

ASX : DNA

asx release

30 April 2021



## Continued mitigation activities following most recent COVID-19 outbreak

### Highlights

- Continued mitigation efforts and strategic initiatives to weather the impacts from COVID-19 following severe outbreaks in the regional area near Star Vegas
- Revenue decreased to A\$2.8m compared to December 2020 Quarter revenue of A\$6.0m as a result of latest waves of infection
- Completed Star Vegas settlement resulting in non-cash income of A\$52.6m
- Reduced debt levels to USD\$7.8m and on track to repay all remaining debt with Mega Bank in FY21
- Cash position of A\$7.9m as of 31 March 2021

Donaco International Limited (“**Donaco**” or “**the Company**”) provides the following trading update for the three-month period ending 31 March 2021.

The March quarter was impacted by the most recent COVID-19 outbreaks. As previously reported, an outbreak around the broader regional area in which Star Vegas operates emerged in January 2021 and this was followed by a much heavier outbreak in Thailand with a second and third wave of infections. As a result of the pandemic, from 27 April 2021, Cambodian local authorities have declared the temporary closure of all casinos in the Banteay Meanchey province to prevent the curb in COVID19 community outbreak following a surge in cases. This has resulted in the immediate temporary closure of Star Vegas until further notice. Additional protocols have been in place at Star Vegas and Aristo during the quarter to minimise the risk of the virus, and keeping the safety of staff and visitors has remained a number one priority. The outbreak has heavily reduced visitation numbers, affecting revenue and EBITDA for the March quarter, resulting in Group revenue of A\$2.77m and group EBITDA of A\$0.29m.

The decreased level of net operating cash flows for the March quarter was also due to the non-recurring repayment of a junket deposit of approximately USD3.3million/A\$4.46million.

Nonetheless, the strategic initiatives Donaco has carried on implementing, which include mitigation activities and the revisions made on some service provider agreements, are supporting the Company to navigate through the pandemic. Management’s continued cost control measures led to a reduction in operating expenses to A\$1.70 million compared to the prior corresponding quarter.

Donaco anticipates the recent impact to be temporary, as vaccinations will commence to be rolled out across Southeast Asia during 2H FY21.

During the period, the Company completed the settlement for Star Vegas, and recorded a non-cash other-income of A\$52.6m (equivalent to USD\$38m) from the settlement.

Donaco is carrying on its work with Mega Bank to pay down its debt facility under the agreement, which as at 31 March 2021 decreased by A\$121.28m (equivalent to US\$92.20m). The outstanding debt of A\$10.26m (equivalent to US\$7.80m) is a significant reduction from the initially borrowed A\$131.54m (equivalent of USD\$100m), and the Company remains on track to repay the remaining amount in FY21.

The reduction in debt level also offers Donaco some clear air to explore additional options to access the gaming sector and allow for a diversified platform for future growth.

**Non-Executive Chairman Porntat Amatavivadhana said:** “The March quarter was a challenging period due to the COVID-19 pandemic with the outbreak in January leading to a more severe outbreak in April. This is an external factor which unfortunately we cannot control. Nonetheless, we have continued to focus on what we can control, our internal operations and protecting our balance sheet. We have done everything to manage what had to be managed internally within the business. We keep a conservative approach and we are ready to move forward once external conditions improve.

“Encouragingly, we are also on track to repay all remaining debt with Mega Bank by this coming 30 June, and we continue to explore additional opportunities to access the gaming market.”

As at 31 March 2021 Appendix 4C, cash holdings was A\$7.9m.

An amount of A\$427,877 was paid to related parties during the quarter, which is associated to salaries and fees to executive and non-executive directors.

The following update compares in AUD the three months to the end of March 2021 to the three months to the end of March 2020 and is based on unaudited management accounts.

### **Financial Performance**

#### **DNA Star Vegas**

Star Vegas, situated in Cambodia on the border with Thailand, reopened in September 2020 and since January 2021 the casino was heavily hit by a second and third wave of the virus. Since the quarter end, Cambodian local authorities have declared the temporary closure of all casinos in the Banteay Meanchey province resulting in the temporary closure of Star Vegas until further notice.

During the quarter, Star Vegas recorded a rolling Chip VIP turnover of A\$69.28m and net revenue of A\$2.51m.

Management has kept tight control measures on the limited operations, with operating expenses reduced to A\$1.31m for the period, compared to A\$7.61m in the previous corresponding period.

<b>DNA Star Vegas</b>	<b>March Quarter 2021</b>	<b>December Quarter 2020</b>	<b>March Quarter 2020</b>
Rolling Chip VIP Turnover	AUD 69.28m	AUD 132.22m	AUD 289.73m
Net Revenue	AUD 2.51m	AUD 5.57m	AUD 8.15m
Operating expenses	AUD 1.31m	AUD 1.86m	AUD 7.61m

Property level EBITDA	AUD 1.20m	AUD 3.70m	AUD 0.54m
Average daily visitation	290 players	368 players	2,584 players
VIP win rate	3.94%	4.76%	3.22%

Currency Conversions: March Quarter 2021 1.3530 AUD/USD; December Quarter 2020 1.3837 AUD/USD; March Quarter 2020 1.4793 AUD/USD.

#### Aristo International Hotel

The Aristo business in Vietnam has been operating on a limited basis since reopening in May 2020.

The border with China, the country from where the vast majority of Aristo's patrons originate, remains closed as part of COVID-19 restrictions.

For the period, rolling chips VIP turnover was A\$9.40m and net revenue was A\$0.26m.

Several cost-control initiatives have been implemented resulting in a reduction in operating expenses to A\$0.38m for the period, versus A\$2.17m in the March 2020 quarter.

EBITDA was down to negative EBITDA of A\$0.12m as a result of the COVID-19 impact.

<b>Aristo International Hotel</b>	<b>March Quarter 2021</b>	<b>December Quarter 2020</b>	<b>March Quarter 2020</b>
Rolling Chip VIP Turnover	AUD 9.40m	AUD 9.40m	AUD 156.14m
Net Revenue	AUD 0.26m	AUD 0.43m	AUD 2.64m
Operating expenses	AUD 0.38m	AUD 0.56m	AUD 2.17m
Property level EBITDA	(AUD 0.12m)	(AUD 0.13m)	AUD 0.48m
Average daily visitation	15 players	11 players	171 players
VIP win rate	3.92%	6.53%	2.94%

Currency Conversions: March Quarter 2021 1.3530 AUD/USD; December Quarter 2020 1.3837 AUD/USD; March Quarter 2020 1.4793 AUD/USD.

#### Group Summary

<b>DNA Group</b>	<b>March Quarter 2021</b>	<b>December Quarter 2020*</b>	<b>March Quarter 2020</b>
Rolling Chip VIP Turnover	AUD 78.68m	AUD 141.62m	AUD 445.87m
Net Revenue	AUD 2.77m	AUD 6.00m	AUD 10.79m
Operating expenses	AUD 1.70m	AUD 2.42m	AUD 9.78m

Property level EBITDA	AUD 1.08m	AUD 3.57m	AUD 1.01m
Corporate Costs	AUD 0.78m	AUD 0.90m	AUD 2.15m
Group EBITDA	AUD 0.29m	AUD 2.67m	(AUD 1.14m)

Currency Conversions: March Quarter 2021 1.3530AUD/USD; December Quarter 2020 1.3837AUD/USD; March Quarter 2020 1.4793AUD/USD.

\*Numbers based on final audited Appendix 4D 2020.

\*\*Settlement of USD\$38m is considered as other income and not included in EBITDA.

Donaco anticipates the short-term impact of COVID-19 to be outweighed by the long-term more encouraging outlook, as vaccinations commence to be rolled out in Southeast Asia during 2H FY21.

### **Corporate**

Donaco advises that Ms Marika White has resigned as Company Secretary, effective 30 April 2021. Ms White will be replaced by Mr Hasaka Martin, appointment effective 30 April 2021.

The Board would like to thank Ms White for her extensive contribution to Donaco and wish her all the best for the future.

**[ENDS]**

*Authorised for release by the Board.*

For further information contact:

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## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

Donaco International Limited

**ABN**

28 007 424 777

**Quarter ended ("current quarter")**

31 March 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1,695	11,000
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(5,380)	(10,338)
(c) advertising and marketing	(180)	(660)
(d) leased assets		
(e) staff costs	(965)	(2,712)
(f) administration and corporate costs	(83)	(1,393)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(226)	(1,284)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(5,138)</b>	<b>(5,386)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(1)	(189)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(1)</b>	<b>(189)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		14,413
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		(201)
3.5	Proceeds from borrowings	269	498
3.6	Repayment of borrowings	(327)	(13,402)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(58)</b>	<b>1,308</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	12,681	12,630
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(5,138)	(5,386)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1)	(189)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(58)	1,308
4.5	Effect of movement in exchange rates on cash held	404	(475)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>7,888</b>	<b>7,888</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	7,888	12,681
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>7,888</b>	<b>12,681</b>

**6. Payments to related parties of the entity and their associates**

6.1 Aggregate amount of payments to related parties and their associates included in item 1

6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter  
\$A'000**

428

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

The amounts in item 6.1 are payments of salaries and fees to executive and non-executive directors.

**7. Financing facilities**

*Note: the term "facility" includes all forms of financing arrangements available to the entity.*

*Add notes as necessary for an understanding of the sources of finance available to the entity.*

	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	12,130	12,130
7.2 Credit standby arrangements		
7.3 Other (please specify)		
<b>7.4 Total financing facilities</b>	<b>12,130</b>	<b>12,130</b>

**7.5 Unused financing facilities available at quarter end**

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

## Lender 1

Name: Mega International Commercial Bank Co Ltd

Interest rate: 6.7595%

Maturity date: 28 June 2021

## Lender 2

Name: Joint Stock Commercial Ocean Bank

Interest rate: 4.30% (USD currency), 7.80% (VND currency)

Maturity date: 2 October 2021

## Lender 3

Name: Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank)

Interest rate: 6.30%

Draw down date: 4 November 2020

Maturity term: 9 months

All loans are secured.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(5,138)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	7,888
8.3 Unused finance facilities available at quarter end (Item 7.5)	
8.4 Total available funding (Item 8.2 + Item 8.3)	7,888
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>1.54</b>

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?



Answer:

No, Donaco expects its net operating cash flows of upcoming quarters will be higher than the March 2021 quarter. The decreased level of net operating cash flows for the March 2021 quarter was due to the non-recurring repayment of a junket deposit of approximately USD3.3million/AUD4.46million.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

Management is in discussions with potential funding sources to raise additional funds.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Based on the discussions with potential funding sources, management believes the additional funds to be raised will enable the Company to maintain its operations.

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 April 2021

Authorised by: The Board  
(Name of body or officer authorising release – see note 4)

### Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.