undertaking; and
- improvement in the operating environments for both the DSV and Aristo casino operations.

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 - 2023				
Revenue				
Sales to external customers	4,402,805	19,924,284	-	24,327,089
Interest	339	-	52	391
Total revenue	<u>4,403,144</u>	<u>19,924,284</u>	<u>52</u>	<u>24,327,480</u>
EBITDA	1,525,103	10,815,391	(2,726,401)	9,614,093
Depreciation and amortisation	(2,829,372)	(4,494,261)	(7,472)	(7,331,105)
Impairment of assets	(22,244,857)	(4,494,220)	-	(26,739,077)
Interest revenue	339	-	52	391
Non-recurring items	-	-	(5,000)	(5,000)
Tax and penalties	(8,958,403)	-	-	(8,958,403)
Net exchange (losses)	(15,305)	(18,709)	(266,194)	(300,208)
Non-controlling interest	1,665,482	-	-	1,665,482
Finance costs	(223,067)	(1,085,278)	(1,053,610)	(2,361,955)
(Loss) before income tax expense	<u>(31,080,080)</u>	<u>722,923</u>	<u>(4,058,625)</u>	<u>(34,415,782)</u>
Income tax expense	(564,070)	(1,769,866)	(1)	(2,333,937)
(Loss) after income tax expense attributable to the owners of Donaco International Limited				<u>(36,749,719)</u>
Assets				
Segment assets	47,355,702	133,976,775	423,778	181,756,255
Total assets				<u>181,756,255</u>
Liabilities				
Segment liabilities	19,170,478	21,481,919	20,438,376	61,090,773
Total liabilities				<u>61,090,773</u>

DONACO INTERNATIONAL LIMITED
Notes to financial statements
30 June 2023

Note 3. Operating segments (continued)

	Casino Operations Vietnam \$	Casino Operations Cambodia \$	Corporate Operations \$	Total \$
Consolidated - 2022				
Revenue				
Sales to external customers	1,489,696	946,416	-	2,436,112
Interest	875	-	98	973
Total revenue	<u>1,490,571</u>	<u>946,416</u>	<u>98</u>	<u>2,437,085</u>
EBITDA	(193,277)	(1,470,542)	(2,742,620)	(4,406,439)
Depreciation and amortisation	(3,157,224)	(5,196,584)	(4,713)	(8,358,521)
Impairment of assets	-	(736,637)	-	(736,637)
Interest revenue	875	-	98	973
Non-recurring items	-	-	(48,552)	(48,552)
Net exchange gains / (losses)	63,337	(1,081,358)	(373,182)	(1,391,203)
Non-controlling interest	174,744	-	-	174,744
Finance costs	(225,353)	(790,855)	(650,371)	(1,666,579)
(Loss) before income tax expense	<u>(3,336,898)</u>	<u>(9,275,976)</u>	<u>(3,819,340)</u>	<u>(16,432,214)</u>
Income tax expense	16,763	(76,173)	(4)	(59,414)
(Loss) after income tax expense attributable to the owners of Donaco International Limited				<u>(16,491,628)</u>
Assets				
Segment assets	64,346,022	132,331,013	2,551,063	199,228,098
Total assets				<u>199,228,098</u>
Liabilities				
Segment liabilities	10,504,065	18,592,138	16,239,426	45,335,629
Total liabilities				<u>45,335,629</u>

Geographical information

	Sales to external customers		Geographical non-current assets	
	2023	2022	2023	2022
	\$	\$	\$	\$
Australia	-	-	3,657	2,437,354
Vietnam	4,402,805	1,489,696	39,919,913	60,917,349
Cambodia	19,924,284	946,416	123,955,452	128,448,016
	<u>24,327,089</u>	<u>2,436,112</u>	<u>163,879,022</u>	<u>191,802,719</u>

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:

There was no single external customer that contributed 10% or more of the consolidated entity's revenue during 2023 and 2022.

Note 4. Revenue

	Consolidated	
	2023	2022
	\$	\$
From continuing operations		
<i>Sales revenue</i>		
Casino and hotel		
- Gaming revenue	21,055,250	2,007,545
- Non-gaming revenue	3,271,839	428,567
Interest	391	973
Revenue from continuing operations	<u>24,327,480</u>	<u>2,437,085</u>

Gaming revenue represents net house takings arising from casino operations.

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

DONACO INTERNATIONAL LIMITED
Notes to financial statements
30 June 2023

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 2023				
Revenue				
Gaming revenue	2,829,470	18,225,780	-	21,055,250
Non-gaming revenue	1,573,335	1,698,504	-	3,271,839
Interest	339	-	52	391
Total revenue	4,403,144	19,924,284	52	24,327,480
Timing of revenue recognition				
At a point in time	4,328,879	19,260,778	-	23,589,657
Over time	74,265	663,506	52	737,823
	4,403,144	19,924,284	52	24,327,480
Consolidated - 30 June 2022				
Revenue				
Gaming revenue	1,225,916	781,629	-	2,007,545
Non-gaming revenue	263,780	164,787	-	428,567
Interest	875	-	98	973
Total revenue	1,490,571	946,416	98	2,437,085
Timing of revenue recognition				
At a point in time	1,335,140	915,613	-	2,250,753
Over time	155,431	30,803	98	186,332
	1,490,571	946,416	98	2,437,085

Consolidated
2023
\$

Note 5. Expenses

(Loss) before income tax from continuing operations includes the following specific expenses:

		2022 \$
Depreciation and amortisation		
Land, buildings and structures	4,594,767	4,530,353
Right-of-use asset (see note 20)	745,937	765,077
Furniture and fittings	8,803	5,929
Machinery and equipment	1,863,938	2,539,657
Office equipment and other	67,714	322,066
Motor vehicles	31,098	90,465
Consumables	16,481	102,746
Land right	2,367	2,228
	7,331,105	8,358,521
Impairment expense		
Casino licence (see note 12)	4,494,220	-
Goodwill (see note 12)	2,426,187	-
Land right (see note 12)	7,637	-
Leasehold buildings and structures (see note 12)	18,165,800	-
Machinery and equipment (see note 12)	1,451,710	-
Motor vehicle (see note 12)	2,574	-
Office equipment and other (see note 12)	24,689	-
Construction in progress (see note 12)	166,260	-
Trade and other receivables (see note 8)	-	736,637
	26,739,077	736,637

DONACO INTERNATIONAL LIMITED
Notes to financial statements
30 June 2023

	Consolidated	
	2023	2022
	\$	\$

Note 5. Expenses (continued)

(Loss) before income tax from continuing operations includes the following specific expenses:

Finance costs

Interest on borrowings (see note 16)

2,361,955	1,666,579
<u>2,361,955</u>	<u>1,666,579</u>

Taxation fines and penalties

8,958,403	-
<u>8,958,403</u>	<u>-</u>

Lao Cai tax assessment

On 30 January 2023, Lao Cai received Decision No. 15/QD-TCT from the Vietnamese General Department of Taxation, dated 11 January 2023, regarding the requirement to pay tax collections and penalties primarily associated with the determination of tax payable for floating chips, with a total amount of approximately VND 149.3 billion (approximately AU\$9.5 million as at 30 June 2023 spot rate). The decision was issued after an inspection conducted by the tax authorities for the fiscal years ended 30 June 2019, 30 June 2020 and 30 June 2021, in which floating chips were to be treated as taxable revenue. The tax assessment comprises AU\$8,958,403 of additional value-added tax, special sale tax and associated fines which have been recognised as taxation fines and penalties and AU\$583,276 of additional income tax expense which has been recognised as such in the statement of comprehensive income.

However management disagrees with this decision and is pursuing complaint procedures in accordance with the laws and regulations of Vietnam. Management submitted a complaint letter to the Vietnamese GDT on 6 February 2023. On 31 July 2023, management and the internal checking department under the GDT engaged in a dialogue session to discuss further management's opinion on the decision and their reasons. On 12 September 2023, the GDT issued Decision No. 1357/QD-TCT regarding the settlement of the first legal complaint submitted by management on 6 February 2023. In this decision, based on its review of the first complaint and the supporting documents submitted, the GDT concluded that it disagrees with the content of the first complaint and decides that the fine for the tax administrative violations as set out in Decision No. 15/QD-TCT remains changed. Decision No. 1357/QD-TCT also notes that, should Lao Cai disagree with this decision, management has the right to make a legal complaint to the Vietnamese Ministry of Finance (MoF) or to sue the GDT in court in line with legal regulations on administrative proceedings within 30 days from the date of receiving this decision. In response to Decision No. 1357/QD-TCT, management has submitted a second letter of legal complaint on 22 September 2023 to provide further explanation for excluding floating chips from taxable revenue, and to request that the MoF consider readjustment of the taxable revenue of Lao Cai for FY2018, FY2019 and FY2020 as well as the associated tax shortfall and penalties. The response from the MoF is still pending, and there remains significant uncertainty regarding the outcome.

On the basis that the tax assessment arose due to the Vietnamese GDT's decision on inspection of Lao Cai's historical tax treatment of floating chips for prior years, management considers that a present obligation existed as at 30 June 2023 in respect of this tax assessment. Accordingly the tax and penalties have been recognised as income tax payable of \$588,000 and other payables of \$9,030,959 in the consolidated financial statements as at 30 June 2023.

	Consolidated	
	2023	2022
	\$	\$

Note 6. Income tax expense

Income tax expense

Current tax

1,769,868 76,177

Deferred tax

(19,207) (16,763)

Prior year tax adjustment (note (d))

583,276 -

Aggregate income tax expense

2,333,937 59,414

Income tax expense is attributable to:

Profit from continuing operations

2,333,937 59,414

Aggregate income tax expense

2,333,937 59,414

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

(Loss) before income tax expense from continuing operations

(36,081,264) (16,606,958)

Profits tax using:

Australian corporation tax at the statutory tax rate of 25% (2022: 25%)

(9,020,318) (4,151,740)

Tax effect of difference in overseas corporation tax at the statutory tax rate of 20% (2022: 20%)

1,721,494 735,340

Tax effect amounts which are not deductible in calculating taxable income

6,178,055 404,853

Losses not brought to account

1,101,564 2,994,788

Gaming duty payments in Cambodia under Real Tax Regime (note (b))

1,769,866 76,173

Prior year tax assessment on floating chip movements in Vietnam (note (d))

583,276 -

Income tax expense

2,333,937 59,414

Note 6. Income tax expense (continued)

(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.

Monthly payments for the obligatory payment were due on the first week of the following month. In the event of late payment, there will be a penalty of 2% (if paid within 7 days from the due date) or 25% (if paid after 15 days from issue of official government notice) on the late payment plus compounding interest of 2% per month.

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 2023 and 30 June 2022. The accruals for the obligatory payment and associated penalties amount to US\$668,000 (AU\$1,007,544 as at 30 June 2023 spot rate) (2022: US\$970,931 (AU\$1,409,403 as at 30 June 2022 spot rate)) and US\$460,811 (AU\$695,041 as at 30 June 2023 spot rate) (2022: US\$334,351 (AU\$485,344 as at 30 June 2022 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 36.

(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 Commercial Gambling Management Commission ("CGMC") which was formed in 2021 to take over the responsibility from MoEF in proposing new policies, issuing gambling regulations and licenses, collecting gambling revenue and taking any and all necessary actions in relation to the management and enforcement of gambling laws and regulations, 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.

During the financial year, DNA Star Vegas received confirmation from CGMC that, under the real tax regime legislation, it is considered a casino not located in the Integrated Commercial Gambling Centre and is therefore subject to tax at the rate of 7% on gaming duty revenue. The CGMC issued payment notices to DNA Star Vegas which amounted to US\$301,439 (AU\$447,637 at the average rate for the year ended 30 June 2023) for the financial year ended 30 June 2021 and US\$1,224,523 (AU\$1,818,417 at the average rate for the year ended 30 June 2023) for the financial period from 18 June 2022 to 30 June 2023. These were paid during the year.

The CGMC 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. No amount in respect of the real tax regime has been disclosed as contingent liabilities in note 36.

DNA Star Vegas has made the payment for the gaming duty tax from July to May 2023 during the financial year and has accrued gaming duty tax for June 2023.

(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.

In accordance with Prakas No. 1080 dated 30 December 2022 as issued by the MoEF, all commercial gambling operators must now self-declare and pay monthly tax which is calculated based on the gross gaming revenue ("GGR") of the casino to the General Department of Taxation ("GDT"). DNA Star Vegas has successfully registered its casino business with the GDT and must start tax declarations of its casino business from January 2023 onwards. In relation to DNA Star Vegas' non-gaming business, the company has completed its registration with the GDT however it is still pending as at reporting date.

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Notes to financial statements
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Note 6. Income tax expense (continued)

(c) The parent entity has not brought to account tax losses with a tax effect of \$306,180 (2022: \$413,606).

(d) Lao Cai tax assessment

On 30 January 2023, Lao Cai received Decision No. 15/QD-TCT from the Vietnamese General Department of Taxation, dated 11 January 2023, regarding the requirement to pay tax collections and penalties primarily associated with the determination of tax payable for floating chips, with a total amount of approximately VND 149.3 billion (approximately AU\$9.6 million as at 30 June 2023 spot rate). The decision was issued after an inspection conducted by the tax authorities for the fiscal years ended 30 June 2019, 30 June 2020 and 30 June 2021, in which floating chips were to be treated as taxable revenue. The tax assessment comprises AU\$8,958,403 of additional value-added tax, special sale tax and associated fines which have been recognised as taxation fines and penalties and AU\$583,276 of additional income tax expense which has been recognised as such in the statement of comprehensive income.

However management disagrees with this decision and is pursuing complaint procedures in accordance with the laws and regulations of Vietnam. Management submitted a complaint letter to the Vietnamese GDT on 6 February 2023. On 31 July 2023, management and the internal checking department under the GDT engaged in a dialogue session to discuss further management's opinion on the decision and their reasons. On 12 September 2023, the GDT issued Decision No. 1357/QD-TCT regarding the settlement of the first legal complaint submitted by management on 6 February 2023. In this decision, based on its review of the first complaint and the supporting documents submitted, the GDT concluded that it disagrees with the content of the first complaint and decides that the fine for the tax administrative violations as set out in Decision No. 15/QD-TCT remains changed. Decision No. 1357/QD-TCT also notes that, should Lao Cai disagree with this decision, management has the right to make a legal complaint to the Vietnamese Ministry of Finance (MoF) or to sue the GDT in court in line with legal regulations on administrative proceedings within 30 days from the date of receiving this decision. In response to Decision No. 1357/QD-TCT, management has submitted a second letter of legal complaint on 22 September 2023 to provide further explanation for excluding floating chips from taxable revenue, and to request that the MoF consider readjustment of the taxable revenue of Lao Cai for FY2018, FY2019 and FY2020 as well as the associated tax shortfall and penalties. The response from the MoF is still pending, and there remains significant uncertainty regarding the outcome.

On the basis that the tax assessment arose due to the Vietnamese GDT's decision on inspection of Lao Cai's historical tax treatment of floating chips for prior years, management considers that a present obligation existed as at 30 June 2023 in respect of this tax assessment. Accordingly the tax and penalties have been recognised as income tax payable of \$588,000 and other payables of \$9,030,959 in the consolidated financial statements as at 30 June 2023. In the event that Lao Cai's ongoing appeal against the Vietnamese GDT's decision on the tax treatment of floating chips is not successful, there will not be any estimated impact on corporate income tax as Lao Cai is expected to be in a tax loss position for the years ended 30 June 2022 and 30 June 2023 (see note 36).

Note 7. Current assets - cash and cash equivalents

	Consolidated 2023 \$	2022 \$
Cash on hand	15,450,512	5,772,551
Cash at bank	1,273,400	320,105
	<u>16,723,912</u>	<u>6,092,656</u>

Note 8. Current assets - trade and other receivables

	Consolidated 2023 \$	2022 \$
Trade receivables	20,632	164,616
Other receivables	94,881	138,530
Tax-related receivables	18,205	15,203
	<u>133,718</u>	<u>318,349</u>

Impairment of receivables

The consolidated entity did not recognise any loss of in respect of impairment of receivables for the year ended 30 June 2023 (2022: \$736,637).

Note 9. Current assets - inventories

	Consolidated 2023 \$	2022 \$
Food and beverage - at cost	613,028	700,217

Note 10. Current assets - other

	Consolidated 2023 \$	2022 \$
Bonds and security deposits	226,542	278,604
Prepayments	170,000	21,337
Other current assets	10,033	14,216
	<u>406,575</u>	<u>314,157</u>

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	Consolidated	
	2023	2022
	\$	\$
Note 11. Non-current assets - property, plant and equipment		
Leasehold buildings and structures - at cost	175,921,168	170,461,796
Less: Accumulated depreciation and impairment for leasehold buildings and structures	(61,377,230)	(37,338,602)
	<u>114,543,938</u>	<u>133,123,194</u>
Right-of-use asset - at cost (see note 20)	33,165,534	32,320,082
Less: Accumulated depreciation for right-of-use asset	(2,027,449)	(1,373,691)
	<u>31,138,085</u>	<u>30,946,391</u>
Furniture and fittings - at cost	5,137,920	4,968,670
Less: Accumulated depreciation for furniture and fittings	(5,115,298)	(4,955,201)
	<u>22,622</u>	<u>13,469</u>
Machinery and equipment - at cost	43,188,575	42,163,097
Less: Accumulated depreciation and impairment for machinery and equipment	(40,129,441)	(36,048,496)
	<u>3,059,134</u>	<u>6,114,601</u>
Motor vehicles - at cost	1,951,489	1,887,949
Less: Accumulated depreciation and impairment for motor vehicles	(1,942,785)	(1,852,364)
	<u>8,704</u>	<u>35,585</u>
Office equipment and other - at cost	3,634,097	3,529,087
Less: Accumulated depreciation and impairment for office equipment and other	(3,598,143)	(3,403,444)
	<u>35,954</u>	<u>125,643</u>
Consumables	53,598	49,147
	<u>53,598</u>	<u>49,147</u>
	<u>148,862,035</u>	<u>170,408,030</u>

Refer to note 12 for details on impairment recognised on Lao Cai assets.

DONACO INTERNATIONAL LIMITED
Notes to financial statements
For the year ended 30 June 2023

Note 11. 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 2021	130,051,611	19,560	8,262,140	125,212	433,147	138,216	31,933,947	170,963,833
Additions	-	-	1,928	-	-	56,999	14,831	73,758
Disposals	-	-	-	-	(5)	-	-	(5)
Exchange differences	7,601,936	(162)	390,190	838	14,567	(43,322)	(237,310)	7,726,737
Depreciation expense	(4,530,353)	(5,929)	(2,539,657)	(90,465)	(322,066)	(102,746)	(765,077)	(8,356,293)
Balance at 30 June 2022	133,123,194	13,469	6,114,601	35,585	125,643	49,147	30,946,391	170,408,030
Additions	-	17,575	108,995	6,323	-	84,409	-	217,302
Exchange differences	4,181,311	381	151,186	468	2,714	(63,477)	937,631	5,210,214
Impairment expense	(18,165,800)	-	(1,451,710)	(2,574)	(24,689)	-	-	(19,644,773)
Depreciation expense	(4,594,767)	(8,803)	(1,863,938)	(31,098)	(67,714)	(16,481)	(745,937)	(7,328,738)
Balance at 30 June 2023	114,543,938	22,622	3,059,134	8,704	35,954	53,598	31,138,085	148,862,035

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 2023

	Consolidated	
	2023	2022
	\$	\$
Note 12. Non-current assets - intangibles		
Goodwill - at cost	-	2,426,187
Land right - at cost	72,172	70,159
Less: Accumulated amortisation and impairment for land right	(57,737)	(46,335)
	14,435	23,824
Casino licence	448,377,376	431,560,006
Less: Accumulated impairment	(434,577,922)	(413,915,889)
	13,799,454	17,644,117
	13,813,889	20,094,128

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 2021	2,426,187	24,184	16,598,366	19,048,737
Exchange differences	-	1,868	1,045,751	1,047,619
Amortisation expense	-	(2,228)	-	(2,228)
Balance at 30 June 2022	2,426,187	23,824	17,644,117	20,094,128
Impairment of assets	(2,426,187)	(7,637)	(4,494,220)	(6,928,044)
Exchange differences	-	615	649,557	650,172
Amortisation expense	-	(2,367)	-	(2,367)
Balance at 30 June 2023	-	14,435	13,799,454	13,813,889

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	
	2023	2022
	\$	\$
Lao Cai International Hotel JVC	-	2,426,187
Total goodwill	-	2,426,187

Lao Cai - Goodwill

Lao Cai International Hotel JVC (Lao Cai) engages in casino and hotel operations in Vietnam and has been identified by management as a reportable operating segment in accordance with AASB 8 (see note 3). The casino and hotel operations are in a discrete geographical location from other operations within the group. As the assets within Lao Cai together generate cash flows from the casino and hotel operations independently of other assets or groups of assets within the group, management has determined that Lao Cai is a cash-generating unit. Accordingly, the cash-generating unit of Lao Cai is tested for impairment annually or more frequently if events or changes in circumstances indicate that the unit might be impaired.

Due to impairment indicators identified by management as at 31 December 2022, including worse than expected economic performance and increase in market interest rates, an impairment testing of the cash-generating unit of Lao Cai was undertaken by management as at 31 December 2022 in accordance with AASB 136.

The recoverable amount of the cash-generating unit of Lao Cai has been determined based on the value in use calculation. To calculate this, cash flow projections are based on financial budgets approved by senior management covering a five year period up to 31 December 2027. A value-in-use calculation of the 100% enterprise value of Lao Cai International Hotel JVC Limited was undertaken as at 31 December 2022. Based on the value-in-use calculation as at 31 December 2022, the value in use was determined to be \$33,262,958 (US\$22,053,277 converted at 30 June 2023 spot rate).

The value in use as at 31 December 2022 was determined using budgeted earnings before interest, tax, depreciation and amortisation ("EBITDA") based on past performance and key estimates and judgements made by management. The value-in-use calculation uses a revenue growth rate of 83% in the first six months, based on actual results for the five months of operations to 30 November 2022, followed by a growth rate of 195% in the following year. These growth rates were based on the assumption that the borders with China, which has historically been where majority of Lao Cai's customers came from, would be reopened in the second half of FY2023, and would remain open throughout FY2024. In the subsequent three years, growth rates of 24% to 62% were used followed by a terminal year growth rate of 3%, based on the assumption that recovery to full operational capacity will mostly occur in FY2023 and FY2024. The pre-tax discount rate used of 20.46% reflects specific risks relating to the casino and hotel industries in Asia. The discount rate has been increased compared to the prior period rate of 14.53%. The value-in-use calculation was determined using a foreign exchange rate between Vietnamese Dong and US dollar of 23,240 VND: 1 USD. Capital expenditure of VND59.9 billion (AU\$3.8 million at 30 June 2023 spot rate) in total over the forecast period was included in the value-in-use calculation.

Note 12. Non-current assets - intangibles (continued)

Lao Cai - goodwill (continued)

Casino operations for Lao Cai were significantly impacted by the COVID-19 pandemic and have been operating on a limited basis since 8 May 2020. This is due to the fact that travel between Vietnam and China, the country from where the vast majority of Aristo's patrons originate from, remained heavily restricted for the majority of the year ended 30 June 2023 as a result of residual COVID-19 measures. Although the situation has improved since mainland China fully reopened its borders from January 2023 resulting in increased travel flow, management expects that there will be delay in returning to pre-pandemic operations.

Based on the impairment testing prepared as at 31 December 2022, the Directors determined that an impairment loss of \$22,244,857 needed to be recognised for the year ended 30 June 2023 (30 June 2022: nil). Accordingly goodwill was written down to nil, with the remaining impairment loss allocated on a proportionate basis of the carrying amounts of Lao Cai's property, plant and equipment, land right and construction in progress assets as at 31 December 2022, to reduce their carrying values as follows:

	30 June 2023
	\$
Goodwill (written down to nil)	2,426,187
Land right	7,637
Leasehold buildings and structures	18,165,800
Machinery and equipment	1,451,710
Motor vehicle	2,574
Office equipment and other	24,689
Construction in progress	166,260
	<u>22,244,857</u>

Goodwill allocated to this cash-generating unit was fully impaired as at 31 December 2022 and thus there is no annual impairment testing needed as at 30 June 2023. Based on management's assessment of the indicators of impairment for Lao Cai as at 30 June 2023, there are no impairment indicators identified so no impairment testing of other assets of Lao Cai was performed.

DNA Star Vegas - Casino Licence

Useful life

The casino licence relates to the licence to operate the DNA Star Vegas Company Limited (DNA Star Vegas) casino acquired on 1 July 2015. The licence is determined to have an indefinite useful life and is stated at cost less any impairment losses.

Following the promulgation of the Law on the Management of Commercial Gambling in November 2020 (the Law), the Royal Government of Cambodia issued on 26 August 2021 Sub-Decree No. 166 on the Minimum Capital Requirement for Casino Operation. This sub-decree sets out the definition of "capital" and the minimum capital requirements for new and existing casino operators in Cambodia, which apply to both stand-alone casinos and casinos within integrated resorts. Prior to the enactment of the Law, there were no integrated resorts as all existing casino operations are stand-alone operations. For these existing casino operations duly licensed to operate prior to the enactment of the Law, the minimum capital requirement of at least KHR400 billion (approximately US\$100 million, or AU\$151 million as at 30 June 2023) must be satisfied over a period of time and shall be implemented in five phases as follows:

- Phase 1 (Year 1 - 30 June 2022) - at least KHR50 billion (approximately US\$12.5 million, or AU\$19 million at 30 June 2023)
- Phase 2 (Year 4 - 30 June 2025) - at least KHR100 billion (approximately US\$25 million, or AU\$38 million at 30 June 2023)
- Phase 3 (Year 7 - 30 June 2028) - at least KHR200 billion (approximately US\$50 million, or AU\$75 million at 30 June 2023)
- Phase 4 (Year 11 - 30 June 2032) - at least KHR300 billion (approximately US\$75 million, or AU\$113 million at 30 June 2023)
- Phase 5 (Year 15 - 30 June 2036) - at least KHR400 billion (approximately US\$100 million, or AU\$151 million at 30 June 2023)

These minimum capital requirements therefore apply to DNA Star Vegas. On 18 January 2022, the share capital of DNA Star Vegas was increased from US\$5 million (AU\$7.5 million at 30 June 2023) to US\$12.5 million (AU\$18.9 million at 30 June 2023), therefore meeting the minimum capital requirement as at 30 June 2023 under Phase 1. The casino licence was renewed on 19 August 2022, and will expire on 31 December 2026. The Directors consider the casino licence to be an intangible asset with an indefinite useful life on the basis that the licence is renewable every five years indefinitely, subject to the Group continuing to meet all necessary requirements for renewal. Based on past licence renewal and management's expectation of future performance and financial support, management is of the opinion that DNA Star Vegas will continue to meet all necessary requirements for licence renewal.

Impairment assessment

The casino licence is allocated to DNA Star Vegas Company Limited, which has been identified by management as a reportable segment in accordance with AASB 8 (see note 3). The casino operations are in a discrete geographical location from other operations within the group. As the assets within DNA Star Vegas together generate cash flows from the casino and hotel operations independently of other assets or groups of assets within the group, management has determined that DNA Star Vegas is a cash-generating unit. Accordingly, the cash-generating unit of DNA Star Vegas is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Due to impairment indicators identified by management as at 31 December 2022, including worse than expected economic performance and increase in market interest rates, an impairment testing of the cash-generating unit of DNA Star Vegas was undertaken by management as at 31 December 2022 in accordance with AASB 136.

The recoverable amount of the cash-generating unit of DNA Star Vegas has been determined based on its value in use. A value-in-use calculation of the 100% enterprise value of DNA Star Vegas Company Limited was undertaken as at 31 December 2022. Based on the value-in-use calculation as at 31 December 2022, the value in use was determined to be \$116,113,889 (US\$76,983,285 converted at 30 June 2023 spot rate).

The value in use as at 31 December 2022 was determined using budgeted EBITDA based on past performance and its expectations for the future. The value-in-use calculation is based on a 5.5-year cash flow forecast period up to 30 June 2028. The first year of revenue in the value-in-use calculation is based on a revenue growth rate of 329.5% over the actual revenue for the year ended 30 June 2022. A higher growth rate is expected for the first year due to the resumption of operations following the return of international casino patrons after the easing of travel restrictions due to the COVID pandemic. The subsequent years of forecast revenue in the value-in-use calculation reflect a growth rate of 3% based on the assumption that recovery to full operational capacity will mostly occur over the first 12 months. The pre-tax discount rate used of 21.59% reflects specific risks relating to the casino and hotel industries in Asia. The discount rate has been increased compared to the prior period rate used of 16.52%. The value-in-use calculation was determined using a foreign exchange rate between Thai Baht and US Dollar of 34.569 THB:1 USD. Capital expenditure of THB91 million (AU\$4.0 million at the spot rate) in total over the forecast period was included in the value-in-use calculation.

Note 12. Non-current assets - intangibles (continued)

DNA Star Vegas - Casino Licence (continued)

The resumption of limited casino operations as of 18 June 2022, together with the easing of travel restrictions and the reopening of the border between Cambodia and Thailand which facilitate international travel, indicates potential for future earnings and growth. However, management expects that there will be a delay in returning to pre-pandemic operations. The growth and discount rates used in the value-in-use calculations reflect management's estimate of the future operating conditions in which the casino operates. Based on the impairment testing as at 31 December 2022, the Directors determined that an impairment loss on the casino licence of \$4,494,220 was required to be recognised for the year ended 30 June 2023 (30 June 2022: nil).

In accordance with the AASB 136 requirement for an annual impairment testing to be performed at the same time every year, another value-in-use calculation was undertaken as at 30 June 2023 which was also determined using budgeted EBITDA based on past performance and its expectations for the future. The value-in-use calculation is based on a 5-year cash flow forecast period up to 30 June 2028. The first year of revenue in the value-in-use calculation is based on a growth rate of 84.4% over the actual revenue for the year ended 30 June 2023. The subsequent years of forecast revenue in the value-in-use calculation reflect a growth rate of 3% based on the assumption that recovery to full operational capacity will have occurred over the first 12 months. The pre-tax discount rate used of 23.51% reflects specific risks relating to the relevant segments and the countries in which DNA Star Vegas operates. The discount rate has been increased compared to the rates used of 21.59% and 16.52% as at 31 December 2022 and 30 June 2022 respectively. The value-in-use calculation was determined using a foreign exchange rate between Thai Baht and US Dollar of 35.314 THB:1 USD. Capital expenditure of THB87 million (AU\$4.6 million at the spot rate) in total over the forecast period was included in the value-in-use calculation. The value in use as at 30 June 2023 was determined to be \$111,776,405 (US\$74,107,542 converted at 30 June 2023 spot rate).

As at 30 June 2023, the recoverable amount of the cash-generating unit of DNA Star Vegas exceeds its carrying amount by AU\$775,314 (US\$514,032 as at 30 June 2023 spot rate). The recoverable amount calculation for the cash-generating unit of DNA Star Vegas is most sensitive to changes in the discount rate and forecast revenue. An increase in excess of 0.16% (from 23.51% to 23.67%) would result in impairment of the cash-generating unit of DNA Star Vegas, as would a decrease in forecast revenue in excess of 2.10% in the first year within the forecast period.

Based on the impairment testing as at 30 June 2023, the Directors have determined that no further impairment loss was required to be recognised as at 30 June 2023.

Land right

Intangible asset of \$14,435 (2022: \$23,824) 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. During the year ended 30 June 2023, an impairment loss of \$7,637 was recognised (2022: nil). See note above regarding Lao Cai impairment.

Note 13. Non-current assets - construction in progress

	Consolidated	
	2023	2022
	\$	\$
Property construction works in progress - at cost less impairment	<u>350,757</u>	<u>493,307</u>

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 2021	456,257
Exchange differences	<u>37,050</u>
Balance at 30 June 2022	493,307
Impairment	(166,260)
Exchange differences	<u>23,710</u>
Balance at 30 June 2023	<u>350,757</u>

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.

Refer to note 12 for details on impairment recognised on Lao Cai assets.

DONACO INTERNATIONAL LIMITED
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Note 14. Non-current assets - other

	Consolidated	
	2023	2022
	\$	\$
Other debtors	5,669	4,267
Bonds and security deposits	777,194	754,172
	<u>782,863</u>	<u>758,439</u>

Note 15. Current liabilities - trade and other payables

	Consolidated	
	2023	2022
	\$	\$
Trade payables (see note 25)	3,589,720	3,525,736
Deposits received (see note 25)	55,311	36,269
Floating chips (see note 25)	7,208,277	6,587,247
Interest payable (see note 25)	1,618,896	473,162
Taxation fine and penalty payable (see note 1)	9,030,959	-
Other payables and accrued expenses (see note 25)	10,197,687	7,602,451
	<u>31,700,850</u>	<u>18,224,865</u>

Refer to note 25 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 16. Current liabilities - borrowings

	Consolidated	
	2023	2022
	\$	\$
Joint Stock Commercial Ocean Bank	-	1,510,999
Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank)	-	288,165
Shareholder loan	18,325,650	15,140,354
	<u>18,325,650</u>	<u>16,939,518</u>

An unsecured loan facility was signed in July 2021 with Mr Lee Bug Huy, the current Chief Executive Officer and executive director, for a loan of US\$7.8 million (AU\$11.8 million as at 30 June 2023 spot rate). An additional loan facility agreement was entered into on 2 May 2022 for an additional US\$5 million (AU\$7.5 million at the 30 June 2023 spot rate). Under an annex to the original loan facility agreement that was entered into on 20 September 2023, the original loan facility is due to be repaid by 22 July 2027, six years from the first drawdown (as extended from the original repayment due date of 22 July 2024), while the additional loan facility is due to be repaid by 13 May 2026, four years from the first drawdown. Both loan facilities are subject to an interest rate of 6% per annum. The lender however may at any time require early repayment with a minimum of one month's prior notice. On this basis, the shareholder loan has been recognised as a current liability as the Company does not have an unconditional right to defer the settlement of the loan for at least 12 months after the reporting period. The lender has provided a letter of financial support to Donaco which states that he will not withdraw or call upon the loan should it affect any creditors of the Company and its subsidiaries in a detrimental way. Such financial support is provided for the foreseeable future covering a minimum period of 12 months from the date of issue of the financial statements for the year ended 30 June 2023. As at 30 June 2023, US\$12.1 million had been drawn down on the loans, leaving an unutilised portion of US\$0.7 million (AU\$18.3 million and AU\$1.0 million respectively as at 30 June 2023 spot rate).

Refer to note 25 for further information on financial instruments.

	Consolidated	
	2023	2022
	\$	\$
<i>Total secured liabilities</i>		
The total secured current liabilities are as follows:		
Joint Stock Commercial Ocean Bank	-	1,510,999
Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank)	-	288,165
	<u>-</u>	<u>1,799,164</u>

Mortgage to Joint Stock Commercial Ocean Bank

A mortgage was registered by the Ocean Bank of Vietnam over the assets of the Aristo International Hotel on 11 July 2011. As at 30 June 2023, the loan has been fully repaid and the mortgage with Ocean Bank is no longer in place.

Joint Stock Commercial Bank for Foreign Trade of Vietnam

The loan from the Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank) was drawn down in January to March 2021 and had a maturity date of 18 September 2022. The borrowing was guaranteed over properties held by Lao Cai International Hotel Joint Venture Company Ltd. As at 30 June 2023, the loan has been fully repaid and the guarantee with Joint Stock Commercial Bank is no longer in place.

DONACO INTERNATIONAL LIMITED
Notes to financial statements
30 June 2023

Note 16. Current liabilities - borrowings (continued)

	Consolidated	
	2023	2022
	\$	\$
<i>Financing arrangements</i>		
Unrestricted access was available at the reporting date to the following lines of credit:		
Total facilities:		
Bank loans	-	1,799,164
Shareholder loan	19,306,187	18,580,376
	<u>19,306,187</u>	<u>20,379,540</u>
Used at the reporting date:		
Bank loans	-	1,799,164
Shareholder loan	18,325,650	15,140,354
	<u>18,325,650</u>	<u>16,939,518</u>
Unused at the reporting date:		
Bank loans	-	-
Shareholder loan	980,537	3,440,022
	<u>980,537</u>	<u>3,440,022</u>

	Consolidated	
	2023	2022
	\$	\$

Note 17. Current liabilities - income tax

Provision for income tax	<u>1,735,719</u>	<u>1,488,914</u>
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	Consolidated	
	2023	2022
	\$	\$

Note 18. Current liabilities - employee benefits

Accrued salaries, wages and other benefits	<u>168,891</u>	<u>96,344</u>
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	Consolidated	
	2023	2022
	\$	\$

Note 19. Non-current liabilities - trade and other payables

Other payables - non current	<u>21,038</u>	<u>10,842</u>
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Note 20. Leases

As part of the settlement agreements on resolution of the dispute between Lee Hoe Property Co., Ltd, the landlord of DNA Star Vegas and the company, an amended perpetual lease agreement was executed as of 2 March 2020 in relation to the DNA Star Vegas lease, which grants Donaco security of tenure over the Star Vegas casino until 15 June 2115. The lease is in relation to land of approximately 232,189 square meters located in Poi Pet, Cambodia. This follows an additional lease payment of US\$20 million (AU\$26.8 million as at 30 June 2021 average rate, the period in which the settlement agreements were reached) to Lee Hoe Property Co., Ltd which was settled in the year ended 30 June 2021, resulting in an increase in the right-of-use asset by the same amount. The lease liability was also remeasured to reflect the present value of the remaining lease payments over the term of the lease. The monthly lease payment is US\$20,000 (AU\$30,166 as at 30 June 2023 spot rate) for the first 5 years from the effective settlement date, US\$30,000 (AU\$45,249 as at 30 June 2023 spot rate) per month starting from the 6th year to the end of the 10th year, and from the 11th year onwards, the monthly rent will increase 3% every 3 years. In addition, for the five financial years commencing 1 July 2020, there is an entitlement to share 25% of the Star Vegas business EBITDA in excess of US\$16 million (AU\$24.1 million as at 30 June 2023 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 whether the option to renew will be exercised. 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 2023 over the remaining 42 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 2023 is approximately 38 years.

During the year ended 30 June 2022, a lease agreement was entered into for office premises in Kuala Lumpur, Malaysia. The lease term commenced on 1 January 2022 and is for a period of 2 years.

DONACO INTERNATIONAL LIMITED
Notes to financial statements
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Note 20. Leases (continued)

(i) Amounts recognised in the statement of financial position

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

	Consolidated	
	2023	2022
	\$	\$
Right-of-use assets (recognised as part of property, plant and equipment in Note 11)		
Properties	31,138,085	30,946,391
	<u>31,138,085</u>	<u>30,946,391</u>
Lease liability		
Properties - current	3,802	-
Properties - non-current	9,134,823	8,575,146
	<u>9,138,625</u>	<u>8,575,146</u>

The lease liability has been measured at the present value of the remaining lease payments over the term of the lease. For the lease in relation to the land in Cambodia, the lease payments were discounted using an incremental borrowing rate of 6.53%, while the lease payments for the lease in Vietnam were discounted using a discount rate of 9.5%. The discount rate used for the Kuala Lumpur office premises was 3.25%.

(i) Amounts recognised in the statement of comprehensive income

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

	Consolidated	
	2023	2022
	\$	\$
Depreciation of right-of-use asset (recognised as part of depreciation expense)	745,937	765,077
Interest expense (included in finance cost)	519,429	473,433

The payments made on the Kuala Lumpur office lease for the year ended 30 June 2023 were \$7,934. There were no payments made for the leases in Cambodia and Vietnam during the year ended 30 June 2023 (30 June 2022: nil). Payments for the lease in Vietnam are not due until May 2025 due to the rent-free period from lease commencement to then. For the lease in Cambodia, the outstanding payable balance as at 30 June 2023 was \$1,176,474 (30 June 2022: \$786,864), recognised in trade and other payables. Under the lease agreement, the landlord Lee Hoe Property Co., Ltd has the right to terminate the lease without penalty, after giving a one-month written notice to DSV. DSV has received a confirmation letter from Lee Hoe Property Co., Ltd, in which the landlord confirms that they will not exercise this right to terminate for the foreseeable future, covering a minimum period of 12 months from the date of issue of the audited financial statements for the year ended 30 June 2023.

Note 21. Equity - issued capital

	2023	2022	Consolidated	2022
	Shares	Shares	2023	2022
			\$	\$
Ordinary shares - fully paid	1,234,727,414	1,234,727,414	372,584,126	372,584,126
Details		Date	Shares	\$
Balance		30 June 2021	1,234,727,414	372,584,126
Balance		30 June 2022	1,234,727,414	372,584,126
Balance		30 June 2023	1,234,727,414	372,584,126

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.

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 2021	1,257,192	518,116
Balance 30 June 2022	1,257,192	518,116
Balance 30 June 2023	<u>1,257,192</u>	<u>518,116</u>

Note 21. Equity - issued capital (continued)

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 capital risk management policy remains unchanged from the 2022 financial statements.

	Consolidated	
	2023	2022
	\$	\$
Revaluation surplus reserve	1,855,327	1,855,327
Foreign currency reserve	41,109,694	35,921,480
Employee share option reserve	3,369,254	3,369,254
	<u>46,334,275</u>	<u>41,146,061</u>

Note 22. Equity - reserves

	Revaluation surplus reserve	Share-based payment reserve	Foreign currency reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2021	1,855,327	3,369,254	28,097,197	33,321,778
Foreign currency translation	-	-	7,824,283	7,824,283
Balance at 30 June 2022	1,855,327	3,369,254	35,921,480	41,146,061
Foreign currency translation	-	-	5,188,214	5,188,214
Balance at 30 June 2023	<u>1,855,327</u>	<u>3,369,254</u>	<u>41,109,694</u>	<u>46,334,275</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	
	2023	2022
	\$	\$
Accumulated losses at the beginning of the financial year	(261,464,559)	(244,972,931)
(Loss) after income tax expense for the year	(36,749,719)	(16,491,628)
Accumulated losses at the end of the financial year	<u>(298,214,278)</u>	<u>(261,464,559)</u>

Note 23. Equity - accumulated losses

DONACO INTERNATIONAL LIMITED
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Note 24. 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 2023 (2022: nil).

Franking credit balance

	Consolidated	
	2023	2022
	\$	\$
Franking credits available for subsequent reporting periods after payment of tax liability based on a tax rate of 30% (2022: 30%)	471,682	471,682

Note 25. 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	
	2023	2022	2023	2022
Australian dollars				
USD	1.4850	1.3777	1.5083	1.4516
THB	0.0421	0.0412	0.0423	0.0411
VND	0.0001	0.0001	0.0001	0.0001
CNY	0.2136	0.2135	0.2080	0.2168
MYR	0.3306	0.3258	0.3224	0.3295
SGD	1.0884	1.0132	1.1128	1.0434
HKD	0.1895	0.1765	0.1925	0.1850

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	
	2023	2022	2023	2022
Consolidated				
USD	753,841	60,035	(26,131,697)	(21,714,522)
CNY	6,532,611	2,684,175	(6,985,565)	(6,493,453)
MYR	18,054	11,052	(3,423)	(10,294)
SGD	-	-	(12,672)	(17,641)
EUR	170,265	-	-	-
HKD	4,684	3,507	(19,268)	(73,855)
	<u>7,479,455</u>	<u>2,758,769</u>	<u>(33,152,625)</u>	<u>(28,309,765)</u>

Note 25. Financial instruments (continued)

Financial risk management objectives (continued)

Foreign currency risk (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 2023	Effect on profit after tax 2022
USD	5%	1,268,893	1,082,724
CNY	5%	22,648	190,464
MYR	5%	(732)	(38)
SGD	5%	634	882
EUR	5%	(8,513)	-
HKD	5%	729	3,517
		<u>1,283,659</u>	<u>1,277,549</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	2023		2022	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Bank loans	n/a	-	6.21%	(1,799,164)
Shareholder loan	6.00%	(18,325,650)	6.00%	(15,140,354)
Cash at bank	0.01%	<u>1,273,400</u>	0.00%	<u>320,105</u>
Net exposure to cash flow interest rate risk		<u>(17,052,250)</u>		<u>(16,619,413)</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.

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.

Note 25. Financial instruments (continued)

Liquidity risk (continued)

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.

Consolidated - 2023	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	3,589,720	-	-	-	3,589,720
Other payables and accrued expenses	-	10,197,687	-	-	-	10,197,687
Deposits received	-	55,311	-	-	-	55,311
Floating chips	-	7,208,277	-	-	-	7,208,277
Interest payable	-	1,618,896	-	-	-	1,618,896
Taxation fine and penalty payable	-	9,030,959	-	-	-	9,030,959
<i>Interest bearing - fixed</i>						
Shareholder loan	6.00%	18,325,650	-	-	-	18,325,650
<i>Interest bearing - variable</i>						
Lease liabilities	6.90%	365,861	415,976	1,943,409	27,614,053	30,339,299
Total non-derivatives		50,392,361	415,976	1,943,409	27,614,053	80,365,799

Consolidated - 2022	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	3,525,736	-	-	-	3,525,736
Other payables and accrued expenses	-	7,602,451	-	-	-	7,602,451
Deposits received	-	36,269	-	-	-	36,269
Floating chips	-	6,587,247	-	-	-	6,587,247
Interest payable	-	473,162	-	-	-	473,162
<i>Interest bearing - fixed</i>						
Shareholder loan	6.00%	15,140,354	-	-	-	15,140,354
<i>Interest-bearing - variable</i>						
Bank loans	6.21%	1,799,164	-	-	-	1,799,164
Lease liabilities	2.31%	356,292	352,338	1,778,519	29,326,158	31,813,307
Total non-derivatives		35,520,675	352,338	1,778,519	29,326,158	66,977,690

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 2023

Note 26. Key management personnel disclosures

Directors

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

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

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:

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	
	2023	2022
	\$	\$
Short-term employee benefits	1,159,402	1,133,769
Post-employment benefits	16,011	15,177
	<u>1,175,413</u>	<u>1,148,946</u>

Note 27. 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	
	2023	2022
	\$	\$
<i>Audit services - Crowe Sydney</i>		
Audit or review of the financial statements	169,500	123,000
	<u>169,500</u>	<u>123,000</u>
<i>Audit services - related firms</i>		
Audit or review of the financial statements	117,955	122,614
Preparation of the tax return	759	1,052
	<u>118,714</u>	<u>123,666</u>
<i>Audit services - unrelated firms</i>		
Audit or review of the financial statements	53,634	52,044
	<u>53,634</u>	<u>52,044</u>
<i>Other services - unrelated firms</i>		
Preparation of the tax return	2,334	2,169
	<u>2,334</u>	<u>2,169</u>

Note 28. Commitments

Capital commitments

Committed at the reporting date but not recognised as liabilities, payable:

Property, plant and equipment	-	36,920
	<u>-</u>	<u>36,920</u>

DONACO INTERNATIONAL LIMITED
Notes to financial statements
30 June 2023

Note 29. 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 31.

Key management personnel

Disclosures relating to key management personnel are set out in note 26 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties during the year:

	Consolidated	
	2023	2022
	\$	\$
Interest expenses on shareholder loan from Mr Lee Bug Huy	1,157,992	460,905

The above transaction occurred at commercial rates.

Loans to/from related parties

The following loan balances were held with related parties at year end:

	Consolidated	
	2023	2022
	\$	\$
Shareholder loan from Mr Lee Bug Huy (refer to note 16)	18,325,650	15,140,354
Interest payable to Mr Lee Bug Huy (refer to note 16)	1,618,896	460,905

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

Note 30. Parent entity information

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

Statement of profit or loss and other comprehensive income

	2023	2022
	\$	\$
(Loss) after income tax	(7,822,457)	(9,727,748)
Total comprehensive (loss)	(7,822,457)	(9,727,748)

Statement of financial position

	2023	2022
	\$	\$
Total current assets	9,078,417	8,149,446
Total assets	152,478,122	160,088,726
Total current liabilities	31,617,300	31,405,447
Total liabilities	31,617,300	31,405,447
Equity		
Issued capital	420,547,212	420,547,212
Employee share option reserve	3,369,254	3,369,254
Accumulated losses	(303,055,644)	(295,233,187)
Total equity	120,860,822	128,683,279

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

As at 30 June 2023, the parent entity did not act as a guarantor in relation to debt for any of its subsidiaries.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2023 and 30 June 2022.

DONACO INTERNATIONAL LIMITED
Notes to financial statements
30 June 2023

Note 30. Parent entity information (continued)

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 31. 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	
		2023 %	2022 %
Donaco Australia Pty Ltd	Australia	100%	100%
Donaco Singapore Pte Ltd	Singapore	100%	100%
Donaco Holdings Ltd *	British Virgin Islands	100%	100%
Donaco Holdings Sdn Bhd *	Malaysia	100%	100%
Lao Cai International Hotel Joint Venture Company *	Vietnam	95%	95%
Donaco Hong Kong Limited	Hong Kong	100%	100%
Donaco Holdings (HK) 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 (HK) 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 31. 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

	2023	2022
	\$	\$
<i>Summarised statement of financial position</i>		
Current assets	7,435,791	3,428,673
Non-current assets	39,919,911	60,917,349
Total assets	47,355,702	64,346,022
Current liabilities	23,469,352	10,938,266
Non-current liabilities	6,771,962	6,567,893
Total liabilities	30,241,314	17,506,159
Net assets	17,114,388	46,839,863
<i>Summarised statement of profit or loss and other comprehensive income</i>		
Revenue	4,403,144	1,490,572
Expenses	(34,722,519)	(5,002,213)
Loss before income tax expense	(30,319,375)	(3,511,641)
Income tax expense	(564,069)	16,763
Loss after income tax expense	(30,883,444)	(3,494,878)
<i>Statement of cash flows</i>		
Net cash from / (used in) operating activities	1,935,540	(511,072)
Net cash from investing activities	23,650	875
Net cash from / (used in) financing activities	1,779,775	(403,368)
Net increase / (decrease) in cash and cash equivalents	3,738,965	(913,565)
<i>Other financial information</i>		
Loss attributable to non-controlling interests	(1,665,482)	(174,744)
Accumulated non-controlling interests at the end of reporting period	(38,641)	1,626,841

DONACO INTERNATIONAL LIMITED
Notes to financial statements
30 June 2023

Note 32. Events after the reporting period

Additional funding

In July 2023, a repayment of US\$0.1 million (AU\$0.2 million as at 30 June 2023 spot rate) was made in relation to the shareholder loan, with a subsequent draw down of the same amount made in the same month. A further US\$0.1m (AU\$0.2 million as at 30 June 2023 spot rate) was drawn down in August 2023, with a repayment of the same amount also made in the same month. In September 2023, a repayment of US\$0.1 million (AU\$0.2 million as at 30 June 2023 spot rate) was drawn down, with a repayment made of the same amount in the same month. The unutilised portion of the additional loan facility entered into on 2 May 2022 is US\$0.7 million (AU\$1.0 million as at 30 June 2023 spot rate). Under an annex to the original loan facility agreement that was entered into on 20 September 2023, the repayment due date of the original loan facility of US\$7.8 million (AU\$11.8 million as at 30 June 2023 spot rate) has been extended to 22 July 2027, from the original repayment due date of 22 July 2024.

Lao Cai tax collections and penalties

On 31 July 2023, Lao Cai engaged with the Vietnamese General Department of Taxation (GDT) to further discuss the complaint letter that it had submitted to the GDT regarding its tax decision issued on 30 January 2023. On 12 September 2023, the GDT issued Decision No. 1357/QD-TCT regarding the settlement of the first legal complaint submitted by management on 6 February 2023. In this decision, based on its review of the first complaint and the supporting documents submitted, the GDT concluded that it disagrees with the content of the first complaint and decides that the fine for the tax administrative violations as set out in Decision No. 15/QD-TCT remains unchanged. Decision No. 1357/QD-TCT also notes that, should Lao Cai disagree with this decision, management has the right to make a legal complaint to the Vietnamese Ministry of Finance (MoF) or to sue the GDT in court in line with legal regulations on administrative proceedings within 30 days from the date of receiving this decision. In response to Decision No. 1357/QD-TCT, management has submitted a second letter of legal complaint on 22 September 2023 to provide further explanation for excluding floating chips from taxable revenue, and to request that the MoF consider readjustment of the taxable revenue of Lao Cai for FY2018, FY2019 and FY2020 as well as the associated tax shortfall and penalties. The response from the MoF is still pending, and there remains significant uncertainty regarding the outcome.

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

Note 33. Net cash flows from operating activities

	Consolidated	
	2023	2022
	\$	\$
a) Reconciliation of (loss) after income tax to net cash from operating activities		
(Loss) after income tax expense for the year	(38,415,201)	(16,666,372)
Adjustments for:		
Depreciation and amortisation	7,331,105	8,358,521
Impairment of assets	26,739,077	-
Impairment of receivables	-	736,637
Non-controlling interests	1,665,482	174,744
Change in operating assets and liabilities:		
Decrease in trade and other receivables	184,628	186,621
Decrease in inventories	87,189	12,405
(Increase) in other operating assets	(116,842)	(722,701)
(Increase) in deferred tax assets	(20,663)	(19,841)
Increase in trade and other payables	13,475,985	2,011,098
Increase in provision for income tax	246,805	197,479
Increase in provisions for employee benefits	72,547	20,457
Net cash from / (used in) operating activities	<u>11,250,112</u>	<u>(5,710,952)</u>
b) Change in liabilities arising from financing activities		
		2023
		\$
Borrowings at beginning of the year (note 16)		16,939,518
Proceeds from loan borrowings		6,482,025
Repayments		(5,760,396)
Foreign exchange adjustments		<u>664,503</u>
Borrowings at end of the year (note 16)		<u>18,325,650</u>

DONACO INTERNATIONAL LIMITED
Notes to financial statements
30 June 2023

Note 34. (Loss) per share

	Consolidated	
	2023	2022
	\$	\$
(Loss) after income tax	(38,415,201)	(16,666,372)
Non-controlling interest interest share of loss	1,665,482	174,744
(Loss) after income tax attributable to the owners of Donaco International Limited	<u>(36,749,719)</u>	<u>(16,491,628)</u>
	Numbers	Numbers
Weighted average number of ordinary shares used in calculating basic loss per share	1,234,727,414	1,234,727,414
Adjustments for calculation of diluted loss per share:		
Options over ordinary shares	-	-
Weighted average number of ordinary shares used in calculating diluted loss per share	<u>1,234,727,414</u>	<u>1,234,727,414</u>
	Cents	Cents
Basic (loss) per share	(2.98)	(1.34)
Diluted (loss) per share	(2.98)	(1.34)

Note 35. 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 2023.

Employee options

No options were granted or outstanding at any time during the year ended 30 June 2023.

Note 36. Contingent assets and liabilities

DNA Star Vegas increased penalties and interest

The CGMC has not issued any notice, reminder letter and first penalty letter in relation to the non-payment of tax obligatory payments under the Lump Sum Tax Regime to which DNA Star Vegas is subject (see note 6(a)). As at 30 June 2023, the consolidated entity has recognised contingent liabilities in respect of the possible increased penalties and interest on the late payment of the obligatory payments payable by DNA Star Vegas to the CGMC. The contingent liabilities are as follows:

	Consolidated	
	2023	2022
	\$	\$
Penalties plus interest on non-payment of tax obligatory payments to MoEF under:		
- Lump Sum Tax Regime	424,043	1,292,471
- Real Tax Regime	-	288,397
	<u>424,043</u>	<u>1,580,868</u>

Lao Cai increased tax on floating chip movement

In the event that Lao Cai's ongoing appeal against the Vietnamese GDT's decision on the tax treatment of floating chips is not successful, the consolidated entity has contingent liabilities in respect of the increased tax that would arise if the floating chip movement were to be treated as taxable revenue. Based on estimated tax calculations for the years ended 30 June 2022 and 30 June 2023, the inclusion of floating chip movement as taxable revenue would result in the following increases:

	Consolidated	
	2023	2022
Value-added tax	115,592	-
Special sale tax	299,684	-
	<u>415,276</u>	<u>-</u>

The estimated impact on corporate income tax is nil, as Lao Cai is expected to be in a tax loss position for these years.

Other than the above, there are no contingent assets or liabilities at 30 June 2023 or 30 June 2022.

DONACO INTERNATIONAL LIMITED
Directors' declaration
30 June 2023

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 2023 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 2023
Sydney

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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 Group), which comprises the consolidated statement of financial position as at 30 June 2023, 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 Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended;
- (b) and 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 Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the 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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The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is external audit, conducted via the Crowe Australasia external audit division and Unison SMSF Audit. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

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Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements which indicates that the Group incurred a net loss after income tax of \$38,415,201 for the year ended 30 June 2023 and, as of that date the Group's current liabilities exceeded its current assets by \$34,057,679. As stated in Note 1, these events or conditions along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. 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. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How we addressed the Key Audit Matter
Goodwill and Casino License Impairment Testing	
Goodwill and intangible assets with an indefinite life are required to be tested annually for impairment and when there is an indication that the cash generating units (CGUs) to which the goodwill and intangible asset have been allocated to may be impaired. Due to the significance of goodwill and casino licence (an intangible asset with indefinite useful life) to the consolidated financial statements in the current year, the complexity and subjectivity involved in the impairment testing, and sensitivity of the value-in-use calculation to cash flow forecasts prepared by the management, this is considered a key audit matter.	Our audit procedures included, amongst others, the following: - Assessed the method used by management to determine the value-in-use for each CGU. - Assessed the appropriateness of the value-in-use calculation models. - Assessed the reasonableness of the key inputs in the value-in-use calculations, being management's cash flow forecasts, revenue growth rates, discount rates, terminal growth rates, and foreign currency translation rates. - Agreed the income tax rates to the prevailing local statutory rates. - Assessed the sensitivity of the value-in-use calculations by focusing on the discount rates and growth rates. - Tested the mathematical accuracy and components of the value-in-use calculations. - Checked the calculation of the CGUs' carrying amounts. - Evaluated the appropriateness of the impairment losses allocation to goodwill, casino licence and the other assets of the cash generating units on a pro rata basis. - Evaluated the adequacy of the related disclosures in Note 1, Note 2 and Note 12 to the financial statements.
Recognition of Tax Audit related Liability	
Lao Cai International Hotel Joint Venture Company ("Lao Cai Hotel"), one of the Group's subsidiaries, received a tax audit decision letter from the tax authority in the jurisdiction where Lao Cai Hotel is located. The tax audit decision has resulted in the recognition of income tax payable of \$588,000 and other payables of \$9,030,959, and disclosure of contingent liability of 415,276.	Our audit procedures included, amongst others, the following: - Assessed the tax audit decision letter and subsequent correspondences with the tax authority. - Held various discussions with the Group's management and the statutory auditor of Lao Cai Hotel. - Reviewed Lao Cai Hotel's statutory auditor's audit working papers that discussed the tax and accounting implications to Lao Cai Hotel. The local auditor had involved their tax

Due to the significance of the above liability balances to the consolidated financial statements in the current year and management's judgment in assessing the impact of the tax decision letter to the Group, this is considered a key audit matter.

- expert in assessing the impact of the tax audit decision to Lao Cai Hotel's business and financial reporting in accordance with the local tax laws and regulations.
- Assessed appropriateness of the accounting treatment of the tax audit decision that management laid out in the management memo in accordance with the Australian Accounting Standards.
 - Considered the impact to the Group's going concern. Together with the other matters considered, there was a material uncertainty related to going concern at the reporting date.
 - Evaluated the adequacy of the related disclosures in Note 1, Note 2, Note 5, Note 6 and Note 36 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's Annual Report for the year ended 30 June 2023 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 Group 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 Group 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 Group'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 Group'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 Group 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 Group to express an opinion on the group financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our 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 our 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, actions taken to eliminate threats or safeguards applied.

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 our 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 our 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 on pages 10 to 17 of the directors' report for the year ended 30 June 2023.

In our opinion, the remuneration report of Donaco International Limited, for the year ended 30 June 2023, 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

Crowe Sydney



Suwanti Asmono
Partner

29 September 2023
Sydney

DONACO INTERNATIONAL LIMITED
Shareholder information
30 June 2023

The shareholder information set out below was applicable as at 22 August 2023.

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	315
1,001 to 5,000	281
5,001 to 10,000	167
10,001 to 100,000	482
100,001 and over	259
	1,504

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	260,556,056	21.09%
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	122,252,798	9.90%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	40,016,511	3.24%
MR TECK LEE PATRICK TAN	38,232,459	3.09%
BNP PARIBAS NOMS PTY LTD <DRP>	31,091,915	2.52%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	30,759,965	2.49%
BNP PARIBAS NOMS PTY LTD UOBKH A/C R'MIERS <DRP>	24,984,703	2.02%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	23,687,724	1.92%
BNP PARIBAS NOMS PTY LTD <GLOBAL MARKETS DRP>	13,842,755	1.12%
MONEX BOOM SECURITIES (HK) LTD <CLIENTS ACCOUNT>	13,388,946	1.08%
TA SECURITIES HOLDINGS BERHAD	7,367,313	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 PTY LTD UOB KH PL AC <DRP>	5,260,565	0.43%
BNP PARIBAS NOMS (NZ) LTD <DRP>	5,245,000	0.42%
MR DANKO DRAGICEVIC	4,454,576	0.36%
DEFENDER EQUITIES PTY LTD <DEFENDER AUS OPPORTUN FD A/C>	3,570,000	0.29%
	1,093,006,049	88.49%

Unquoted equity securities

	Number on issue
Employee options	-
Warrants	-

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%
TECHATUT SUKCHAROENKRAISRI (aka Lee Bug Huy)	149,051,830	12.07%
BHUVASITH CHAIARUNROJH (aka Lee Bug Tong)	149,051,830	12.07%

DONACO INTERNATIONAL LIMITED
Shareholder information
30 June 2023

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.

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DONACO INTERNATIONAL LIMITED
Corporate directory
30 June 2023

Directors	Porntat Amatavivadhana - Non-Executive Chairman Roderick John Sutton - Non-Executive Director Lee Bug Huy - Executive Director Andrew Phillips - Non-Executive Director Issaraya Intrapaboon - Non-Executive Director
Company secretary	Hasaka Martin (resigned 19 September 2023) Joan Dabon (appointed 19 September 2023)
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 24 1 O'Connell St Sydney NSW 2000
Stock exchange listing	Donaco International Limited shares are listed on the Australian Securities Exchange (ASX code: DNA)
Website	www.donacointernational.com
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".