

ROYAL INTERNATIONAL CORPORATION
(Incorporated in the Socialist Republic of Vietnam)

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

TABLE OF CONTENTS

<u>CONTENTS</u>	<u>PAGE(S)</u>
STATEMENT OF THE BOARD OF DIRECTORS	2
AUDITORS' REPORT	3 - 4
BALANCE SHEET	5 - 6
INCOME STATEMENT	7
CASH FLOW STATEMENT	8
NOTES TO THE FINANCIAL STATEMENTS	9 - 28

STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors of Royal International Corporation (“the Company”) presents this report together with the Company’s financial statements for the year ended 31 December 2011.

THE BOARDS OF MANAGEMENT AND DIRECTORS

The members of the Boards of Management and Directors of the Company who held office during the year and at the date of this report are as follows:

Board of Management

Mr. Do Tri Vy	Chairman
Ms. Ngo Thu Mat	Member (resigned on 16 April 2011)
Mr. Nghiem Cong Hao	Member
Mr. Duong Khanh Nam	Member (resigned on 16 April 2011)
Mr. Pham Ngoc Nam	Member
Ms. Nguyen Linh Chi	Member
Mr. Nguyen Khoi Phat	Member (appointed on 16 April 2011)
Ms. Nguyen Tieu Mai	Member (appointed on 16 April 2011)
Ms. Dien Duc Thanh	Member (appointed on 16 April 2011 and resigned on 21 June 2011)

Board of Directors

Mr. Nghiem Cong Hao	General Executive
Mr. Duong Khanh Nam	General Director
Mr. Pham Ngoc Nam	Deputy General Director
Ms. Nguyen Linh Chi	Chief Accountant

BOARD OF DIRECTORS’ STATEMENT OF RESPONSIBILITY

The Board of Directors of the Company is responsible for preparing the financial statements of each year, which give a true and fair view of the financial position of the Company and of its results and cash flows for the year. In preparing these financial statements, the Board of Directors is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting principles have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- Design and implement an effective internal control system for the purpose of properly preparing and presenting these financial statements so as to minimize errors and frauds.

The Board of Directors is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the financial position of the Company and that the financial statements comply with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing accounting regulations in Vietnam. The Board of Directors is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

The Board of Directors confirms that the Company has complied with the above requirements in preparing these financial statements.

For and on behalf of the Board of Directors,

Duong Khanh Nam
General Director

23 March 2012

No.: /Deloitte-AUDHN-RE

AUDITORS' REPORT

To: **The shareholders, the Boards of Management and Directors
Royal International Corporation**

We have audited the accompanying balance sheet of Royal International Corporation ("the Company") as at 31 December 2011, the related statements of income, cash flows for the year ended 31 December 2011, and the notes thereto (collectively referred to as "the financial statements"), as set out from page 5 to page 28. The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam.

Respective Responsibilities of the Board of Directors and Auditors

As stated in the Statement of the Board of Directors on page 2, these financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of Opinion

We have conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of, in all material respects, the financial position of the Company as at 31 December 2011 and the results of its operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing relevant regulations in Vietnam.

Without qualifying our opinion, we would like to draw attention to the following points:

As stated in Note 13 of the Notes to the financial statements, cumulative pre-operating expenses recorded in relation with the Company's construction in progress and other related expenses of the Four Points - Sheraton Hotel as at 31 December 2011 were all presented as long-term prepayments in the balance sheet. According to Vietnamese Accounting Standard No.04 - Intangible Fixed Assets, these expenses should be charged into the income statement during the year they incurred. However, in accordance with Official Letter No.392/TC-TCDN dated 10 January 2003 by the Ministry of Finance, these pre-operating expenses are to be allocated to the general and administration expenses over three years from the date of the operation commencement of the related construction work. Accordingly, pre-operating expenses of Four Points - Sheraton which were capitalized into long-term prepayments as at 31 December 2011 are USD 4,046,467 (as at 31 December 2010: USD 3,877,722).

AUDITORS' REPORT (Continued)

Opinion (Continued)

Our audit is performed to express an opinion on the accompanying financial statements. The additional information from page 29 to page 53 is for the Company's internal use only, and does not constitute an integral part of the financial statements. The Board of Directors is responsible for the additional information. The additional information is not included in our audit procedures applicable to the accompanying financial statements and therefore, we do not express our opinion on the information.

Truong Anh Hung
Deputy General Director
CPA Certificate No. D.0029/KTV

For and on behalf of
DELOITTE VIETNAM COMPANY LIMITED

23 March 2012
Hanoi, S.R. Vietnam

Tran Duy Cuong
Auditor
CPA Certificate No. 0797/KTV

BALANCE SHEET
As at 31 December 2011

FORM B 01-DN
Unit: USD

| [Error! Not a valid link.](#)

BALANCE SHEET (Continued)
As at 31 December 2011

FORM B 01-DN
Unit: USD

| [Error! Not a valid link.](#)

Duong Khanh Nam
General Director

23 March 2012

Nguyen Linh Chi
Chief Accountant

INCOME STATEMENT
For the year ended 31 December 2011

FORM B 02-DN
Unit: USD

| [Error! Not a valid link.](#)

Duong Khanh Nam
General Director

23 March 2012

Nguyen Linh Chi
Chief Accountant

CASH FLOW STATEMENT
 For the year ended 31 December 2011

FORM B 03-DN
 Unit: USD

ITEMS	Codes	2011	2010
I. CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	01	1,567,843	2,503,241
2. Adjustments for:			
Depreciation and amortisation	02	1,412,384	1,399,778
Provisions	03	(19,261)	(324,225)
Unrealized foreign exchange (gain)	04	(359,831)	(302,968)
Loss from disposal of fixed assets	05	50,196	103,765
Interest expenses	06	749,094	519,434
3. Operating profit before movements in working capital	08	3,400,425	3,899,025
Decrease in receivables	09	1,778,353	5,502,134
Decrease in inventories	10	229,917	134,087
(Decrease) in accounts payable (not including accrued interest and corporate income tax payable)	11	(661,408)	(3,424,343)
Decrease/(increase) in prepaid expenses	12	57,482	(60,394)
Interest paid	13	(1,164,527)	(989,438)
Corporate income tax paid	14	(512,544)	(774,275)
Other cash (outflows)	16	(23,094)	(51,198)
Net cash from operating activities	20	3,104,604	4,235,598
II. CASH FLOWS FROM INVESTING ACTIVITIES			
1. Acquisition and construction of fixed assets and other long-term assets	21	(3,384,084)	(7,470,109)
2. Proceeds from sales of fixed assets and other long-term assets	22	4,389	-
Net cash (used in) investing activities	30	(3,379,695)	(7,470,109)
III. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Proceeds from borrowings	33	11,099,454	10,345,902
2. Repayment of borrowings	34	(11,083,286)	(8,685,900)
Net cash from financing activities	40	16,168	1,660,002
Net (decrease) in cash	50	(258,923)	(1,574,509)
Cash at the beginning of the year	60	1,429,485	2,701,026
Effect of changes in foreign exchange rates	61	359,831	302,968
Cash at the end of the year	70	1,530,393	1,429,485

Supplemental non-cash disclosures

Cash outflows for purchases of fixed assets and construction in progress during the year exclude an amount of USD 1,431,942 (2010: USD 1,135,960) representing an addition in fixed assets during the year that has not been paid yet and include an amount of USD 1,970,791 (2010: USD 2,705,818) advanced to suppliers for purchasing fixed assets and other long-term assets. Consequently, changes in accounts payable and receivable have been adjusted by the same amounts.

Cash flows from financing activities exclude dividends paid in shares with the total amount of USD 1,577,159.

Duong Khanh Nam
 General Director

Nguyen Linh Chi
 Chief Accountant

23 March 2012

The notes set out on pages 9 to 28 are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

FORM B 09-DN

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

1. GENERAL INFORMATION

Structure of ownership

Royal International Corporation (“the Company”) is a joint stock company which has changed from a joint-venture enterprise under Decree No. 38/2003/ND-CP dated 15 April 2003 by the Government on the conversion of a number of foreign invested enterprises into joint stock companies and Joint Circular No. 08/TTLT-BKH-BTC dated 29 December 2003 by the Ministry of Planning and Investment (MPI) and the Ministry of Finance providing guidance on the implementation of Decree No. 38/2003/ND-CP. On 15 June 2005, the MPI issued Investment License No.953 CPH/GP approving the change of Royal International Joint Venture Company into Royal International Corporation with the face value, chartered capital, and the number of shares as follows:

- Face value: USD 1/share
- Chartered capital: USD 21,000,000
- Total number of shares: 21,000,000 shares

On 14 March 2006, the Ministry of Planning and Investment issued amended Investment License No. 953 CPH/GPDC1 approving the conversion of the face value currency. Therefore, the face value, chartered capital and the number of shares are as follows:

- Face value: VND 10,000/share
- Chartered capital: VND 332,136,000,000
- Total number of shares: 33,213,600 shares

On 28 January 2008, the Ministry of Planning and Investment issued amended Investment Certificate No. 953/GCNDC3/22/1 approving the increase in the Company’s chartered capital. Therefore, the face value, chartered capital and the number of shares are as follows:

- Face value: VND 10,000/share
- Chartered capital: VND 410,319,760,000
- Total number of shares: 41,031,976 shares

On 01 July 2008, the Company received re-registered Investment Certificate No. 221.032.000.118 issued by the People’s Committee of Quang Ninh Province to foreign invested enterprises according to the Investment and Corporate Law 2005.

On 30 October 2008, the Company obtained the first amended Investment Certificate No. 221.032.000.118 approving the increase in the Company’s chartered capital. Accordingly, the face value, chartered capital, and the total number of shares are as follows:

- Face value: VND 10,000/share
- Chartered capital: VND 514,381,130,000
- Total number of shares: 51,438,113 shares

On 30 June 2009, the People’s Committee of Quang Ninh Province granted the second amended Investment Certificate No. 221.032.000.118 on change in ownership interest of the founding shareholders.

On 22 September 2009, the People’s Committee of Quang Ninh Province issued third amended Investment Certificate No. 221.032.000.118. Accordingly, the Company’s investment capital is VND 730,473,560,000; the face value, chartered capital and the total number of shares are as follows:

- Face value: VND 10,000/share
- Chartered capital: VND 565,814,070,000
- Total number of shares: 56,581,407 shares

On 18 January 2010, the People’s Committee of Quang Ninh Province issued fourth amended Investment Certificate No. 221.032.000.118. Accordingly, the Company’s representative and General Director is Mr. Duong Khanh Nam - Taiwanese.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

1. GENERAL INFORMATION (Continued)

Structure of ownership (Continued)

On 22 November 2010, the People's Committee of Quang Ninh Province granted the fifth amended Investment Certificate No. 221.032.000.118 to the Company. Accordingly, the investment capital is VND 730,473,560,000, the face value, chartered capital and the total number of shares are changed as follows:

- Face value: VND 10,000/share
- Chartered capital: VND 650,673,890,000
- Total number of shares: 65,067,389 shares

On 13 March 2012, the People's Committee of Quang Ninh Province granted the sixth amended Investment Certificate No. 221.032.000.118 to the Company. Accordingly, the investment capital is VND 730,473,560,000, the face value, chartered capital and the total number of shares are changed as follows:

- Face value: VND 10,000/share
- Chartered capital: VND 683,199,650,000
- Total number of shares: 68,319,965 shares

The Owner (Parent company) of Company is Kai Chieh International Investment Ltd. The ultimate parent company of the Company is Kai Chieh International Investment Ltd.

The Company's number of employees as at 31 December 2011 was 1.006 (31 December 2010: 989).

Operating industry and principal activities

The Company operates in the hospitality industry.

The principal activities of the Company are to build and operate a 5-star hotel, a place for amusement, an international gaming club and provide other entertainment services in Bai Chay Ward, Ha Long City, Quang Ninh Province. In addition, the Company acts as an authorised foreign exchange agency as regulated by Certificate No. 1060/NHNN-QNN1 dated 28 November 2008 issued by the State Bank of Vietnam - Quang Ninh branch.

2. ACCOUNTING CONVENTION AND ACCOUNTING PERIOD

Accounting convention

The accompanying financial statements, expressed in United States Dollars (USD), are prepared under the historical cost convention and in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing relevant regulations in Vietnam. The Company's financial statements have been measured in USD as registered and approved by the Ministry of Finance in its Official Letter No. 355/TC-CDKT dated 13 November 2000. Management believes that the use of USD is necessary in order to reflect the economic substance of the underlying events and circumstances relevant to the Company's business operations.

As at 31 December 2011, the Company's current assets less than its current liabilities about USD 3 million. The Board of Directors has planned cash flow for 2012 and the parent company committed to provide the Company's financial support for its payment needs. Therefore, the Board of Directors decided to prepare financial statements for the year ended 31 December 2011 on the basis of the assumption of going concern.

The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam.

Accounting period

The Company's financial year begins on 01 January and ends on 31 December.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

3. ADOPTION OF NEW ACCOUNTING GUIDANCE

On 06 November 2009, the Ministry of Finance issued Circular No.210/2009/TT-BTC (“Circular 210”) guiding the application of International Financial Reporting Standards on presentation of financial statements and disclosures of financial instruments. The adoption of Circular 210 requires disclosures of certain financial instruments as well as the effect thereof on the financial statements. This Circular is effective for the financial year ending on or after 31 December 2011. The Company has adopted Circular 210 and additional notes on this application to the financial statements for the year ended 31 December 2011 are set out in Note 23.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, which have been adopted by the Company in the preparation of these financial statements, are as follows:

Estimates

The preparation of financial statements in conformity with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing relevant regulations in Vietnam requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Actual results could differ from those estimates.

Financial instruments

Initial recognition

At the date of initial recognition, financial assets are recognized at cost plus transaction costs that are directly attributable to the acquisition of the financial assets.

Financial assets of the Company comprise cash, investments, trade receivables and other receivables.

At the date of initial recognition, financial liabilities are recognized at cost net of transaction costs that are directly attributable to the issue of the financial liabilities.

Financial liabilities of the Company comprise borrowings, trade and other payables and accrued expenses.

Re-measurement after initial recognition

Currently there are no requirements for the re-measurement of the financial instruments after initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Provision for doubtful debts

Provision for doubtful debts is made for receivables that are overdue for six months or more, or when the debtor is in dissolution, in bankruptcy, or is experiencing similar difficulties that may be unable to repay the debt.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provision for doubtful debts (Continued)

For receivables from Royal International Gaming Club activities, provision for doubtful debts is made based on the aging year starting from the lending date.

<u>Age of receivable (months)</u>	<u>Provision rate (%)</u>
0 - 1	3
1 - 2	6.25
2 - 3	12.5
3 - 4	25
4 - 5	50
5 - 6	75
Over 6 months	100

Credit policy for Royal International Gaming Club activities

On 01 January 2010, the Board of Management issued the amended credit policy for Royal International Gaming Club activities. Accordingly, the total credit limit shall not exceed USD 9 million. Any debt of over USD 1.5 million shall be secured by assets with the amount at least equal to 50% of the debt value, with the maximum loan term of 1 year for secured loans and 6 months for unsecured ones. Loans are made in the form of chips to play at the International Gaming Club and repayable either by chip or in cash.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the methods as follows:

<i>Inventory categories</i>	<i>Costing method</i>
Food	First in, first out
Beverage	Weighted average
Artwork	Specific identification
Other materials	First in, first out

Net realizable value represents the estimated selling price less all estimated costs to completion and costs incurred in marketing, selling and distribution.

The evaluation of necessary provision for inventory obsolescence follows current prevailing accounting regulations, which allow provisions to be made for obsolete, damaged, or sub-standard inventories and for those whose book value is higher than net realizable value as at the balance sheet date.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

The costs of purchased tangible fixed assets comprise their purchase prices and any directly attributable costs of bringing the assets to their working condition and location for their intended use.

The costs of self-constructed or manufactured assets are the actual construction or manufacturing cost plus installation and test running costs.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tangible fixed assets and depreciation (Continued)

Tangible fixed assets are depreciated using the straight-line method over the following estimated useful lives:

	Years
Buildings, structures	35
Machinery, equipment	5 - 12
Office equipment	5 - 12
Motor vehicles	8 - 12
Others	4 - 12

Intangible fixed assets and amortisation

Land use rights

Intangible fixed assets represent land use rights that are stated at cost less accumulated amortization. The Company's land use rights pertain to 8.6 hectares of land, 8 hectares of beach and 10.8 hectares of water surface adjoining to the coast at Bai Chay Ward, Ha Long City for the year stated in the Investment License of 26 years and 7 months from 13 August 1994. Land use rights are amortised using the straight-line method over the duration of the right to use the land.

Construction in progress

Properties in the course of construction for production, rental or administrative purposes, or for the purposes not yet determined, are carried at cost. Cost includes professional fees, and for qualifying assets, borrowing costs are dealt with in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Investment property

Investment properties, which are composed of land use rights and buildings and structures held by the Company to earn rentals or for capital appreciation or both, are stated at cost less accumulated depreciation. The cost of purchased investment properties comprises its purchase price and any directly attributable expenditures, such as professional fees for legal services, property transfer taxes and other related transaction costs. The costs of self-constructed investment properties are the finally accounted construction or directly attributable costs of the properties.

Investment properties are depreciated using straight-line method over the estimated useful life of 35 years.

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost including directly attributable transaction costs.

At the subsequent reporting dates, investments in securities are measured at cost, less the amount of diminution in value of investments in securities.

Provision for diminution in value of investments in securities is made in accordance with current prevailing accounting regulations which allow provision to be made for freely traded securities whose book values are higher than market prices as at the balance sheet date.

Long-term prepayments

Long-term prepayments include the remainder of pre-operating expenses, unallocated tools and supplies issued for consumption. Pre-operating expenses represent start-up costs, employee training and advertising fees incurred prior to the commencement of operation of the Company's project.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term prepayments (Continued)

- Pre-operating expenses: According to Official Letter No. 392/TC-TCDN dated 10 January 2003 of the Ministry of Finance, the Company's pre-operating expenses are deferred as follows:
 - + Pre-operating expenses are allocated to each construction works based on the ratio of invested capital therein to the Company's total investment capital. For construction in progress, no pre-operating expenses are allocated to income statement. Accordingly, the Company has yet to commence allocation of its pre-operating expenses relating to the Four Points - Sheraton Hotel into general and administration expenses, since the hotel construction had not been completed at the balance sheet date.
 - + Pre-operating expenses of construction works which have already been completed and put into use are continued to be allocated to operating expenses over three (03) years, from the start-of-use date.
- Tools and supplies that are used for a number of business cycles are allocated to expense at the rate of 30% p.a.

Revenue recognition

Revenue from the operation of Royal International Gaming Club is recognized daily at the playing table and is recorded every ten days for the activities of slot machines, as follows:

- Revenue at the playing table is recognized as the differences between chips at the closing time and chips at the opening time at each playing table plus (+) chips transferred from the playing table to cage minus (-) chips transferred from the cage to the playing table. Revenue recognition does not depend on whether cash has been collected or not.
- Revenue from business activities by slot machines represents the amount received over the exchange counter before a game less the amount returned to guests.

Revenue from other services including sales of food, beverages, amusement park and villa rents are recognized when the outcome of such transaction can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company. Sales of services are recognized by reference to the percentage of completion of the transaction at the balance sheet date.

Foreign currencies

The Company applies the method of recording foreign exchange differences in accordance with Vietnamese Accounting Standard No. 10 (VAS 10) "Effects of changes in foreign exchange rates". Accordingly, transactions arising in foreign currencies are translated at exchange rates ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange prevailing on the balance sheet date. Exchange differences arising from the translation of these accounts are recognised in the income statement. Unrealised exchange gains at the balance sheet date are not treated as part of distributable profit to owners.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial year of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings is deducted from the cost of those assets.

All other borrowing costs are recognised in the income statement when incurred.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the balance sheet date.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years (including loss carried forward, if any) and it further excludes items that are never taxable or deductible.

Deferred tax is recognised on significant differences between carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using balance sheet liability method. Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

The determination of the tax currently payable is based on the current interpretation of tax regulations. However, these regulations are subject to yearic variation and their ultimate determination depends on the results of the tax authorities' examinations.

Other taxes are paid in accordance with the prevailing tax laws in Vietnam.

5. CASH

[Error! Not a valid link.](#)

6. TRADE ACCOUNTS RECEIVABLE

[Error! Not a valid link.](#)

(*) Represent receivables from the casino's gaming guests. Credit policy for Royal International Gaming Club activities is stated in Note 4 of the Notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

7. INVENTORIES

[Error! Not a valid link.](#)

8. TANGIBLE FIXED ASSETS

Unit: USD

[Error! Not a valid link.](#)

The carrying amounts of the Company's buildings and structures, machinery and equipment as at 31 December 2011 include USD 154,731 (31 December 2010: USD 180,839) of assets which are temporarily not in use.

As stated in Notes 14 and 16 of the Notes to the financial statements, the Company mortgaged buildings and structures, machinery and equipment, motor vehicles with net book value of USD 11,879,984 as at 31 December 2011 to secure bank loans.

The cost of the Company's motor vehicles, machinery and office equipment as at 31 December 2011 includes USD 1,134,663 (31 December 2010: USD 1,150,735) of assets which have been fully depreciated but are still in use.

9. INTANGIBLE FIXED ASSETS

Unit: USD

	Land Use Rights	Accounting Software	Total
COST			
As at 01/01/2011	4,650,000	76,706	4,726,706
Disposals for the year	-	711	711
As at 31/12/2011	4,650,000	75,995	4,725,995
ACCUMULATED AMORTIZATION			
As at 01/01/2011	2,070,599	28,996	2,099,595
Charge for the year	251,649	10,819	262,468
Disposals for the year	-	367	367
As at 31/12/2011	2,322,248	39,448	2,361,696
NET BOOK VALUE			
As at 31/12/2011	2,327,752	36,547	2,364,299
As at 31/12/2010	2,579,401	47,710	2,627,111

As stated in Notes 14 and 16 of the Notes to the financial statements, the Company mortgaged its land-use rights in full for the loans obtained from Vietinbank - Thanh Xuan Branch.

10. CONSTRUCTION IN PROGRESS

[Error! Not a valid link.](#)

(*) As stated in Note 16 of the Notes to the financial statements, the Company mortgaged the Four Points - Sheraton Hotel - the construction in progress to the bank with the value of USD 13,465,815.

11. INVESTMENT PROPERTY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

Unit: USD

	Investment property	Total
COST		
As at 01/01/2011	2,099,206	2,099,206
As at 31/12/2011	2,099,206	2,099,206
ACCUMULATED DEPRECIATION		
As at 01/01/2011	186,113	186,113
Charge for the year	59,908	59,908
As at 31/12/2011	246,021	246,021
NET BOOK VALUE		
As at 31/12/2011	1,853,185	1,853,185
As at 31/12/2010	1,913,093	1,913,093

According to VAS No. 05 - Investment Properties, fair value of investment property as at 31 December 2011 is required to be disclosed. However, the Company has not determined the fair value as at 31 December 2011 due to lack of reliable sources of information; therefore, no information about the fair value is stated on the notes to the financial statements.

12. OTHER LONG-TERM INVESTMENTS

Other long-term financial investment represents the capital contributed to Royal International Securities Company, amounting to 5% of its chartered capital. At the date of the financial statements, no reliable market price was available for consideration of provision for diminution in value of the investment. However, management believes that there is no significant diminution that could lead to any adjustment to the value of the investment as at 31 December 2011.

13. LONG-TERM PREPAYMENTS

[Error! Not a valid link.](#)

- (*) As stated in Note 4 of the Notes to the financial statements, pre-operating expenses of the Four Points - Sheraton Hotel shall not be allocated to expenses until the hotel commences its operation. As at 31 December 2011, this hotel had not yet come into operation.

14. SHORT-TERM LOANS AND LIABILITIES

[Error! Not a valid link.](#)

(1) Loan from Vietnam Joint Stock Commercial Bank for Industry and Trade (Vietinbank) - Thanh Xuan Branch represents a short-term credit facility which can be drawn up to a maximum amount of VND 30 billion and ensures that at any time during the contract, the credit balance under loan, guaranty, L/C contract and other credit forms shall not exceed VND 74,692,502,000. This facility bears the interest rate adjusted for each year by Vietinbank - Thanh Xuan Branch. Interest shall be repaid on a monthly basis, the contract expires on 30 June 2012. This loan and a long-term loan stated in Note 16 are mortgaged by the land use right of the Company.

(2) Loan from Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank) - Ha Long Branch represents a short-term credit facility which can be drawn up to a maximum amount of VND 30 billion. This facility bears interest at the rate quoted by Vietcombank - Quang Ninh Branch at the date of each disbursement which will be adjusted for each period by Vietcombank - Ha Long Branch. Interest shall be repaid on a monthly basis, the contract expires on 03 November 2012. The loan is mortgaged by the Company's electronic distribution equipment system.

(3) Loan from Vietcombank - Quang Ninh Branch represents a short-term credit facility which can be drawn in Vietnam Dong up to a maximum amount of VND 2.5 billion. This credit facility included outstanding balance of short-term Credit Contract No. 01/2010/NTQN-HG. This facility bears interest at the rate quoted by Vietcombank - Quang Ninh Branch at the date of disbursement. Interest shall be paid on a monthly basis, the contract expires on 20 November 2012. The loan is mortgaged by the Company's generator system and air conditioning system.

14. SHORT-TERM LOANS AND LIABILITIES (Continued)

NOTES TO THE FINANCIAL STATEMENTS (Continued)**FORM B 09-DN***These notes are an integral part of and should be read in conjunction with the accompanying financial statements*

(4) Loan from Eximbank - Quang Ninh Branch represents a short-term credit facility which can be drawn in Vietnam Dong up to a maximum amount of VND 20 billion. This facility bears interest at the rate quoted which can be adjusted for each period by Eximbank - Quang Ninh Branch. Interest shall be repaid on a monthly basis, the contract expires on 30 September 2012. There is no mortgaged assets for this loan.

(5) Loan from Kai Chieh International Investment Ltd., represents a short-term credit facility which can be drawn up to a maximum amount of USD 2 million effective from 8 December 2011 to 7 December 2012. This facility bears interest in U.S. Dollars at the rate quoted by Vietcombank at the date of interest payment. The principal and interest will be repaid on the expiry date. There is no mortgaged assets for this loan.

(6) Loan from Shanghai Bank represents a short-term credit facility which can be drawn in USD up to a maximum amount of USD 1.2 million from 27 December 2011 to 26 December 2012. This facility bears interest at SIBOR 180 days plus 3% and 6M TAIFEX plus 2%. The principal and interest will be repaid every 3 months. There is no mortgaged assets for this loan.

15. TAXES AND AMOUNTS PAYABLE TO THE STATE BUDGET

[Error! Not a valid link.](#)

16. LONG-TERM LOANS AND LIABILITIES

[Error! Not a valid link.](#)

Represent long-term loan contract No. 01/2008/Sheraton dated 18 December 2008 for building Four Points - Sheraton Hotel. This loan can be drawn up to a maximum amount of VND 70 billion for 72 months from the first withdrawal with grace period of 6 months. The interest rate is 13.5% for the grace period. After the grace period, it is adjusted to 150% of the basic interest rate announced by the State Bank of Vietnam minus 1% per annum and is not lower than the floor rate announced by Vietinbank for each year. Principal is repayable every three months in 22 installments and in the third month of each installment. The loan is mortgaged by the land use right of the Company and the assets acquired from the loan. Interest expense which was capitalized into Four Points - Sheraton Hotel in 2011 is USD 474,350.

Long-term loans are repayable as follows:

[Error! Not a valid link.](#)

17. SHAREHOLDERS' EQUITY**Movements in Shareholders' equity**

[Error! Not a valid link.](#)

(*) Under Resolution No. 01/2011/NQ-DHCDTN dated 16 April 2011 at General Shareholders' Meeting for Term 2011-2015, dividends are approved to be paid at rate of 5% share capital as at 31 December 2010 valued at VND 32,533,694,500, equivalent to 3,252,576 shares with par value of VND 10,000/share and cash dividends equivalent to the value of odd shares. The Company's list of shareholders receiving bonus shares was fixed on 10 June 2011 to submit to the Vietnam Securities Depository and it was the date that the Company increased its chartered capital. On 13 July 2011, the Vietnam Securities Depository issued Securities Registration Certificate No. 52/2007/GCNCP-VSD-6 for 894,462 shares out of 18,799,555 shares submitted for additional registration. The par value per share is VND 10,000. On 14 July 2011, Ho Chi Minh Stock Exchange issued Decision No. 106/2011/QD-SGDHCM and Official Letter No. 674/2011/TB-SGDHCM on the approval of additional listing of 894,462 shares mentioned above at par value per share of VND 10,000. The listing date was effective on 18 July 2011 and the official transaction date was on 21 July 2011.

(**) Distribution to funds and remuneration for Board of Management are made under General Shareholders' Meeting's Resolution No. 01/2011/NQ-DHCDTN dated 16 April 2011.

Shares

[Error! Not a valid link.](#)

Face value of shares in circulation is VND 10,000/share.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

17. SHAREHOLDERS' EQUITY (Continued)

Contributed chartered capital

The shareholders' equity structure and their capital contributions as at 31 December 2011 were as follows:

[Error! Not a valid link.](#)

In 2011, there was a change in the list of founding shareholders. However, at the date of the financial statements, the amendment of the Company's Investment Certificate had not been completed; accordingly, the list of founding shareholders remained the same with the one included in the sixth amended Investment Certificate dated 13 March 2012.

18. BUSINESS SEGMENTS

The Company has divided management control by business segment. The structure of the Company includes 4 segments with principal activities as follows:

- Royal International Gaming Club: gaming activities with reward - these are seasonal and unstable activities. The revenue gained therefrom depends on the number of gaming clients and game results
- Royal Villas: accommodation for rent
- Royal Park: sales of entry tickets to the parks and amusement activities
- Four Points - Sheraton Hotel: accommodation for rent

Information on the Company's business segment operations is presented below:

Balance sheet as at 31 December 2011

[Error! Not a valid link.](#)

18. BUSINESS SEGMENTS (Continued)

Income statement for the year ended 31 December 2011

[Error! Not a valid link.](#)

Balance sheet as at 31 December 2010

[Error! Not a valid link.](#)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

18. BUSINESS SEGMENTS (Continued)

Income statement for the year ended 31 December 2010

[Error! Not a valid link.](#)

19. FINANCIAL INCOME

[Error! Not a valid link.](#)

20. CURRENT CORPORATE INCOME TAX EXPENSE

[Error! Not a valid link.](#)

21. BASIC EARNINGS PER SHARE

[Error! Not a valid link.](#)

As presented in Note 1 of the Notes to the financial statements, on 13 March 2012, the People's Committee of Quang Ninh Province granted the sixth amended Investment Certificate No. 221.032.000.118 to the Company. Accordingly, the investment capital is VND 730,473,560,000, the face value, chartered capital and the total number of shares are changed as follows:

- Face value: VND 10,000/share
- Chartered capital: VND 683,199,650,000
- Total number of shares: 68,319,965 shares

The accompanying financial statements are presented in US Dollar. Therefore, for the purpose of calculating basic earnings per share, the management decided to take the face value of USD 01/share to determine the weighted average number of ordinary shares in circulation for the years ended 31 December 2010 and 31 December 2011.

Weighted average number of ordinary shares for the year ended 31 December 2010 was restated due to the impact of the issuance of bonus shares issued as follows:

	<u>Weighted average number of ordinary shares in circulation in the year</u>	<u>Basic earnings per share</u>
	Shares	USD
As reported for the year ended 31 December 2010	37,141,271	0.050
As restated	41,326,199	0.045

22. COMMITMENTS

Capital commitment

Up to 31 December 2011, the contracts for construction and installation, purchases of machinery and equipment which were signed but yet to be implemented, valued at USD 2,928,341 in total (31 December 2010: USD 2,914,787).

Land- lease commitment

Under the adjusted Investment Certificate No. 953 CPH/GP dated 15 June 2005 by the Ministry of Planning and Investment of Quang Ninh Province, the Company is obligated to pay rentals of land, beach and water surface to the Government of Vietnam from the eighth (8th) month of the twenty-seventh (27th) year from the date of first Investment License on 13 August 1994. The rental charge will be determined based on the prevailing market rental charge at the leasing date.

23. FINANCIAL INSTRUMENTS

Capital risk management

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of net debt (borrowings disclosed in Notes 14 and 16, offset by cash) and owners' equity (comprising owners' contributed capital, reserves and retained earnings).

23. FINANCIAL INSTRUMENTS (Continued)

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Note 4.

Categories of financial instruments

[Error! Not a valid link.](#)

The Company has not assessed fair value of its financial assets and liabilities as at the balance date since there are no comprehensive guidance under Circular 210 and other relevant prevailing regulations to determine fair value of these financial assets and liabilities. While Circular 210 refers to the application of IFRS on presentation and disclosures of financial instruments, it did not adopt the equivalent guidance for the recognition and measurement of financial instruments, including application of fair value, in accordance with IFRS.

Financial risk management objectives

Financial risks include market risk (including foreign currency risk, interest rate risk and price risk, credit risk and liquidity risk). The Company does not hedge these risk exposures due to the lack of a market to purchase financial instruments.

Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

The Company does not hedge these risk exposures due to the lack of any market to purchase financial instruments.

Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Company does not hedge this risk due to the lack of any market to purchase such instruments.

23. FINANCIAL INSTRUMENTS (Continued)

Foreign currency risk management (Continued)

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the financial year are as follows:

[Error! Not a valid link.](#)

Interest rate risk management

NOTES TO THE FINANCIAL STATEMENTS (Continued)**FORM B 09-DN***These notes are an integral part of and should be read in conjunction with the accompanying financial statements*

The Company has significant interest rate risks arising from interest bearing loans which are arranged. The Company is exposed to interest rate risk as the Company borrows funds at both fixed and floating interest rates. The Company managed the risk by maintaining an appropriate mix between fixed and floating rate borrowings.

Price risks management

The Company is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Company does not actively trade these investments.

Commodity price risk management

The Company purchases materials, commodities from local and foreign suppliers for business purpose. Therefore, the Company is exposed to the risk of changes in selling prices of materials, commodities. The Company does not hedge this risk due to the lack of any market to purchase such instruments.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. At the balance sheet date, there is not a significant concentration of credit risk arising on the amounts receivable from the Royal International Gaming Club's gaming guests. The maximum exposure to credit risk is represented by the carrying amount of balances receivable from the Royal International Gaming Club's gaming guests as presented in Note 6.

23. FINANCIAL INSTRUMENTS (Continued)**Liquidity risk management**

The purpose of liquidity risk management is to ensure the availability of funds to meet present and future financial obligations. Liquidity is also managed by ensuring that the excess of maturing liabilities over maturing assets in any period is kept to manageable levels relative to the amount of funds that the Company believes can generate within that period. The Company policy is to regularly monitor current and expected liquidity requirements to ensure that the Company maintains sufficient reserves of cash, borrowings and adequate committed funding from its owners to meet its liquidity requirements in the short and longer term.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Company may be required to pay.

Error! Not a valid link.

The management assessed the liquidity risk concentration at low level. The management believes that the Company will be able to generate sufficient funds to meet its financial obligations as and when they fall due.

The following table details the Company's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

Error! Not a valid link.**24. RELATED PARTY TRANSACTIONS AND BALANCES**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

During the year, the Company entered into the following significant transactions with its related parties:

[Error! Not a valid link.](#)

Related parties balances as at the balance sheet date were as follows:

[Error! Not a valid link.](#)

Remuneration paid to the Company's Board of Directors during the year was as follows:

[Error! Not a valid link.](#)

25. COMPARATIVE FIGURES

The comparative figures are the figures in the Company's audited financial statements for the year ended 31 December 2010.

Duong Khanh Nam
General Director

23 March 2012

Nguyen Linh Chi
Chief Accountant

ROYAL INTERNATIONAL CORPORATION
(Incorporated in the Socialist Republic of Vietnam)

APPENDIX TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

The additional information in Appendix to the financial statements from page 29 to page 53 is for internal use only (see the auditor's report on page 3 and page 4). In the accompanying Appendix to the financial statements, the items in the balance sheet, income statement, cash flow statement and the notes thereto are converted from USD into VND using the applicable average inter-bank

exchange rates of USD/VND 20,828 and USD/VND 18,932 on 31 December 2011 and 31 December 2010, respectively.

BALANCE SHEET
As at 31 December 2011

FORM B 01-DN
Unit: VND

| [Error! Not a valid link.](#)

BALANCE SHEET (Continued)
As at 31 December 2011

FORM B 01-DN
Unit: VND

| [Error! Not a valid link.](#)

INCOME STATEMENT
 For the year ended 31 December 2011

FORM B 02-DN
 Unit: VND

ITEMS	Codes	Notes	2011	2010
1. Gross sales	01		196,093,558,028	178,336,732,724
2. Less deductions	02		22,521,483,024	23,917,533,948
<i>Sales discounts</i>	05		1,090,387,456	450,184,028
<i>Special consumption tax</i>	08		21,431,095,568	23,467,349,920
3. Net sales	10	18	173,572,075,004	154,419,198,776
(10=01-02)				
4. Cost of sales	11	18	86,604,240,304	72,244,133,360
5. Gross profit from sales	20	18	86,967,834,700	82,175,065,416
(20=10-11)				
6. Financial income	21	19	20,295,719,632	31,255,615,012
7. Financial expenses	22		19,215,891,972	12,168,618,728
- <i>In which: Interest expense</i>	23		15,602,129,832	9,833,924,488
8. Selling expenses	24		14,455,381,808	20,498,869,116
9. General and administration expenses	25		37,466,281,176	29,259,860,368
10. Operating profit	30		36,125,999,376	51,503,332,216
(30 = 20+(21-22)-(24+25))				
11. Other income	31		3,475,110,144	2,358,018,464
12. Other expenses	32		6,946,075,516	6,469,992,068
13. (Loss) from other activities (40=31-32)	40		(3,470,965,372)	(4,111,973,604)
14. Accounting profit before tax (50=30+40)	50		32,655,034,004	47,391,358,612
15. Current corporate income tax expense	51	20	8,686,838,100	10,570,208,900
16. Deferred corporate tax expense	52	20	100,286,820	1,450,986,344
17. Net profit after corporate income tax	60		23,867,909,084	35,370,163,368
(60=50-51-52)				
18. Basic earnings per share	70	21	349	518

These financial statements are converted from USD into VND using the applicable average inter-bank exchange rates of USD/VND 20,828 and USD/VND 18,932 on 31/12/2011 and 31/12/2010, respectively. Revenue and special tax incurred in VND and recorded accumulated to 31/12/2011 in amounts of: VND 194,403,577,331 and VND 21,236,243,231, respectively; accumulated to 31/12/2010: VND 178,630,748,473 and VND 23,319,895,472, respectively.

CASH FLOW STATEMENT
 For the year ended 31 December 2011

FORM B 03-DN
 Unit: VND

ITEMS	Codes	2011	2010
I. CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	01	32,655,034,004	47,391,358,612
2. Adjustments for:			
Depreciation and amortisation	02	29,417,133,952	26,500,597,096
Provisions	03	(401,168,108)	(6,138,227,700)
Unrealized foreign exchange (gain)	04	(7,494,560,068)	(5,735,790,176)
Loss from disposal of fixed assets	05	1,045,482,288	1,964,478,980
Interest expenses	06	15,602,129,832	9,833,924,488
3. Operating profit before movements in working capital	08	70,824,051,900	73,816,341,300
Decrease in receivables	09	37,039,536,284	104,166,400,888
Decrease in inventories	10	4,788,711,276	2,538,535,084
(Decrease) in accounts payable (not including accrued interest and corporate income tax payable)	11	(13,775,805,824)	(64,829,661,676)
Decrease/(increase) in prepaid expenses	12	1,197,235,096	(1,143,379,208)
Interest paid	13	(24,254,768,356)	(18,732,040,216)
Corporate income tax paid	14	(10,675,266,432)	(14,658,574,300)
Other cash (outflows)	16	(481,001,832)	(969,280,536)
Net cash from operating activities	20	64,662,692,112	80,188,341,336
II. CASH FLOWS FROM INVESTING ACTIVITIES			
1. Acquisition and construction of fixed assets and other long-term assets	21	(70,483,701,552)	(141,424,103,588)
2. Proceeds from sales of fixed assets and other long-term assets	22	91,414,092	-
Net cash (used in) investing activities	30	(70,392,287,460)	(141,424,103,588)
III. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Proceeds from borrowings	33	231,179,427,912	195,868,616,664
2. Repayment of borrowings	34	(230,842,680,808)	(164,441,458,800)
Net cash from financing activities	40	336,747,104	31,427,157,864
Net (decrease) in cash	50	(5,392,848,244)	(29,808,604,388)
Cash at the beginning of the year	60	27,063,010,020	48,459,107,466
Effect of changes in foreign exchange rates	61	10,204,863,628	8,412,506,942
Cash at the end of the year	70	31,875,025,404	27,063,010,020

Supplemental non-cash disclosures

Cash outflows for purchases of fixed assets and construction in progress during the year exclude an amount of VND 29,824,487,976 (2010: VND 21,505,994,720) representing an addition in fixed assets during the year that has not been paid yet and included an amount of VND 41,047,634,948 (2010: VND 51,226,546,376) advanced to suppliers for purchasing of fixed assets. Consequently, changes in accounts payable and receivable have been adjusted by the same amounts.

Cash flows from financing activities exclude dividends paid in shares with the total amount of VND 32,525,760,000.

NOTES TO THE FINANCIAL STATEMENTS

FORM B 09-DN

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

1. GENERAL INFORMATION

Structure of ownership

Royal International Corporation (“the Company”) is a joint stock company which has changed from a joint-venture enterprise under Decree No. 38/2003/ND-CP dated 15 April 2003 by the Government on the conversion of a number of foreign invested enterprises into joint stock companies and Joint Circular No. 08/TTLT-BKH-BTC dated 29 December 2003 by the Ministry of Planning and Investment (MPI) and the Ministry of Finance providing guidance on the implementation of Decree No. 38/2003/ND-CP. On 15 June 2005, the MPI issued Investment License No.953 CPH/GP approving the change of Royal International Joint Venture Company into Royal International Corporation with the face value, chartered capital, and the number of shares as follows:

- Face value: USD 01/share
- Chartered capital: USD 21,000,000
- Total number of shares: 21,000,000 shares

On 14 March 2006, the Ministry of Planning and Investment issued amended Investment License No. 953 CPH/GPDC1 approving the conversion of the face value currency. Therefore, the face value, chartered capital and the number of shares are as follows:

- Face value: VND 10,000/share
- Chartered capital: VND 332,136,000,000
- Total number of shares: 33,213,600 shares

On 28 January 2008, the Ministry of Planning and Investment issued amended Investment Certificate No. 953/GCNDC3/22/1 approving the increase in the Company’s chartered capital. Therefore, the face value, chartered capital and the number of shares are as follows:

- Face value: VND 10,000/share
- Chartered capital: VND 410,319,760,000
- Total number of shares: 41,031,976 shares

On 01 July 2008, the Company received re-registered Investment Certificate No. 221.032.000.118 issued by the People’s Committee of Quang Ninh Province to foreign invested enterprises according to the Investment and Corporate Law 2005.

On 30 October 2008, the Company obtained the first amended Investment Certificate No. 221.032.000.118 approving the increase in the Company’s chartered capital. Accordingly, the face value, chartered capital, and the total number of shares are as follows:

- Face value: VND 10,000/share
- Chartered capital: VND 514,381,130,000
- Total number of shares: 51,438,113 shares

On 30 June 2009, the People’s Committee of Quang Ninh Province granted the second amended Investment Certificate No. 221.032.000.118 on change in ownership interest of the founding shareholders.

On 22 September 2009, the People’s Committee of Quang Ninh Province issued third amended Investment Certificate No. 221.032.000.118. Accordingly, the Company’s investment capital is VND 730,473,560,000; the face value, chartered capital and the total number of shares are as follows:

- Face value: VND 10,000/share
- Chartered capital: VND 565,814,070,000
- Total number of shares: 56,581,407 shares

On 18 January 2010, the People’s Committee of Quang Ninh Province issued fourth amended Investment Certificate No. 221.032.000.118. Accordingly, the Company’s representative and General Director is Mr. Duong Khanh Nam - Taiwanese.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

1. GENERAL INFORMATION (Continued)

Structure of ownership (Continued)

On 22 November 2010, the People's Committee of Quang Ninh Province granted the fifth amended Investment Certificate No. 221.032.000.118 to the Company. Accordingly, the investment capital is VND 730,473,560,000, the face value, chartered capital and the total number of shares are changed as follows:

- Face value: VND 10,000/share
- Chartered capital: VND 650,673,890,000
- Total number of shares: 65,067,389 shares

On 13 March 2012, the People's Committee of Quang Ninh Province granted the sixth amended Investment Certificate No. 221.032.000.118 to the Company. Accordingly, the investment capital is VND 730,473,560,000, the face value, chartered capital and the total number of shares are changed as follows:

- Face value: VND 10,000/share
- Chartered capital: VND 683,199,650,000
- Total number of shares: 68,319,965 shares

The Owner (Parent company) of Company is Kai Chieh International Investment Ltd. The ultimate parent company of the Company is Kai Chieh International Investment Ltd.

The Company's number of employees as at 31 December 2011 was 1,006 (31 December 2010: 989).

Operating industry and principal activities

The Company operates in the hospitality industry.

The principal activities of the Company are to build and operate a 5-star hotel, a place for amusement, an international gaming club and provide other entertainment services in Bai Chay Ward, Ha Long City, Quang Ninh Province. In addition, the Company acts as an authorised foreign exchange agency as regulated by Certificate No. 1060/NHNN-QNN1 dated 28 November 2008 issued by the State Bank of Vietnam - Quang Ninh branch.

2. ACCOUNTING CONVENTION AND ACCOUNTING PERIOD

Accounting convention

The accompanying financial statements, expressed in United States Dollars (USD), are prepared under the historical cost convention and in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing relevant regulations in Vietnam. The Company's financial statements have been measured in USD as registered and approved by the Ministry of Finance in its Official Letter No. 355/TC-CDKT dated 13 November 2000. Management believes that the use of USD is necessary in order to reflect the economic substance of the underlying events and circumstances relevant to the Company's business operations.

As at 31 December 2011, the Company's current assets less than its current liabilities about VND 61 billion. The Board of Directors has planned cash flow for 2012 and the parent company committed to provide the Company's financial support for its payment needs. Therefore, the Board of Directors decided to prepare financial statements for the year ended 31 December 2011 on the basis of the assumption of going concern.

The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam.

For the purpose of reporting to Ho Chi Minh Stock Exchange, the Company has prepared the accompanying appendix to the financial statements for the year ended 31 December 2011 in Vietnam Dong (VND).

Accounting period

The Company's financial year begins on 01 January and ends on 31 December.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

3. ADOPTION OF NEW ACCOUNTING GUIDANCE

On 06 November 2009, the Ministry of Finance issued Circular No.210/2009/TT-BTC (“Circular 210”) guiding the application of International Financial Reporting Standards on presentation of financial statements and disclosures of financial instruments. The adoption of Circular 210 requires disclosures of certain financial instruments as well as the effect thereof on the financial statements. This Circular is effective for the financial year ending on or after 31 December 2011. The Company has adopted Circular 210 and additional notes on this application to the financial statements for the year ended 31 December 2011 are set out in the Note 23.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, which have been adopted by the Company in the preparation of these financial statements, are as follows:

Estimates

The preparation of financial statements in conformity with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing relevant regulations in Vietnam requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Actual results could differ from those estimates.

Financial instruments

Initial recognition

At the date of initial recognition, financial assets are recognized at cost plus transaction costs that are directly attributable to the acquisition of the financial assets.

Financial assets of the Company comprise cash, investments, trade receivables and other receivables.

At the date of initial recognition, financial liabilities are recognized at cost net of transaction costs that are directly attributable to the issue of the financial liabilities.

Financial liabilities of the Company comprise borrowings, trade and other payables and accrued expenses.

Re-measurement after initial recognition

Currently there are no requirements for the re-measurement of the financial instruments after initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Provision for doubtful debts

Provision for doubtful debt is made for receivables that are overdue for six months or more, or when the debtor is in dissolution, in bankruptcy, or is experiencing similar difficulties that may be unable to repay the debt.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provision for doubtful debts (Continued)

For receivables from Royal International Gaming Club activities, provision for doubtful debts is made based on the aging year starting from the lending date.

<u>Age of receivable (month)</u>	<u>Provision rate (%)</u>
0 - 1	3
1 - 2	6.25
2 - 3	12.5
3 - 4	25
4 - 5	50
5 - 6	75
Over 6 months	100

Credit policy for Royal International Gaming Club activities

On 01 January 2010, the Board of Management issued the amended credit policy for Royal International Gaming Club activities. Accordingly, the total credit limit shall not exceed USD 9 million. Any debt of over USD 1.5 million shall be secured by assets with the amount at least equal to 50% of the debt value, with the maximum loan term of 1 year for secured loans and 6 months for unsecured ones. Loans are made in the form of chips to play at the International Gaming Club and repayable either by chip or in cash.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the methods as follows:

<i>Inventory categories</i>	<i>Costing method</i>
Food	First in, first out
Beverage	Weighted average
Artwork	Specific identification
Other materials	First in, first out

Net realizable value represents the estimated selling price less all estimated costs to completion and costs incurred in marketing, selling and distribution.

The evaluation of necessary provision for inventory obsolescence follows current prevailing accounting regulations, which allow provisions to be made for obsolete, damaged, or sub-standard inventories and for those whose book value is higher than net realizable value as at the balance sheet date.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

The costs of purchased tangible fixed assets comprise their purchase prices and any directly attributable costs of bringing the assets to their working condition and location for their intended use.

The costs of self-constructed or manufactured assets are the actual construction or manufacturing cost plus installation and test running costs.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tangible fixed assets and depreciation (Continued)

Tangible fixed assets are depreciated using the straight-line method over the following estimated useful lives:

	Years
Buildings, structures	35
Machinery, equipment	5 - 12
Office equipment	5 - 12
Motor vehicles	8 - 12
Others	4 - 12

Intangible fixed assets and amortisation

Land use rights

Intangible fixed assets represent land use rights that are stated at cost less accumulated amortization. The Company's land use rights pertain to 8.6 hectares of land, 8 hectares of beach and 10.8 hectares of water surface adjoining to the coast at Bai Chay Ward, Ha Long City for the year stated in the Investment License of 26 years and 7 months from 13 August 1994. Land use rights are amortised using the straight-line method over the duration of the right to use the land.

Construction in progress

Properties in the course of construction for production, rental or administrative purposes, or for the purposes not yet determined, are carried at cost. Cost includes professional fees, and for qualifying assets, borrowing costs are dealt with in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Investment property

Investment properties, which are composed of land use rights and buildings and structures held by the Company to earn rentals or for capital appreciation or both, are stated at cost less accumulated depreciation. The cost of purchased investment properties comprises its purchase price and any directly attributable expenditures, such as professional fees for legal services, property transfer taxes and other related transaction costs. The costs of self-constructed investment properties are the finally accounted construction or directly attributable costs of the properties.

Investment properties are depreciated using straight-line method over the estimated useful life of 35 years.

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost including directly attributable transaction costs.

At the subsequent reporting dates, investments in securities are measured at cost, less the amount of diminution in value of investments in securities.

Provision for diminution in value of investments in securities is made in accordance with current prevailing accounting regulations which allow provision to be made for freely traded securities whose book values are higher than market prices as at the balance sheet date.

Long-term prepayments

Long-term prepayments include the remainder of pre-operating expenses, unallocated tools and supplies issued for consumption. Pre-operating expenses represent start-up costs, employee training and advertising fees incurred prior to the commencement of operation of the Company's project.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term prepayments (Continued)

- Pre-operating expenses: According to Official Letter No. 392/TC-TCDN dated 10 January 2003 of the Ministry of Finance, the Company's pre-operating expenses are deferred as follows:
 - + Pre-operating expenses are allocated to each construction works based on the ratio of invested capital therein to the Company's total investment capital. For construction in progress, no pre-operating expenses are allocated to income statement. Accordingly, the Company has yet to commence allocation of its pre-operating expenses relating to the Four Point - Sheraton Hotel into general and administration expenses, since the hotel construction was not completed at the balance sheet date.
 - + Pre-operating expenses of construction works which have already been completed and put into use are continued to be allocated to operating expenses over three (03) years, from the start-of-use date.
- Tools and supplies that are used for a number of business cycles are allocated to expense at the rate of 30% p.a.

Revenue recognition

Revenue from the operation of Royal International Gaming Club is recognized daily at the playing table and is recorded every ten days for the activities of slot machines, as follows:

- Revenue at the playing table is recognized as the differences between chips at the closing time and chips at the opening time at each playing table plus (+) chips transferred from the playing table to cage minus (-) chips transferred from the cage to the playing table. Revenue recognition does not depend on whether cash has been collected or not.
- Revenue from business activities by slot machines represents the amount received over the exchange counter before a game less the amount returned to guests.

Revenue from other services including sales of food, beverages, amusement park and villa rents are recognized when the outcome of such transaction can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company. Sales of services are recognised by reference to the percentage of completion of the transaction at the balance sheet date.

Foreign currencies

The Company applies the method of recording foreign exchange differences in accordance with Vietnamese Accounting Standard No. 10 (VAS 10) "Effects of changes in foreign exchange rates". Accordingly, transactions arising in foreign currencies are translated at exchange rates ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange prevailing on the balance sheet date. Exchange differences arising from the translation of these accounts are recognised in the income statement. Unrealised exchange gains at the balance sheet date are not treated as part of distributable profit to owners.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial year of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings is deducted from the cost of those assets.

All other borrowing costs are recognised in the income statement when incurred.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the balance sheet date.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years (including loss carried forward, if any) and it further excludes items that are never taxable or deductible.

Deferred tax is recognised on significant differences between carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using balance sheet liability method. Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

The determination of the tax currently payable is based on the current interpretation of tax regulations. However, these regulations are subject to yearic variation and their ultimate determination depends on the results of the tax authorities' examinations.

Other taxes are paid in accordance with the prevailing tax laws in Vietnam.

5. CASH AND CASH EQUIVALENTS

[Error! Not a valid link.](#)

6. TRADE ACCOUNTS RECEIVABLE

[Error! Not a valid link.](#)

(*) Represent receivables from the casino's gaming guests. Credit policy for Royal International Gaming Club activities is stated in Note 4 of the Notes to the financial statements.

7. INVENTORIES

[Error! Not a valid link.](#)

8. TANGIBLE FIXED ASSETS

Unit: VND

[Error! Not a valid link.](#)

The carrying amounts of the Company's buildings and structures, machinery and equipment as at 31 December 2011 include VND 3,222,737,268 (31 December 2010: VND 3,423,643,948) of assets which are temporarily not in use.

As stated in Notes 14 and 16 of the Notes to the financial statements, the Company mortgaged some buildings and machineries and equipment, motor vehicles with net book value of VND 247,436,306,752 as at 31 December 2011 to secure bank loans.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

The cost of the Company's motor vehicles, machinery and office equipment as at 31 December 2011 includes VND 23,632,760,964 (31 December 2010: VND 21,785,715,020) of assets which have been fully depreciated but are still in use.

9. INTANGIBLE FIXED ASSETS

Unit: VND

[Error! Not a valid link.](#)

As stated in Notes 14 and 16 of the Notes to the financial statements, the Company mortgaged its land-use rights in full for the loans obtained from Vietinbank - Thanh Xuan Branch.

10. CONSTRUCTION IN PROGRESS

	<u>31/12/2011</u>	<u>31/12/2010</u>
	VND	VND
Logistics office	-	358,098,780
Casino	2,058,889,456	1,556,096,808
Four Points – Sheraton Hotel (*)	536,157,125,296	411,466,516,644
Park	21,037,050,636	19,177,945,612
	<u>559,253,065,388</u>	<u>432,558,657,844</u>

(*) As stated in Note 16 of the Notes to the financial statements, the Company mortgaged the Four Points - Sheraton Hotel - the construction in progress to the bank with the value of VND 280.465.994.224.

11. INVESTMENT PROPERTY

Unit: VND

[Error! Not a valid link.](#)

According to VAS No. 05 - Investment Properties, fair value of investment property as at 31 December 2011 is required to be disclosed. However, the Company has not determined the fair value as at 31 December 2011 due to lack of reliable sources of information; therefore, no information about the fair value is stated on the notes to the financial statements.

12. OTHER LONG-TERM INVESTMENTS

Other long-term financial investment represents the capital contributed to Royal International Securities Company, amounting to 5% of its chartered capital. At the date of the financial statements, no reliable market price was available for consideration of provision for diminution in value of the investment. However, management believes that there is no significant diminution that could lead to any adjustment to the value of the investment as at 31 December 2011.

13. OTHER LONG-TERM PREPAYMENTS

[Error! Not a valid link.](#)

(*) As stated in Note 4 of the Notes to the financial statements, pre-operating expenses of the Four Points - Sheraton Hotel shall not be allocated to expenses until the hotel commences its operation. As at 31 December 2011, this hotel had not yet come into operation.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

14. SHORT-TERM LOANS AND LIABILITIES

Error! Not a valid link.

(1) Loan from Vietnam Joint Stock Commercial Bank for Industry and Trade (Vietinbank) - Thanh Xuan Branch represents a short-term credit facility which can be drawn up to a maximum amount of VND 30 billion and ensures that at any time during the contract, the credit balance under loan, guaranty, L/C contract and other credit forms shall not exceed VND 74,692,502,000. This facility bears the interest rate adjusted for each year by Vietinbank - Thanh Xuan Branch. Interest shall be repaid on a monthly basis, the contract expires on 30 June 2012. This loan and a long-term loan stated in Note 16 are mortgaged by the land use right of the Company.

(2) Loan from Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank) - Ha Long Branch represents a short-term credit facility which can be drawn up to a maximum amount of VND 30 billion. This facility bears interest at the rate quoted by Vietcombank - Quang Ninh Branch at the date of each disbursement which will be adjusted for each period by Vietcombank - Ha Long Branch. Interest shall be repaid on a monthly basis, the contract expires on 03 November 2012. The loan is mortgaged by the Company's electronic distribution equipment system.

(3) Loan from Vietcombank- Quang Ninh Branch represents a short-term credit facility which can be drawn in Vietnam Dong up to a maximum amount of VND 2.5 billion. This credit facility included outstanding balance of short-term Credit Contract No. 01/2010/NTQN-HG. This facility bears interest at the rate quoted by Vietcombank - Quang Ninh Branch at the date of disbursement. Interest shall be paid on a monthly basis, the contract expires on 20 November 2012. The loan is mortgaged by the Company's generator system and air conditioning system.

(4) Loan from Eximbank - Quang Ninh Branch represents a short-term credit facility which can be drawn in Vietnam Dong up to a maximum amount of VND 20 billion. This facility bears interest at the rate quoted which can be adjusted for each period by Eximbank - Quang Ninh Branch. Interest shall be repaid on a monthly basis, the contract expires on 30 September 2012. There is no mortgaged assets for this loan.

(5) Loan from Kai Chieh International Investment Ltd., represents a short-term credit facility which can be drawn up to a maximum amount of USD 2 million effective from 8 December 2011 to 7 December 2012. This facility bears interest in U.S. Dollars at the rate quoted by Vietcombank at the date of interest payment. The principal and interest will be repaid on the expiry date. There is no mortgaged assets for this loan.

(6) Loan from Shanghai Bank represents a short-term credit facility which can be drawn in USD up to a maximum amount of USD 1.2 million from 27 December 2011 to 26 December 2012. This facility bears interest at SIBOR 180 days plus 3% and 6M TAIEX plus 2%. The principal and interest will be repaid every 3 months. There is no mortgaged assets for this loan.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

15. TAXES AND AMOUNTS PAYABLE TO THE STATE BUDGET

[Error! Not a valid link.](#)

16. LONG-TERM LOANS AND LIABILITIES

[Error! Not a valid link.](#)

Represent long-term loan contract No. 01/2008/Sheraton dated 18 December 2008 for building Four Points - Sheraton Hotel. This loan can be drawn up to a maximum amount of VND 70 billion for 72 months from the first withdrawal with grace period of 6 months. The interest rate is 13.5% for the grace period. After the grace period, it is adjusted to 150% of the basic interest rate announced by the State Bank of Vietnam minus 1% per annum and is not lower than the floor rate announced by Vietinbank for each year. Principal is repayable every three months in 22 installments and in the third month of each installment. The loan is mortgaged by the land use right of the Company and the assets acquired from the loan. Interest expense which was capitalized into Four Points - Sheraton Hotel in 2011 is VND 9,879,761,800.

Long-term loans are payable as follows:

[Error! Not a valid link.](#)

17. SHAREHOLDERS' EQUITY

Movements in Shareholders' equity

[Error! Not a valid link.](#)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

17. SHAREHOLDERS' EQUITY (Continued)

(*) Under Resolution No. 01/2011/NQ-DHCDTN dated 16 April 2011 at General Shareholders' Meeting for Term 2011-2015, dividends are approved to be paid at rate of 5% share capital as at 31 December 2010 valued at VND 32,533,694,500, equivalent to 3,252,576 shares with par value of VND 10,000/share and cash dividends equivalent to the value of odd shares. The Company's list of shareholders receiving bonus shares was fixed on 10 June 2011 to submit to the Vietnam Securities Depository and it was the date that the Company increased its chartered capital. On 13 July 2011, the Vietnam Securities Depository issued Securities Registration Certificate No. 52/2007/GCNCP-VSD-6 for 894,462 shares out of 18,799,555 shares submitted for additional registration. The par value per share is VND 10,000. On 14 July 2011, Ho Chi Minh Stock Exchange issued Decision No. 106/2011/QD-SGDHCM and Official Letter No. 674/2011/TB-SGDHCM on the approval of additional listing of 894,462 shares mentioned above at par value per share of VND 10,000. The listing date was effective on 18 July 2011 and the official transaction date was on 21 July 2011.

(**) Distribution to funds and remuneration for Board of Management are made under General Shareholders' Meeting's Resolution No. 01/2011/NQ-DHCDTN dated 16 April 2011.

Shares

[Error! Not a valid link.](#)

Face value of shares in circulation is VND 10,000/share

Contributed chartered capital

The shareholders' equity structure and their capital contributions as at 31 December 2011 were as follows:

[Error! Not a valid link.](#)

In 2011, there was a change in the list of founding shareholders. However, at the date of the financial statements, the amendment of the Company's Investment Certificate had not been completed; accordingly, the list of founding shareholders remained the same with the one included in the sixth amended Investment Certificate dated 13 March 2012.

18. BUSINESS SEGMENTS

The Company has divided management control by business segment. The structure of the Company includes 4 segments with principal activities as follows:

- Royal International Gaming Club: gaming activities with reward – these are seasonal and unstable activities. The revenue gained therefrom depends on the number of gaming clients and game results
- Royal Villas: accommodation for rent
- Royal Park: sales of entry tickets to the parks and amusement activities
- Four Points - Sheraton Hotel: accommodation for rent

Information on the Company's business segment operations is presented below:

Balance sheet as at 31 December 2011

[Error! Not a valid link.](#)

Income statement for the year ended 31 December 2011

[Error! Not a valid link.](#)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

18. BUSINESS SEGMENTS (Continued)

Balance sheet as at 31 December 2010

[Error! Not a valid link.](#)

Income statement for the year ended 31 December 2010

[Error! Not a valid link.](#)

19. INCOME FROM OTHER ACTIVITIES

[Error! Not a valid link.](#)

20. CURRENT CORPORATE INCOME TAX EXPENSE

[Error! Not a valid link.](#)

21. BASIC EARNINGS PER SHARE

	<u>2011</u>	<u>2010 (restated)</u>
Accounting profit after corporate income tax (USD)	23,867,909,084	35,370,163,368
Earnings distributed to ordinary shareholders (USD)	23,867,909,084	35,370,163,368
Weighted average number of ordinary shares in circulation in the year (share)	68,319,965	68,319,965
Basic earnings per share (USD)	<u>349</u>	<u>518</u>

[Error! Not a valid link.](#)

As presented in Note 1 of the Notes to the financial statements, on 13 March 2012, the People's Committee of Quang Ninh Province granted the sixth amended Investment Certificate No. 221.032.000.118 to the Company. Accordingly, the investment capital is VND 730,473,560,000, the face value, chartered capital and the total number of shares are changed as follows:

- Face value: VND 10,000/share
- Chartered capital: VND 683,199,650,000
- Total number of shares: 68,319,965 shares

The accompanying financial statements are presented in VND. Therefore, for the purpose of calculating basic earnings per share, the management decided to take the face value of VND 10,000/share to determine the weighted average number of ordinary shares in circulation for the years ended 31 December 2010 and 31 December 2011.

Weighted average number of ordinary shares for the year ended 31 December 2010 was restated due to the impact of the issuance of bonus shares issued as follows:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

	Weighted average number of ordinary shares in circulation in the year	Basic earnings per share
	Shares	VND
As reported for the year ended 31 December 2010	60,231,542	587
As restated	68,319,965	518

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

22. COMMITMENTS

Capital commitments

Up to 31 December 2011, the contracts for construction and installation, purchases of machinery and equipment which were signed but yet to be implemented, valued at VND 60,991,486,348 in total (31 December 2010: VND 55,182,747,484).

Land- lease commitment

Under the adjusted Investment Certificate No. 953 CPH/GP dated 15 June 2005 by the Ministry of Planning and Investment of Quang Ninh Province, the Company is obligated to pay rentals of land, beach and water surface to the Government of Vietnam from the eighth (8th) month of the twenty-seventh (27th) year from the date of first Investment License on 13 August 1994. The rental charge will be determined based on the prevailing market rental charge at the leasing date.

23. FINANCIAL INSTRUMENTS

Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of net debt (borrowings disclosed in Notes 14 and 16, offset by cash) and owners' equity (comprising owners' contributed capital, reserves and retained earnings).

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Note 4.

Categories of financial instruments

[Error! Not a valid link.](#)

The Company has not assessed fair value of its financial assets and liabilities as at the balance date since there are no comprehensive guidance under Circular 210 and other relevant prevailing regulations to determine fair value of these financial assets and liabilities. While Circular 210 refers to the application of IFRS on presentation and disclosures of financial instruments, it did not adopt the equivalent guidance for the recognition and measurement of financial instruments, including application of fair value, in accordance with IFRS.

23. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives

Financial risks include market risk (including foreign currency risk, interest rate risk and price risk, credit risk and liquidity risk). The Company does not hedge these risk exposures due to the lack of a market to purchase financial instruments.

Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

The Company does not hedge these risk exposures due to the lack of any market to purchase financial instruments.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Company does not hedge this risk due to the lack of any market to purchase such instruments.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the financial year are as follows:

Error! Not a valid link.

Interest rate risk management

The Company has significant interest rate risks arising from interest bearing loans which are arranged. The Company is exposed to interest rate risk as the Company borrow funds at both fixed and floating interest rates. The Company managed the risk by maintaining an appropriate mix between fixed and floating rate borrowings.

Price risks management

The Company is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Company does not actively trade these investments.

23. FINANCIAL INSTRUMENTS (Continued)

Commodity price risk management

The Company purchases materials, commodities from local and foreign suppliers for business purpose. Therefore, the Company is exposed to the risk of changes in selling prices of materials, commodities. The Company does not hedge this risk due to the lack of any market to purchase such instruments.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. At the balance sheet date, there is not a significant concentration of credit risk arising on the amounts receivable from the Royal International Gaming Club's gaming guests. The maximum exposure to credit risk is represented by the carrying amount of balances receivable from the Royal International Gaming Club's gaming guests as presented in Note 6.

Liquidity risk management

The purpose of liquidity risk management is to ensure the availability of funds to meet present and future financial obligations. Liquidity is also managed by ensuring that the excess of maturing liabilities over maturing assets in any period is kept to manageable levels relative to the amount of funds that the Company believes can generate within that period. The Company policy is to regularly monitor current and expected liquidity requirements to ensure that the Company maintains sufficient reserves of cash, borrowings and adequate committed funding from its owners to meet its liquidity requirements in the short and longer term.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Company may be required to pay.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

31/12/2011	Less than 1 year	From 1 - 5 year	Total
	VND	VND	VND
Trade and other payables	45,228,918,432	2,547,868,412	47,776,786,844
Accruals	4,843,009,872	-	4,843,009,872
Borrowings	147,857,347,160	31,805,126,636	179,662,473,796
	197,929,275,464	34,352,995,048	232,282,270,512

31/12/2010	Less than 1 year	From 1 - 5 year	Total
	VND	VND	VND
Trade and other payables	40,222,113,124	5,305,125,040	45,527,238,164
Accruals	1,547,444,884	-	1,547,444,884
Borrowings	146,712,227,692	45,134,569,552	191,846,797,244
	188,481,785,700	50,439,694,592	238,921,480,292

The management assessed the liquidity risk concentration at low level. The management believes that the Company will be able to generate sufficient funds to meet its financial obligations as and when they fall due.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

23. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk management (Continued)

The following table details the Company's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

31/12/2011	Less than 1 year	After 5 years	Total
	VND	VND	VND
Cash	31,875,025,404	-	31,875,025,404
Trade and other receivables	52,703,962,664	-	52,703,962,664
Long-term investments	-	8,735,492,308	8,735,492,308
	84,578,988,068	8,735,492,308	93,314,480,376

31/12/2010	Less than 1 year	After 5 years	Total
	VND	VND	VND
Cash	27,063,010,020	-	27,063,010,020
Trade and other receivables	68,772,723,976	-	68,772,723,976
Long-term investments	-	7,940,289,052	7,940,289,052
	95,835,733,996	7,940,289,052	103,776,023,048

24. RELATED PARTY TRANSACTIONS AND BALANCES

During the year, the Company entered into the following significant transactions with its related parties:

[Error! Not a valid link.](#)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

24. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

Related parties balances as at the balance sheet date were as follows:

	<u>31/12/2011</u>	<u>31/12/2010</u>
	VND	VND
Receivables		
Mr. Nguyen Chinh Nghia	-	21,828,596
Lang Son International JSC.	58,130,948	54,372,704
Ms. Nguyen Tieu Mai	111,159,036	-
Payables		
Principal repayable to Kai Chieh International Investment Ltd.	11,871,960,000	11,359,200,000
Interest payable to Kai Chieh International Investment Ltd.	2,449,955,984	878,444,800
Other payables to Kai Chieh International Investment Ltd.	335,622,392	-

Remuneration paid to the Company's Board of Directors during the year was as follows:

[Error! Not a valid link.](#)

25. COMPARATIVE FIGURES

The comparative figures are the figures in the Company's audited financial statements for the year ended 31 December 2010.