



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

**AUDITED FINANCIAL
STATEMENTS**

For the year ended 31 December 2012



TABLE OF CONTENTS

<u>CONTENTS</u>	<u>PAGE(S)</u>
STATEMENT OF THE BOARD OF DIRECTORS	2
INDEPENDENT AUDITORS' REPORT	3 - 4
BALANCE SHEET	5 - 6
INCOME STATEMENT	7
CASH FLOW STATEMENT	8
NOTES TO THE FINANCIAL STATEMENTS	9 - 30

ROYAL INTERNATIONAL CORPORATION

Bai Chay Ward, Ha Long City
Quang Ninh Province, S.R. Vietnam

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 2012.

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
Mr. Nghiem Cong Hao	Member (resigned on 10 April 2012)
Mr. Pham Ngoc Nam	Member
Ms. Nguyen Linh Chi	Member
Mr. Nguyen Khoi Phat	Member
Ms. Nguyen Tieu Mai	Member
Ms. Ngo Thu Mat	Member (appointed on 14 April 2012)
Ms. Dao Ngoc Hoa	Member (appointed on 14 April 2012)

Board of Directors

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 relevant 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

26 March 2013

No.: 768 /Deloitte-AUDHN-RE

INDEPENDENT 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 2012, the related statements of income, cash flows for the year then ended, and the notes thereto (collectively referred to as "the financial statements") prepared on 26 March 2013, as set out from page 5 to page 30. 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 2012 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, the company has capitalised cumulative pre-operating expenses in relation with the Company's construction in progress and other related expenses of the 13 floors hotel up to 31 December 2012 as long-term prepayments in the balance sheet. According to Vietnamese Accounting Standard No.04 - Intangible Fixed Assets (VAS 04), 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 of the Ministry of Finance, these pre-operating expenses are allowed to be capitalised as long-term prepayments and allocated to the income statement over three years from the date of the operation commencement of the 13 floors hotel. Pre-operating expenses of the 13 floors hotel which were capitalised as long-term prepayments as at 31 December 2012 are USD 4,210,007 (as at 31 December 2011: USD 4,046,467).

INDEPENDENT AUDITORS' REPORT (Continued)

Opinion (Continued)

Our audit is performed to express an opinion on the accompanying financial statements for statutory reporting purposes. The additional information from page 31 to page 56 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 additional information.



Hoang Nam
Deputy General Director
CPA Certificate No. 0145/KTV

For and on behalf of
DELOITTE VIETNAM COMPANY LIMITED

26 March 2013
Hanoi, S.R. Vietnam

Tao Hai Nhan
Auditor
CPA Certificate No. N.1576/KTV

BALANCE SHEET
 As at 31 December 2012

FORM B 01-DN
 Unit: USD

ASSETS	Codes	Notes	31/12/2012	31/12/2011
A. CURRENT ASSETS (100=110+130+140+150)	100		5,781,166	7,136,016
I. Cash	110	5	194,663	1,530,393
1. Cash	111		194,663	1,530,393
II. Short-term receivables	130		4,765,550	4,646,292
1. Trade accounts receivable	131	6	3,595,878	2,615,341
2. Advances to suppliers	132		1,361,391	2,115,854
3. Other receivables	135		5,983	21,727
4. Provision for short-term doubtful debts	139		(197,702)	(106,630)
III. Inventories	140	7	791,846	896,346
1. Inventories	141		855,993	928,394
2. Provision for devaluation of inventories	149		(64,147)	(32,048)
IV. Other short-term assets	150		29,107	62,985
1. Short-term prepayments	151		25,337	47,424
2. Other short-term assets	158		3,770	15,561
B. NON-CURRENT ASSETS (200 = 220+240+250+260)	200		56,298,888	54,323,980
I. Fixed assets	220		49,533,558	47,709,606
1. Tangible fixed assets	221	8	17,766,394	18,494,286
- Cost	222		26,356,788	25,973,283
- Accumulated depreciation	223		(8,590,394)	(7,478,997)
2. Intangible fixed assets	227	9	2,103,861	2,364,299
- Cost	228		4,727,697	4,725,995
- Accumulated amortisation	229		(2,623,836)	(2,361,696)
3. Construction in progress	230	10	29,663,303	26,851,021
II. Investment property	240	11	1,793,277	1,853,185
- Cost	241		2,099,206	2,099,206
- Accumulated depreciation	242		(305,929)	(246,021)
III. Long-term financial investments	250		419,411	419,411
1. Other long-term investments	258	12	419,411	419,411
IV. Other long-term assets	260		4,552,642	4,341,778
1. Long-term prepayments	261	13	4,449,779	4,315,120
2. Deferred tax assets	262		102,863	26,658
TOTAL ASSETS (270 = 100 + 200)	270		62,080,054	61,459,996

The notes set out on pages 9 to 30 are an integral part of these financial statements

BALANCE SHEET (Continued)
 As at 31 December 2012

FORM B 01-DN
 Unit: USD

RESOURCES	Codes	Notes	31/12/2012	31/12/2011
A. LIABILITIES (300=310+330)	300		11,909,855	11,692,966
I. Current liabilities	310		10,915,578	10,094,108
1. Short-term loans and liabilities	311	14	4,921,614	6,442,418
2. Trade accounts payable	312		2,898,103	1,655,056
3. Advances from customers	313		4,342	6,728
4. Taxes and amounts payable to the State budget	314	15	2,045,566	858,632
5. Payables to employees	315		251,950	376,913
6. Accrued expenses	316		41,093	232,524
7. Other current payables	319		752,910	521,837
II. Long-term liabilities	330		994,277	1,598,858
1. Other long-term payables	333		119,325	122,329
2. Long-term loans and liabilities	334	16	633,737	1,236,437
3. Provision for severance allowance	336		213,749	195,425
4. Unrealized revenue	338		27,466	44,667
B. EQUITY (400=410)	400		50,170,199	49,767,030
I. Shareholders' equity	410	17	50,170,199	49,767,030
1. Charter capital	411		42,309,870	41,326,199
2. Share premium	412		5,027,169	5,027,169
3. Financial reserve fund	418		649,326	592,029
4. Retained earnings	420		2,183,834	2,821,633
TOTAL RESOURCES (440 = 300+ 400)	440		62,080,054	61,459,996



Cao Thi Huyen
 Preparer

26 March 2013



Nguyen Linh Chi
 Chief Accountant



Duong Khanh Nam
 General Director

INCOME STATEMENT
For the year ended 31 December 2012

FORM B 02-DN
Unit: USD

ITEMS	Codes	Notes	2012	2011
1. Gross sales	01		10,486,100	9,414,901
2. Less deductions	02		1,152,702	1,081,308
<i>Sales discounts</i>	05		93,164	52,352
<i>Special consumption tax</i>	08		1,059,538	1,028,956
3. Net sales (10=01-02)	10	18	9,333,398	8,333,593
4. Cost of sales	11	18	5,018,136	4,158,068
5. Gross profit from sales (20=10-11)	20	18	4,315,262	4,175,525
6. Financial income	21	19	92,890	974,444
7. Financial expenses	22		721,111	922,599
- <i>In which: Interest expense</i>	23		694,877	749,094
8. Selling expenses	24		779,910	694,036
9. General and administration expenses	25		2,126,930	1,798,842
10. Operating profit (30 = 20+(21-22)-(24+25))	30		780,201	1,734,492
11. Other income	31		91,412	166,848
12. Other expenses	32		249,269	333,497
13. (Loss) from other activities (40=31-32)	40		(157,857)	(166,649)
14. Accounting profit before tax (50=30+40)	50		622,344	1,567,843
15. Current corporate income tax expense	51	20	274,802	417,075
16. Deferred corporate tax (income)/expense	52	20	(76,205)	4,815
17. Net profit after corporate income tax (60=50-51-52)	60		423,747	1,145,953
18. Basic earnings per share	70	21	0.010	0.027



Cao Thi Huyen
Preparer

26 March 2013



Nguyen Linh Chi
Chief Accountant



CASH FLOW STATEMENT
 For the year ended 31 December 2012

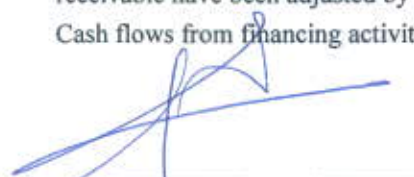
FORM B 03-DN
 Unit: USD

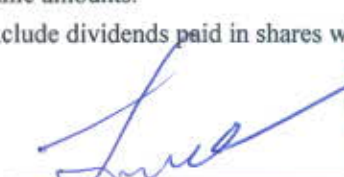
ITEMS	Codes	2012	2011
I. CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	01	622,344	1,567,843
2. Adjustments for:			
Depreciation and amortisation	02	1,392,106	1,412,384
Provisions	03	123,171	(19,261)
Unrealized foreign exchange loss/(gain)	04	4,632	(359,831)
Loss from disposal of fixed assets	05	942	50,196
Interest expenses	06	694,877	749,094
3. Operating profit before movements in working capital	08	2,838,072	3,400,425
Change in receivables	09	(210,330)	1,778,353
Change in inventories	10	72,401	229,917
Change in accounts payable (not including accrued interest and corporate income tax payable)	11	1,262,493	(661,408)
Change in prepaid expenses	12	33,878	57,482
Interest paid	13	(1,106,424)	(1,164,527)
Corporate income tax paid	14	(271,735)	(512,544)
Other cash (outflows)	16	(58,487)	(23,094)
<i>Net cash from operating activities</i>	20	2,559,868	3,104,604
II. CASH FLOWS FROM INVESTING ACTIVITIES			
1. Acquisition and construction of fixed assets and other long-term assets	21	(1,752,788)	(3,384,084)
2. Proceeds from disposal of fixed assets	22	3,494	4,389
<i>Net cash (used in) investing activities</i>	30	(1,749,294)	(3,379,695)
III. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Proceeds from borrowings	33	7,814,720	11,099,454
2. Repayment of borrowings	34	(9,956,392)	(11,083,286)
<i>Net cash from financing activities</i>	40	(2,141,672)	16,168
Net (decrease) in cash	50	(1,331,098)	(258,923)
Cash at the beginning of the year	60	1,530,393	1,429,485
Effect of changes in foreign exchange rates	61	(4,632)	359,831
Cash at the end of the year	70	194,663	1,530,393

Supplemental non-cash disclosures

Cash outflows for purchases of fixed assets and construction in progress during the year exclude an amount of USD 2,537,522 (2011: USD 1,431,942) representing an addition in fixed assets during the year that has not been paid yet and include an amount of USD 1,353,405 (2011: USD 1,970,791) 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 983,671.


 Cao Thi Huyen
 Preparer


 Nguyen Linh Chi
 Chief Accountant


 Dương Khanh Nam
 General Director

26 March 2013

The notes set out on pages 9 to 30 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 been 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, charter capital, and the number of shares as follows:

- Face value: USD 1/share
- Charter 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, charter capital and the number of shares are as follows:

- Face value: VND 10,000/share
- Charter 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 charter capital. Therefore, the face value, charter capital and the number of shares are as follows:

- Face value: VND 10,000/share
- Charter 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 charter capital. Accordingly, the face value, charter capital, and the total number of shares are as follows:

- Face value: VND 10,000/share
- Charter 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, charter capital and the total number of shares are as follows:

- Face value: VND 10,000/share
- Charter 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, charter capital and the total number of shares are changed as follows:

- Face value: VND 10,000/share
- Charter 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, charter capital and the total number of shares are changed as follows:

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

On 30 October 2012, the People's Committee of Quang Ninh Province granted the seventh amended Investment Certificate No. 221.032.000.118 to the Company. Accordingly, the investment capital is VND 730,473,560,000, the face value, charter capital and the total number of shares are changed as follows:

- Face value: VND 10,000/share
- Charter capital: VND 703,687,540,000
- Total number of shares: 70,368,754 shares

The Owner (Parent company) of Company is Kai Chieh International Investment Ltd. (incorporated in George Town, Grand Cayman, Cayman Island).

The Company's number of employees as at 31 December 2012 was 1,171 (as at 31 December 2011: 1,006).

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 FINANCIAL YEAR

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 2012, the Company's current liabilities exceeded its current assets by approximately USD 5 million. This deficiency in working capital raises doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern depends on profit from its operating activities in the coming years and obtaining loans from credit institutions. The Board of Directors has created a cash flow plan for the financial year 2013 and in January 2013, the Company entered into middle-term and long-term credit contracts with Vietnam Joint Stock Commercial Bank for Industry and Trade - Thanh Xuan branch with credit limit of VND 100 billion and short-term credit contract with credit limit of VND 40 billion. Therefore, the Board of Directors decided to prepare the accompanying financial statements on going concern basis.

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

2. ACCOUNTING CONVENTION AND FINANCIAL YEAR (Continued)

Financial year

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

3. ADOPTION OF NEW ACCOUNTING GUIDANCE

On 24 October 2012, the Ministry of Finance issued Circular No. 179/2012/TT-BTC ("Circular 179") providing guidance on recognition, measurement and treatment of foreign exchange differences in enterprises. Circular 179 came into effect from 10 December 2012 and is applied from financial year 2012. Circular 179 provides detailed guidance on the exchange rates applicable to payment and revaluation of monetary items denominated in foreign currencies. According to the Board of Directors' assessment, Circular 179 has immaterial effect on the Company's financial statements for the year ended 31 December 2012.

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. Although these accounting estimates are based on the management's best knowledge, actual results may differ from those estimates.

Financial instruments

Initial recognition

Financial assets: 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, trade and other receivables and long-term financial investments.

Financial liabilities: 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 trade and other payables, accrued expenses and borrowings.

Re-measurement after initial recognition

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

Cash

Cash comprises cash on hand, demand deposits and cash in transit.

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 Gambling Club's gaming activities, provision for doubtful debts is made based on the aging year starting from the lending date.

Age of receivable (months)	Provision rate (%)
0 - 1	3
1 - 2	6.25
2 - 3	12.50
3 - 4	25
4 - 5	50
5 - 6	75
Over 6 months	100

Credit policy for Royal International Gaming Club's activities

On 01 January 2010, the Board of Management issued the amended credit policy for Royal International Gaming Club's activities. Accordingly, the total credit limit at one point in time 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 Royal International Gaming Club and repayable either by chips or in cash.

Inventories

Inventories are stated at the lower of cost and net realisable 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:

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

Net realisable 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 costs are higher than net realisable values 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	10
Office equipment	5 - 10
Motor vehicles	8
Others	5

Intangible fixed assets and amortisation

Intangible fixed assets represent land use right and computer software which is used for the Company's business, stated at cost less accumulated amortisation.

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 duration 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.

Computer software are amortised using the straight-line method over 5-10 years from the commencement of use.

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.

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**

Long-term prepayments include the carrying amount of pre-operating expenses, unallocated costs of 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.

- 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 allocated 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 not yet commenced allocation of its pre-operating expenses relating to the 13 floors Hotel into the income statement, since the hotel construction had not yet 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 the income statement over three (03) years, from the start-of-use date.
- Costs of tools and supplies that are used for a number of business cycles are allocated to expenses over 2- 3 years

Revenue recognition

Revenue from the operation of Royal International Gaming Club is recognised 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 recognised 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 of a transaction involving the rendering of services is recognised when the outcome of such transactions can be measured reliably. Where a transaction involving the rendering of services is attributable to several periods, revenue is recognised in each period by reference to the percentage of completion of the transaction at the balance sheet date of that period. The outcome of a transaction can be measured reliably when all four (4) following conditions are satisfied:

- (a) the amount of revenue can be measured reliably;
- (b) it is probable that the economic benefits associated with the transaction will flow to the Company;
- (c) the percentage of completion of the transaction at the balance sheet date can be measured reliably; and
- (d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Severance allowance payable

The severance allowance for employees is accrued at the end of each reporting period for employees having worked at the Company for more than 12 months as of 31 December 2008 with the allowance made for each year of service from 31 December 2008 equalling to one half-month salary per each year of service under the Labour Code, Social Insurance Code and relevant guiding documents. From 1 January 2009, the average monthly salary used for calculation of severance allowance shall be adjusted to be the average of the 6 consecutive months nearest to the date of the financial statements at the end of each reporting period. The increase or decrease in the accrued amount shall be recorded in the income statement.

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)****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" and Circular No. 179/2012/TT-BTC dated 24 October 2012 by the Ministry of Finance providing guidance on recognition, measurement and treatment of foreign exchange differences in enterprises. Accordingly, transactions arising in foreign currencies are translated at exchange rates ruling at the transaction date. The balance of monetary items denominated in foreign currencies as at the balance sheet date are retranslated at the exchange rates on the same 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 shareholders.

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.

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 tax 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 periodic 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.

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

5. CASH

	31/12/2012	31/12/2011
	USD	USD
Cash on hand	132,127	619,812
Cash in bank	59,235	908,887
Cash in transit	3,301	1,694
	<u>194,663</u>	<u>1,530,393</u>

6. TRADE ACCOUNTS RECEIVABLE

	31/12/2012	31/12/2011
	USD	USD
Receivables of Royal International Gaming Club (i)	3,053,933	2,305,748
Other receivables from operating activities	541,945	309,593
	<u>3,595,878</u>	<u>2,615,341</u>

(i) Represent receivables from the casino's gaming guests. Credit policy for Royal International Gaming Club's activities is stated in Note 4.

7. INVENTORIES

	31/12/2012	31/12/2011
	USD	USD
Raw materials	647,641	724,904
Merchandise	208,352	203,490
	<u>855,993</u>	<u>928,394</u>
Provision for devaluation of inventories	(64,147)	(32,048)
Net realizable value	<u>791,846</u>	<u>896,346</u>

8. TANGIBLE FIXED ASSETS

	Buildings, structures	Machinery, equipment	Motor vehicles	Office equipment	Others	Total
	USD	USD	USD	USD	USD	USD
COST						
As at 01/01/2012	19,401,584	4,791,215	648,422	665,993	466,069	25,973,283
Additions	-	66,959	-	22,038	-	88,997
Increase from CIP	360,706	-	-	-	-	360,706
Disposals for the year	-	14,040	32,136	20,022	-	66,198
As at 31/12/2012	<u>19,762,290</u>	<u>4,844,134</u>	<u>616,286</u>	<u>668,009</u>	<u>466,069</u>	<u>26,356,788</u>
ACCUMULATED DEPRECIATION						
As at 01/01/2012	3,764,775	2,382,776	446,922	581,457	303,067	7,478,997
Charge for the year	555,197	456,324	63,135	39,184	59,318	1,173,158
Disposals for the year	-	10,137	32,136	19,488	-	61,761
As at 31/12/2012	<u>4,319,972</u>	<u>2,828,963</u>	<u>477,921</u>	<u>601,153</u>	<u>362,385</u>	<u>8,590,394</u>
NET BOOK VALUE						
As at 31/12/2012	<u>15,442,318</u>	<u>2,015,171</u>	<u>138,365</u>	<u>66,856</u>	<u>103,684</u>	<u>17,766,394</u>
As at 31/12/2011	<u>15,636,809</u>	<u>2,408,439</u>	<u>201,500</u>	<u>84,536</u>	<u>163,002</u>	<u>18,494,286</u>

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

8. TANGIBLE FIXED ASSETS (Continued)

The carrying amounts of the Company's buildings, machinery and equipment as at 31 December 2012 include USD 362,622 (31 December 2011: USD 154,731) 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 carrying amounts of USD 13,722,767 as at 31 December 2012 (31 December 2011: USD 11,879,984) to secure bank loans.

The cost of the Company's motor vehicles, machinery, equipment and office equipment as at 31 December 2012 includes USD 1,279,210 (31 December 2011: USD 1,134,663) of assets which have been fully depreciated but are still in use.

9. INTANGIBLE FIXED ASSETS

	Land Use Rights	Accounting Software	Total
	USD	USD	USD
COST			
As at 01/01/2012	4,650,000	75,995	4,725,995
Additions	-	1,702	1,702
As at 31/12/2012	<u>4,650,000</u>	<u>77,697</u>	<u>4,727,697</u>
ACCUMULATED AMORTIZATION			
As at 01/01/2012	2,322,248	39,448	2,361,696
Charge for the year	251,649	10,491	262,140
As at 31/12/2012	<u>2,573,897</u>	<u>49,939</u>	<u>2,623,836</u>
NET BOOK VALUE			
As at 31/12/2012	<u>2,076,103</u>	<u>27,758</u>	<u>2,103,861</u>
As at 31/12/2011	<u>2,327,752</u>	<u>36,547</u>	<u>2,364,299</u>

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

10. CONSTRUCTION IN PROGRESS

	31/12/2012	31/12/2011
	USD	USD
Logistics office	-	-
Clubs	97,649	98,852
13 floors hotel (i)	28,555,617	25,742,132
Park	1,010,037	1,010,037
	<u>29,663,303</u>	<u>26,851,021</u>

(i) As stated in Note 16, the Company mortgaged the 13 floors Hotel - the construction in progress to the bank with the amount of USD 13,465,815. Interest expense which was capitalised into 13 floors hotel in the year is USD 286,171 (2011: USD 474,350).

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

11. INVESTMENT PROPERTY

	Investment property USD	Total USD
COST		
As at 01/01/2012	2,099,206	2,099,206
As at 31/12/2012	<u>2,099,206</u>	<u>2,099,206</u>
ACCUMULATED DEPRECIATION		
As at 01/01/2012	246,021	246,021
Charge for the year	59,908	59,908
As at 31/12/2012	<u>305,929</u>	<u>305,929</u>
NET BOOK VALUE		
As at 31/12/2012	<u>1,793,277</u>	<u>1,793,277</u>
As at 31/12/2011	<u>1,853,185</u>	<u>1,853,185</u>

According to VAS No. 05 - *Investment Properties*, fair value of investment property as at 31 December 2012 is required to be disclosed. However, the Company has not determined the fair value as at 31 December 2012 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 Joint Stock Company, amounting to 5% of its charter 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 2012.

13. LONG-TERM PREPAYMENTS

	31/12/2012 USD	31/12/2011 USD
Fixed asset overhaul expenses	68,594	120,307
Tool and supplies	171,178	148,346
Pre-operating expenses - the 13 floors hotel (i)	4,210,007	4,046,467
	<u>4,449,779</u>	<u>4,315,120</u>

- (i) As stated in Note 4, pre-operating expenses incurred in the course of construction are not eligible to be capitalised into the value of construction of the 13 floors hotel. These expense shall be allocated to the income statement since the hotel commences its operation. As at 31 December 2012, this hotel had not yet come into operation.

14. SHORT-TERM LOANS AND LIABILITIES

	31/12/2012 USD	31/12/2011 USD
Vietinbank - Thanh Xuan Branch (i)	1,432,170	1,400,645
Vietcombank - Ha Long Branch (ii)	1,440,945	1,439,419
Vietcombank - Quang Ninh Branch	-	119,037
Eximbank - Quang Ninh Branch (iii)	945,146	959,524
Kai Chieh International Investment Ltd., (iv)	500,000	570,000
Shanghai Bank	-	1,200,000
Current portion of long-term loans (Note 16)	603,353	753,793
	<u>4,921,614</u>	<u>6,442,418</u>

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 (Continued)

(i) 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 in Vietnam Dong up to a maximum amount of VND 40 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 168,892,000,000. This facility bears the interest rate adjusted from time to time by Vietinbank - Thanh Xuan Branch. Interest shall be paid on a monthly basis; the contract is extended to 30 June 2013. This loan and a long-term loan stated in Note 16 are mortgaged by the value of land use rights of the Company.

(ii) 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 in Vietnam Dong up to a maximum amount of VND 30 billion. This facility bears interest at the rate quoted by Vietcombank - Ha Long Branch at each disbursement date which will be adjusted from time to time by the bank. Interest shall be paid on a monthly basis, the contract expires on 05 November 2013. The loan is mortgaged by the Company's electronic distribution equipment system.

(iii) Loan from Vietnam Export Import Commercial Joint Stock Bank (Eximbank) - Quang Ninh Branch represents a short-term credit facility which can be drawn in Vietnam Dong up to a maximum amount of VND 25 billion. This facility bears interest at the rate quoted in each loan covenant which can be adjusted from time to time by Eximbank - Quang Ninh Branch. Interest shall be paid on a monthly basis, the contract no. HD-1900-LAV-201200324 which can be drawn in Vietnam Dong up to a maximum amount of VND 20 billion expires on 12 June 2013, the contract no. HD-1900-LAV-2012 which can be drawn in Vietnam Dong up to a maximum amount of VND 5 billion expires on 28 December 2013. The loan is mortgaged by the assets attached to the land of the Company's royal park.

(iv) Unsecured loan from Kai Chieh International Investment Ltd. (the parent company), represents a short-term credit facility which can be drawn in USD up to a maximum amount of USD 1 million effective from 28 November 2012 to 27 November 2013. This facility bears interest at LIBOR 180 days plus 3.25% p.a. The principal and interest will be repaid on the expiry date.

15. TAXES AND AMOUNTS PAYABLE TO THE STATE BUDGET

	31/12/2012	31/12/2011
	USD	USD
Value added tax	775,420	59,679
Special consumption tax	774,267	362,145
Corporate income tax	420,349	417,075
Others	75,530	19,733
	<u>2,045,566</u>	<u>858,632</u>

16. LONG-TERM LOANS AND LIABILITIES

	31/12/2012	31/12/2011
	USD	USD
Vietinbank-Thanh Xuan Branch	633,737	1,236,437
	<u>633,737</u>	<u>1,236,437</u>

Represent long-term loan contract No. 01/2008/Sheraton dated 18 December 2008 for the construction of 13 floors hotel. This loan can be drawn up to a maximum amount of VND 100 billion for 96 months from the first withdrawal date with grace period of 3 months. This facility bears the interest rate adjusted from time to time by Vietinbank - Thanh Xuan Branch. Principal is repayable every three months in 31 installments. The loan is mortgaged by the value of land use rights of the Company and the assets acquired from the 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

16. LONG-TERM LOANS AND LIABILITIES (Continued)

Long-term loans are repayable as follows:

	31/12/2012	31/12/2011
	USD	USD
On demand or within one year	603,353	753,793
In the second year	633,737	603,035
In the third to fifth year inclusive	-	633,402
After five years	-	-
Less: Amount due for settlement within 12 months (presented in Note 14)	(603,353)	(753,793)
Amount due for settlement after 12 months	633,737	1,236,437

17. SHAREHOLDERS' EQUITY

Movements in Shareholders' equity

	Charter capital	Share premium	Financial reserve fund	Retained earnings	Total
	USD	USD	USD	USD	USD
Balance as at 01/01/2011	39,749,040	5,027,169	498,615	3,379,138	48,653,962
Stock dividend declared	1,577,159	-	-	(1,577,159)	-
Profit for the year	-	-	-	1,145,953	1,145,953
Distribution to funds	-	-	93,414	(93,414)	-
Remuneration for Board of Management	-	-	-	(32,524)	(32,524)
Other adjustments	-	-	-	(361)	(361)
Balance as at 01/01/2012	41,326,199	5,027,169	592,029	2,821,633	49,767,030
Stock dividend declared (i)	983,671	-	-	(983,671)	-
Profit for the year	-	-	-	423,747	423,747
Distribution to funds (ii)	-	-	57,297	(57,297)	-
Remuneration for Boards of Management and Controllers (ii)	-	-	-	(20,189)	(20,189)
Other adjustments	-	-	-	(389)	(389)
Balance as at 31/12/2012	42,309,870	5,027,169	649,326	2,183,834	50,170,199

(i) Under Resolution No. 080/NQ-DHCDTN dated 14 April 2012 of the Annual General Shareholders' Meeting, share dividends are approved to be paid at the rate of 3% of share capital as at 31 December 2011 valued at VND 20,495,989,500, equivalent to 2,049,598 shares with par value of VND 10,000 per share and cash dividends equivalent to the value of odd shares. The Company's list of shareholders receiving bonus shares was fixed on 26 June 2012 to submit to the Vietnam Securities Depository and it was the date that the Company increased its charter capital.

(ii) Distribution to financial reserves fund and remuneration for the Board of Management and Board of Controller are made under 2012 Annual General Shareholders' Meeting's Resolution No. 080/NQ-DHCDTN dated 14 April 2012.

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)

Number of outstanding shares	31/12/2012	31/12/2011
	Share	Share
Authorised share capital	70,368,754	68,319,965
Ordinary share	70,368,754	68,319,965
Preferred share	-	-
Treasury shares	-	-
Outstanding share in circulation	70,368,754	68,319,965
Ordinary share	70,368,754	68,319,965
Preferred share	-	-

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

Contributed charter capital

The shareholders' equity structure and their capital contributions as at 31 December 2012 were as follows:

Shareholders	Per Investment Certificate '000 VND	Contributed capital as at					
		31/12/2012			31/12/2011		
		USD	'000 VND equivalent	%	USD	'000 VND equivalent	%
Mr. Nguyen Chinh Nghia	47,219,530	2,875,859	47,219,530	7%	2,809,826	45,844,210	7%
Kai Chieh International Investment Ltd.	369,386,320	22,219,546	369,386,320	52%	21,702,990	358,627,500	52%
State Capital Investment Corporation	93,454,360	5,629,463	93,454,360	13%	5,498,775	90,732,390	13%
Other shareholders	193,627,330	11,585,002	193,627,330	28%	11,314,608	187,995,550	28%
Total	703,687,540	42,309,870	703,687,540	100%	41,326,199	683,199,650	100%

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 seventh amended Investment Certificate dated 30 October 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
- 13 floors hotel: accommodation for rent and related services

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

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 2012

	Casino	Villas	Park	13 floors hotel	Offset	Total
	USD	USD	USD	USD	USD	USD
Assets						
Segment assets	15,589,190	10,539,787	10,287,046	35,196,553	(15,888,276)	55,724,300
Unallocated assets						6,355,754
Total consolidated assets						62,080,054
Liabilities						
Segment liabilities	3,246,497	1,798,171	1,210,754	20,091,878	(15,888,276)	10,459,024
Unallocated liabilities						1,450,831
Total consolidated liabilities						11,909,855

Income statement for the year ended 31 December 2012

	Casino	Villas	Park	13 floors hotel	Offset	Total
	USD	USD	USD	USD	USD	USD
Net sales	3,104,047	4,038,685	2,190,666	-	-	9,333,398
Cost of sales	(2,772,510)	(1,561,853)	(683,773)	-	-	(5,018,136)
Gross profit	331,537	2,476,832	1,506,893	-	-	4,315,262
Unallocated expenses						(2,906,840)
Operating profit						1,408,422
Financial income						92,890
Other (losses)						(157,857)
Financial expense						(721,111)
Profit before tax						622,344
Current tax expense						(274,802)
Deferred tax income						76,205
Profit for the year						423,747
%/Total gross profit	8%	57%	35%	0%		100%

Balance sheet as at 31 December 2011

	Casino	Villas	Park	13 floors hotel	Offset	Total
	USD	USD	USD	USD	USD	USD
Assets						
Segment assets	18,957,831	9,829,373	8,838,922	32,773,836	(14,047,799)	56,352,163
Unallocated assets						5,107,833
Total consolidated assets						61,459,996
Liabilities						
Segment liabilities	4,703,767	2,397,820	785,852	17,669,159	(14,047,799)	11,508,799
Unallocated liabilities						184,167
Total consolidated liabilities						11,692,966

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 2011

	Casino	Villas	Park	13 floors hotel	Offset	Total
	USD	USD	USD	USD	USD	USD
Net sales	3,115,143	3,258,967	1,959,483	-	-	8,333,593
Cost of sales	(2,280,296)	(1,274,639)	(603,133)	-	-	(4,158,068)
Gross profit	834,847	1,984,328	1,356,350	-	-	4,175,525
Unallocated expenses						(2,492,878)
Operating profit						1,682,647
Financial income						974,444
Other (losses)						(166,649)
Financial expense						(922,599)
Profit before tax						1,567,843
Current tax expense						(417,075)
Deferred tax expense						(4,815)
Profit for the year						1,145,953
% /Total gross profit	20%	48%	32%	0%		100%

19. FINANCIAL INCOME

	2012	2011
	USD	USD
Bank and loan interest	934	1,753
Unrealized foreign exchange gain	10,022	424,617
Realized foreign exchange gain	14,401	477,990
Other financial income	67,533	70,084
	92,890	974,444

20. CURRENT CORPORATE INCOME TAX EXPENSE

	2012	2011
	USD	USD
Profit before tax	622,344	1,567,843
Adjustments for taxable income		
Less:		
Non-assessable income	-	19,261
Add back:		
Assessable income	213,749	-
Non taxable expenses	172,045	119,721
Provision for doubtful debts	91,072	-
Assessable income	1,099,210	1,668,303
Normal tax rate	25%	25%
Current tax expense	274,802	417,075
Deferred tax	(76,205)	4,815
	198,597	421,890

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

21. BASIC EARNINGS PER SHARE

	2012	2011 (restated)
	USD	USD
Accounting profit after corporate income tax	423,747	1,145,953
Earnings distributed to ordinary shareholders	423,747	1,145,953
Weighted average number of ordinary shares in circulation in the year (share)	42,309,870	42,309,870
Basic earnings per share	0.010	0.027

As presented in Note, on 30 October 2012, the People's Committee of Quang Ninh Province granted the seventh amended Investment Certificate No. 221.032.000.118 to the Company. Accordingly, the investment capital is VND 730,473,560,000, the face value, charter capital and the total number of shares are changed as follows:

- Face value: VND 10,000/share
- Charter capital: VND 703,687,540,000
- Total number of shares: 70,368,754 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 2011 and 31 December 2012.

Restatement of weighted average number of ordinary shares

In the year 2012, Royal International Corporation paid stock dividend, which led to a retrospective adjustment to the weighted average number of outstanding ordinary shares of year 2011, as follows:

	Weighted average number of ordinary shares in circulation in the year	Basic earnings per share
	Shares	USD
As reported for the year ended 31 December 2011	41,326,199	0.028
As restated	42,309,870	0.027

22. COMMITMENTS

Capital commitment

Up to 31 December 2012, the contracts for construction and installation, purchases of machinery and equipment which were signed but yet to be implemented, valued at USD 4,007,675 in total (31 December 2011: USD 2,928,341).

Investment commitment

Under Resolution No. 080/NQ-DHCDTN dated 14 April 2012 of the Annual General Shareholders' Meeting, the management approved an increase of the total investment amount of the Company from USD 46,000,000 to USD 67,000,000.

Land- lease commitment

Under the adjusted Investment Certificate No. 953 CPH/GP dated 15 June 2005 of the Ministry of Planning and Investment, the Company is obliged 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.

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

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 shareholders' equity (comprisin contributed capital, reserves and retained earnings).

Gearing ratio

The gearing ratio of the Company as at the balance sheet date was as follows:

	<u>31/12/2012</u>	<u>31/12/2011</u>
	USD	USD
Borrowings	5,555,351	7,678,855
Less: Cash	194,663	1,530,393
Net debt	5,360,688	6,148,462
Equity	<u>50,170,199</u>	<u>49,767,030</u>
Net debt to equity ratio	<u>0.11</u>	<u>0.12</u>

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

	Carrying amounts	
	<u>31/12/2012</u>	<u>31/12/2011</u>
	USD	USD
Financial assets		
Cash	194,663	1,530,393
Trade and other receivables	3,404,159	2,530,438
Long-term investments	419,411	419,411
Total	<u>4,018,233</u>	<u>4,480,242</u>
Financial liabilities		
Borrowings	5,555,351	7,678,855
Trade and other payables	3,764,920	2,293,873
Accruals	41,093	232,524
Total	<u>9,361,364</u>	<u>10,205,252</u>

The Company has not assessed fair value of its financial assets and liabilities as at the balance sheet date since there are no comprehensive guidance under Circular No. 210/2009/TT-BTC issued by the Ministry of Finance on 06 November 2009 ("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 International Financial Reporting Standards ("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.

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)

Financial risk management objectives

The Company has set up risk management system to identify and assess the risks exposed by the Company and designed control policies and procedures to manage those risks at an acceptable level. Risk management system is reviewed on a regular basis to reflect changes in market conditions and the Company's operations.

Financial risks include market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk.

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 after considering the costs to be incurred to hedge these risk may exceed the inherent risk caused by the fluctuation of the interest rates and foreign currency exchange rates of these financial instruments.

Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

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:

	Assets		Liabilities	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	USD	USD	USD	USD
Vietnam Dong (VND)	608,878	375,586	7,711,549	7,250,598
Australia Dollar (AUD)	-	1,489	-	-
EURO (EUR)	2,409	142	-	-
Great Britain Pound (GBP)	-	61	-	-
Hongkong Dollar (HKD)	2,594	3,345	-	-
China Yuan (CNY)	7,911	12,452	-	-
Japan Yen (JPY)	811	272	-	-
Korea Won (KRW)	1,399	1,715	-	-
Taiwan Dollar (TWD)	48	264	-	-
Singapore Dollar (SGD)	-	310	-	-
Thai Bath (THB)	-	158	-	-

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)

Foreign currency sensitivity analysis

The Company is mainly exposed to VND.

The Company's sensitivity is calculating base on a 10% changes in USD against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. For a 10% decrease in VND against USD before tax in the year would increase by the same amount USD 710,267 (2011: USD 687,501)

Interest rate risk management

The Company has significant interest rate risks arising from interest bearing loans which are arranged. The risk is managed by the Company by maintaining an appropriate level of borrowings and analyzing market competition to enjoy favorable interest rates from appropriate lenders.

	<u>Increase/(decrease) in basis points</u>	<u>Impact on profit before tax</u> USD
For the year ended 31 December 2012		
USD	+200	111,107
USD	-200	(111,107)
For the year ended 31 December 2011		
USD	+200	153,577
USD	-200	(153,577)

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 a significant concentration of credit risk arising on the amounts due from the Royal International Gaming Club's gaming guests. The maximum exposure to credit risk is represented by the carrying amount of balances due from the Royal International Gaming Club's gaming guests as presented in Note 4.

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's 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 shareholders to meet its liquidity requirements in the short and longer term.

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 remaining contractual maturity for its non-derivative financial assets and financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial assets including interest that will be earned on those assets, if any and undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. 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.

31/12/2012	Less than 1 year	After 5 years	Total
	USD	USD	USD
Cash	194,663	-	194,663
Trade and other receivables	3,404,159	-	3,404,159
Long-term investments	-	419,411	419,411
Total	3,598,822	419,411	4,018,233

31/12/2012	Less than 1 year	From 1 - 5 years	Total
	USD	USD	USD
Trade and other payables	3,645,595	119,325	3,764,920
Accruals	41,093	-	41,093
Borrowings	5,470,406	888,532	6,358,938
Total	9,157,094	1,007,857	10,164,951

Net liquidity gap	(5,558,272)	(588,446)	(6,146,718)
--------------------------	--------------------	------------------	--------------------

31/12/2011	Less than 1 year	After 5 years	Total
	USD	USD	USD
Cash	1,530,393	-	1,530,393
Trade and other receivables	2,530,438	-	2,530,438
Long-term investments	-	419,411	419,411
Total	4,060,831	419,411	4,480,242

31/12/2011	Less than 1 year	From 1 - 5 years	Total
	USD	USD	USD
Trade and other payables	2,171,544	122,329	2,293,873
Accruals	232,524	-	232,524
Borrowings	7,098,970	1,527,037	8,626,007
Total	9,503,038	1,649,366	11,152,404

Net liquidity gap	(5,442,207)	(1,229,955)	(6,672,162)
--------------------------	--------------------	--------------------	--------------------

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

24. RELATED PARTY TRANSACTIONS AND BALANCES

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

	<u>2012</u>	<u>2011</u>
	USD	USD
Principal received from Kai Chieh International Investment Ltd.	500,000	1,980,000
Interest expense from Kai Chieh International Investment Ltd.	33,372	74,849
Sales to Kai Chieh International Investment Ltd.	2,733	3,621
Sales to Lang Son International JSC.	-	420
Sales to Mr. Nguyen Chinh Nghia	-	7,055
Sales to Ms. Nguyen Tieu Mai	19,563	36,231
Sales collected by Ms. Nguyen Tieu Mai from Taiwan	-	733

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

	<u>2012</u>	<u>2011</u>
	USD	USD
Board of Directors' remuneration	73,447	78,540

Significant related parties balances as at the balance sheet date were as follows:

	<u>31/12/2012</u>	<u>31/12/2011</u>
	USD	USD
Receivables		
Mr. Do Try Vy	228,545	-
Lang Son International JSC.	-	2,791
Ms. Nguyen Tieu Mai	-	5,337
Payables		
Principal repayable to Kai Chieh International Investment Ltd.	500,000	570,000
Interest payable to Kai Chieh International Investment Ltd.	1,436	117,628
Other payables to Kai Chieh International Investment Ltd.	16,113	16,114

25. SUBSEQUENT EVENTS

On 18 January 2013, the Company has signed new long-term loan with Vietnam Joint Stock Commercial Bank for Industry and Trade (Vietinbank) - Thanh Xuan Branch for building 13 floors hotel. This loan can be drawn up to a maximum amount of VND 100 billion for 96 months from the first withdrawal with grace period of 3 months. This facility bears the interest rate adjusted for each year by Vietinbank - Thanh Xuan Branch. Principal is repayable every three months in 31 installments. The loan is mortgaged by the land use rights of the Company and the assets acquired from the loan.

On 18 January 2013, the Company has signed new short-term loan with 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 40 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 168,892,000,000. 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 is extended to 30 June 2013. This loan is mortgaged by the land use rights of the Company.

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

26. COMPARATIVE FIGURES

The comparative figures are the figures in the Company's audited financial statements for the year ended 31 December 2011.



Cao Thi Huyen
Preparer

26 March 2013



Nguyen Linh Chi
Chief Accountant



Duong Khanh Nam
General Director

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

APPENDIX TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

The additional information in Appendix to the financial statements from page 31 to page 56 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 20,828 on 31 December 2012 and 31 December 2011, respectively.

BALANCE SHEET
As at 31 December 2012

FORM B 01-DN
 Unit: VND

ASSETS	Codes	Notes	31/12/2012	31/12/2011
A. CURRENT ASSETS (100=110+130+140+150)	100		120,410,125,448	148,628,941,248
I. Cash	110	5	4,054,440,964	31,875,025,404
1. Cash	111		4,054,440,964	31,875,025,404
II. Short-term receivables	130		99,256,875,400	96,772,969,776
1. Trade accounts receivable	131	6	74,894,946,984	54,472,322,348
2. Advances to suppliers	132		28,355,051,748	44,069,007,112
3. Other receivables	135		124,613,924	452,529,956
4. Provision for short-term doubtful debts	139		(4,117,737,256)	(2,220,889,640)
III Inventories	140	7	16,492,568,488	18,669,094,488
1. Inventories	141		17,828,622,204	19,336,590,232
2. Provision for devaluation of inventories	149		(1,336,053,716)	(667,495,744)
IV. Other short-term assets	150		606,240,596	1,311,851,580
1. Short-term prepayments	151		527,719,036	987,747,072
2. Value added tax deductibles	152		-	-
3. Other short-term assets	158		78,521,560	324,104,508
B. NON-CURRENT ASSETS (200 = 220+240+250+260)	200		1,172,593,239,264	1,131,459,855,440
I. Fixed assets	220		1,031,684,946,024	993,695,673,768
1. Tangible fixed assets	221	8	370,038,454,232	385,198,988,808
- Cost	222		548,959,180,464	540,971,538,324
- Accumulated depreciation	223		(178,920,726,232)	(155,772,549,516)
2. Intangible fixed assets	227	9	43,819,216,908	49,243,619,572
- Cost	228		98,468,473,116	98,433,023,860
- Accumulated amortisation	229		(54,649,256,208)	(49,189,404,288)
3. Construction in progress	230	10	617,827,274,884	559,253,065,388
II. Investment property	240	11	37,350,373,356	38,598,137,180
- Cost	241		43,722,262,568	43,722,262,568
- Accumulated depreciation	242		(6,371,889,212)	(5,124,125,388)
III Long-term financial investments	250		8,735,492,308	8,735,492,308
1. Other long-term investments	258	12	8,735,492,308	8,735,492,308
IV. Other long-term assets	260		94,822,427,576	90,430,552,184
1. Long-term prepayments	261	13	92,679,997,012	89,875,319,360
2. Deferred tax assets	262		2,142,430,564	555,232,824
TOTAL ASSETS (270 = 100 + 200)	270		1,293,003,364,712	1,280,088,796,688

The notes set out on pages 36 to 56 are an integral part of the appendix to the financial statements

BALANCE SHEET (Continued)
 As at 31 December 2012

FORM B 01-DN
 Unit: VND

RESOURCES	Codes	Notes	31/12/2012	31/12/2011
A. LIABILITIES (300=310+330)	300		248,058,459,940	243,541,095,848
I. Current liabilities	310		227,349,658,584	210,240,081,424
1. Short-term loans and liabilities	311	14	102,507,376,392	134,182,682,104
2. Trade accounts payable	312		60,361,689,284	34,471,506,368
3. Advances from customers	313		90,435,176	140,130,784
4. Taxes and amounts payable to the State budget	314	15	42,605,048,648	17,883,587,296
5. Payables to employees	315		5,247,614,600	7,850,343,964
6. Accrued expenses	316		855,885,004	4,843,009,872
7. Other current payables	319		15,681,609,480	10,868,821,036
II. Long-term liabilities	330		20,708,801,356	33,301,014,424
1. Other long-term payables	333		2,485,301,100	2,547,868,412
2. Long-term loans and liabilities	334	16	13,199,474,236	25,752,509,836
3. Provision for severance allowance	336		4,451,964,172	4,070,311,900
4. Unrealized revenue	338		572,061,848	930,324,276
B. EQUITY (400=410)	400		1,044,944,904,772	1,036,547,700,840
I. Shareholders' equity	410	17	1,044,944,904,772	1,036,547,700,840
1. Chartered capital	411		703,687,540,000	683,199,650,000
2. Share premium	412		81,363,105,200	81,363,105,200
3. Foreign exchange reserve	416		203,149,171,611	203,203,175,561
4. Financial reserve fund	418		11,260,193,409	10,012,797,955
5. Retained earnings	420		45,484,894,552	58,768,972,124
TOTAL RESOURCES (440 = 300+ 400)	440		1,293,003,364,712	1,280,088,796,688

The notes set out on pages 36 to 56 are an integral part of the appendix to the financial statements

INCOME STATEMENT
 For the year ended 31 December 2012

FORM B 02-DN
 Unit: VND

ITEMS	Codes	Notes	2012	2011
1. Gross sales	01		218,404,490,800	196,093,558,028
2. Less deductions	02		24,008,477,256	22,521,483,024
<i>Sales discounts</i>	05		1,940,419,792	1,090,387,456
<i>Special consumption tax</i>	08		22,068,057,464	21,431,095,568
3. Net sales (10=01-02)	10	18	194,396,013,544	173,572,075,004
4. Cost of sales	11	18	104,517,736,608	86,604,240,304
5. Gross profit from sales (20=10-11)	20	18	89,878,276,936	86,967,834,700
6. Financial income	21	19	1,934,712,920	20,295,719,632
7. Financial expenses	22		15,019,299,908	19,215,891,972
- <i>In which: Interest expense</i>	23		14,472,898,156	15,602,129,832
8. Selling expenses	24		16,243,965,480	14,455,381,808
9. General and administration expenses	25		44,299,698,040	37,466,281,176
10. Operating profit (30 = 20+(21-22)-(24+25))	30		16,250,026,428	36,125,999,376
11. Other income	31		1,903,929,136	3,475,110,144
12. Other expenses	32		5,191,774,732	6,946,075,516
13. (Loss) from other activities (40=31-32)	40		(3,287,845,596)	(3,470,965,372)
14. Accounting profit before tax (50=30+40)	50		12,962,180,832	32,655,034,004
15. Current corporate income tax expense	51	20	5,723,576,056	8,686,838,100
16. Deferred corporate tax (income)/expense	52	20	(1,587,197,740)	100,286,820
17. Net profit after corporate income tax (60=50-51-52)	60		8,825,802,516	23,867,909,084
18. Basic earnings per share	70	21	125	339

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 20,828 on 31/12/2012 and 31/12/2011, respectively. Revenue and special tax incurred in VND and recorded accumulated to 31/12/2012 in amounts of: VND 218,320,691,490 and VND 22,067,906,281, respectively; accumulated to 31/12/2011: VND 194,403,577,331 and VND 21,236,243,231, respectively.

CASH FLOW STATEMENT
 For the year ended 31 December 2012

FORM B 03-DN
 Unit: VND

ITEMS	Codes	2012	2011
I. CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	01	12,962,180,832	32,655,034,004
2. Adjustments for:			
Depreciation and amortisation	02	28,994,783,768	29,417,133,952
Provisions	03	2,565,405,588	(401,168,108)
Unrealized foreign exchange (gain)	04	96,475,296	(7,494,560,068)
Loss from disposal of fixed assets	05	19,619,976	1,045,482,288
Interest expenses	06	14,472,898,156	15,602,129,832
3. Operating profit before movements in working capital	08	59,111,363,616	70,824,051,900
Change in receivables	09	(4,380,753,240)	37,039,536,284
Change in inventories	10	1,507,968,028	4,788,711,276
Change in accounts payable (not including accrued interest and corporate income tax payable)	11	26,295,204,204	(13,775,805,824)
Change in prepaid expenses	12	705,610,984	1,197,235,096
Interest paid	13	(23,044,599,072)	(24,254,768,356)
Corporate income tax paid	14	(5,659,696,580)	(10,675,266,432)
Other cash (outflows)	16	(1,218,167,236)	(481,001,832)
<i>Net cash from operating activities</i>	20	53,316,930,704	64,662,692,112
II. CASH FLOWS FROM INVESTING ACTIVITIES			
1. Acquisition and construction of fixed assets and other long-term assets	21	(36,507,068,464)	(70,483,701,552)
2. Proceeds from disposal of fixed assets	22	72,773,032	91,414,092
<i>Net cash (used in) investing activities</i>	30	(36,434,295,432)	(70,392,287,460)
III. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Proceeds from borrowings	33	162,764,988,160	231,179,427,912
2. Repayment of borrowings	34	(207,371,732,576)	(230,842,680,808)
<i>Net cash from financing activities</i>	40	(44,606,744,416)	336,747,104
Net (decrease) in cash	50	(27,724,109,144)	(5,392,848,244)
Cash at the beginning of the year	60	31,875,025,404	27,063,010,020
Effect of changes in foreign exchange rates	61	(96,475,296)	10,204,863,628
Cash at the end of the year	70	4,054,440,964	31,875,025,404

Supplemental non-cash disclosures

Cash outflows for purchases of fixed assets and construction in progress during the year exclude an amount of VND 52,851,508,216 (2011: VND 29,824,487,976) representing an addition in fixed assets during the year that has not been paid yet and included an amount of VND 28,188,719,340 (2011: VND 41,047,634,948) 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 20,487,890,000.

The notes set out on pages 36 to 56 are an integral part of the appendix to the 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, charter capital, and the number of shares as follows:

- Face value: USD 01/share
- Charter 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, charter capital and the number of shares are as follows:

- Face value: VND 10,000/share
- Charter 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 charter capital. Therefore, the face value, charter capital and the number of shares are as follows:

- Face value: VND 10,000/share
- Charter 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 charter capital. Accordingly, the face value, charter capital, and the total number of shares are as follows:

- Face value: VND 10,000/share
- Charter 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, charter capital and the total number of shares are as follows:

- Face value: VND 10,000/share
- Charter 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, charter capital and the total number of shares are changed as follows:

- Face value: VND 10,000/share
- Charter 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, charter capital and the total number of shares are changed as follows:

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

On 30 October 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, charter capital and the total number of shares are changed as follows:

- Face value: VND 10,000/share
- Charter capital: VND 703,687,540,000
- Total number of shares: 70,368,754 shares

The Owner (Parent company) of Company is Kai Chieh International Investment Ltd. (incorporated in George Town, Grand Cayman, Cayman Island).

The Company's number of employees as at 31 December 2012 was 1,171 (31 December 2011: 1,006).

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 FINANCIAL YEAR**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 2012, the Company's current liabilities exceeded its current assets by approximately USD 5 million. This deficiency in working capital raises doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern depends on profit from its operating activities in the coming years and obtaining loans from credit institutions. The Board of Directors has created a cash flow plan for the financial year 2013 and in January 2013, the Company entered into middle-term and long-term credit contracts with Vietnam Joint Stock Commercial Bank for Industry and Trade - Thanh Xuan branch with credit limit of VND 100 billion and short-term credit contract with credit limit of VND 40 billion. Therefore, the Board of Directors decided to prepare the accompanying financial statements on going concern basis.

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

2. ACCOUNTING CONVENTION AND FINANCIAL YEAR (Continued)

Accounting convention (Continued)

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 2012 in Vietnam Dong (VND).

Financial year

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

3. ADOPTION OF NEW ACCOUNTING GUIDANCE

On 24 October 2012, the Ministry of Finance issued Circular No. 179/2012/TT-BTC ("Circular 179") providing guidance on recognition, measurement and treatment of foreign exchange differences in enterprises. Circular 179 came into effect from 10 December 2012 and is applied from financial year 2012. Circular 179 provides detailed guidance on the exchange rates applicable to payment and revaluation of monetary items denominated in foreign currencies. According to the Board of Directors' assessment, Circular 179 has immaterial effect on the Company's financial statements for the year ended 31 December 2012.

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. Although these accounting estimates are based on the management's best knowledge, actual results may differ from those estimates.

Financial instruments

Initial recognition

Financial assets: 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, trade and other receivables and long-term financial investments.

Financial liabilities: 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 trade and other payables, accrued expenses and borrowings.

Re-measurement after initial recognition

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

Cash

Cash comprises cash on hand, demand deposits and cash in transit.

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

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.

For receivables from Royal International Gambling Club's gaming 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's activities

On 01 January 2010, the Board of Management issued the amended credit policy for Royal International Gaming Club's activities. Accordingly, the total credit limit at one point in time 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 Royal International Gaming Club and repayable either by chips or in cash.

Inventories

Inventories are stated at the lower of cost and net realisable 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 realisable 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 have costs higher than net realisable values 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	10
Office equipment	5 - 10
Motor vehicles	8
Others	5

Intangible fixed assets and amortisation

Intangible fixed assets represent land use right and computer software which is used for the Company's business, stated at cost less accumulated amortisation.

Land use rights. 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 duration 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.

Computer software are amortised using the straight-line method over 5-10 years from the commencement of use.

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.

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

Long-term prepayments include the carrying amount of pre-operating expenses, unallocated costs of 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.

- 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 allocated 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 not yet commenced allocation of its pre-operating expenses relating to the 13 floors Hotel into the income statement, since the hotel construction had not yet 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 the income statement over three (03) years, from the start-of-use date.
- Costs of tools and supplies that are used for a number of business cycles are allocated to expenses over 2- 3 years.

Revenue recognition

Revenue from the operation of Royal International Gaming Club is recognised 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 recognised 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 of a transaction involving the rendering of services is recognised when the outcome of such transactions can be measured reliably. Where a transaction involving the rendering of services is attributable to several periods, revenue is recognised in each period by reference to the percentage of completion of the transaction at the balance sheet date of that period. The outcome of a transaction can be measured reliably when all four (4) following conditions are satisfied:

- (a) the amount of revenue can be measured reliably;
- (b) it is probable that the economic benefits associated with the transaction will flow to the Company;
- (c) the percentage of completion of the transaction at the balance sheet date can be measured reliably; and
- (d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Severance allowance payable

The severance allowance for employees is accrued at the end of each reporting period for employees having worked at the Company for more than 12 months as of 31 December 2008 with the allowance made for each year of service from 31 December 2008 equalling to one half-month salary per each year of service under the Labour Code, Social Insurance Code and relevant guiding documents. From 1 January 2009, the average monthly salary used for calculation of severance allowance shall be adjusted to be the average of the 6 consecutive months nearest to the date of the financial statements at the end of each reporting period. The increase or decrease in the accrued amount shall be recorded in the income statement.

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)

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" and Circular No. 179/2012/TT-BTC dated 24 October 2012 by the Ministry of Finance providing guidance on recognition, measurement and treatment of foreign exchange differences in enterprises. Accordingly, transactions arising in foreign currencies are translated at exchange rates ruling at the transaction date. The balance of monetary items denominated in foreign currencies as at the balance sheet date are retranslated at the exchange rates on the same 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 shareholders.

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.

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 tax 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.

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

5. CASH AND CASH EQUIVALENTS

	31/12/2012	31/12/2011
	VND	VND
Cash on hand	2,751,941,156	12,909,444,336
Cash in bank	1,233,746,580	18,930,298,436
Cash in transit	68,753,228	35,282,632
	4,054,440,964	31,875,025,404

6. TRADE ACCOUNTS RECEIVABLE

	31/12/2012	31/12/2011
	VND	VND
Receivables of Royal International Gaming Club (i)	63,607,316,524	48,024,119,344
Other receivables from operating activities	11,287,630,460	6,448,203,004
	74,894,946,984	54,472,322,348

(i) Represent receivables from the casino's gaming guests. Credit policy for Royal International Gaming Club's activities is stated in Note 4.

7. INVENTORIES

	31/12/2012	31/12/2011
	VND	VND
Raw materials	13,489,066,748	15,098,300,512
Merchandise	4,339,555,456	4,238,289,720
	17,828,622,204	19,336,590,232
Provision for devaluation of inventories	(1,336,053,716)	(667,495,744)
Net realizable value	16,492,568,488	18,669,094,488

8. TANGIBLE FIXED ASSETS

	Buildings, structures	Machinery, equipment	Motor vehicles	Office equipment	Others	Total
	VND	VND	VND	VND	VND	VND
COST						
As at 01/01/2012	404,096,191,552	99,791,426,020	13,505,333,416	13,871,302,204	9,707,285,132	540,971,538,324
As at 31/12/2012	411,608,976,120	100,893,622,952	12,836,004,808	13,913,291,452	9,707,285,132	548,959,180,464
ACCUMULATED DEPRECIATION						
As at 01/01/2012	78,412,733,700	49,628,458,528	9,308,491,416	12,110,586,396	6,312,279,476	155,772,549,516
As at 31/12/2012	89,976,376,816	58,921,641,364	9,954,138,588	12,520,814,684	7,547,754,780	178,920,726,232
NET BOOK VALUE						
As at 31/12/2012	321,632,599,304	41,971,981,588	2,881,866,220	1,392,476,768	2,159,530,352	370,038,454,232
As at 31/12/2011	325,683,457,852	50,162,967,492	4,196,842,000	1,760,715,808	3,395,005,656	385,198,988,808

The carrying amounts of the Company's buildings, machinery and equipment as at 31 December 2012 include VND 7,552,691,016 (31 December 2011: VND 3,222,737,268) 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 carrying amounts of VND 285,817,791,076 as at 31 December 2012 (31 December 2011: VND 247,436,306,752) to secure bank loans.

The cost of the Company's motor vehicles, machinery, equipment and office equipment as at 31 December 2012 includes VND 26,643,385,880 (31 December 2011: VND 23,632,760,964) of assets which have been fully depreciated but are still in use.

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

9. INTANGIBLE FIXED ASSETS

	Land Use Right	Accounting Software	Total
	VND	VND	VND
COST			
As at 01/01/2012	96,850,200,000	1,582,823,860	98,433,023,860
As at 31/12/2012	<u>96,850,200,000</u>	<u>1,618,273,116</u>	<u>98,468,473,116</u>
ACCUMULATED AMORTIZATION			
As at 01/01/2012	48,367,781,344	821,622,944	49,189,404,288
As at 31/12/2012	<u>53,609,126,716</u>	<u>1,040,129,492</u>	<u>54,649,256,208</u>
NET BOOK VALUE			
As at 31/12/2012	<u>43,241,073,284</u>	<u>578,143,624</u>	<u>43,819,216,908</u>
As at 31/12/2011	<u>48,482,418,656</u>	<u>761,200,916</u>	<u>49,243,619,572</u>

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

10. CONSTRUCTION IN PROGRESS

	31/12/2012	31/12/2011
	VND	VND
Logistics office	-	-
Casino	2,033,833,372	2,058,889,456
13 floors hotel (i)	594,756,390,876	536,157,125,296
Park	21,037,050,636	21,037,050,636
	<u>617,827,274,884</u>	<u>559,253,065,388</u>

(i) As stated in Note 16 of the Notes to the financial statements, the Company mortgaged the 13 floors Hotel - the construction in progress to the bank with the amount of VND 280,465,994,820. Interest expense which was capitalised into 13 floors hotel in the year is VND 5,960,369,588 (2011: VND 9,879,761,800).

11. INVESTMENT PROPERTY

	Investment property	Total
	VND	VND
COST		
As at 01/01/2012	43,722,262,568	43,722,262,568
As at 31/12/2012	<u>43,722,262,568</u>	<u>43,722,262,568</u>
ACCUMULATED DEPRECIATION		
As at 01/01/2012	5,124,125,388	5,124,125,388
As at 31/12/2012	<u>6,371,889,212</u>	<u>6,371,889,212</u>
NET BOOK VALUE		
As at 31/12/2012	<u>37,350,373,356</u>	<u>37,350,373,356</u>
As at 31/12/2011	<u>38,598,137,180</u>	<u>38,598,137,180</u>

According to VAS No. 05 - *Investment Properties*, fair value of investment property as at 31 December 2012 is required to be disclosed. However, the Company has not determined the fair value as at 31 December 2012 due to lack of reliable sources of information; therefore, no information about the fair value is stated on 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

12. OTHER LONG-TERM INVESTMENTS

Other long-term financial investment represents the capital contributed to Royal International Securities Company, amounting to 5% of its charter 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 2012.

13. OTHER LONG-TERM PREPAYMENTS

	31/12/2012	31/12/2011
	VND	VND
Fixed asset overhaul expenses	1,428,675,832	2,505,754,196
Tool and supplies	3,565,295,384	3,089,750,488
Pre-operating expenses - the 13 floors hotel (i)	87,686,025,796	84,279,814,676
As at the end of the year	92,679,997,012	89,875,319,360

- (i) As stated in Note 4, pre-operating expenses incurred in the course of construction are not eligible to be capitalised into the value of construction of the 13 floors hotel. These expense shall be allocated to the income statement since the hotel commences its operation. As at 31 December 2012, this hotel had not yet come into operation.

14. SHORT-TERM LOANS AND LIABILITIES

	31/12/2012	31/12/2011
	VND	VND
Vietinbank - Thanh Xuan Branch (i)	29,829,236,760	29,172,634,060
Vietcombank - Ha Long Branch (ii)	30,012,002,460	29,980,218,932
Vietcombank - Quang Ninh Branch	-	2,479,302,636
Eximbank - Quang Ninh Branch (iii)	19,685,500,888	19,984,965,872
Kai Chieh International Investment Ltd., (iv)	10,414,000,000	11,871,960,000
Shanghai Bank	-	24,993,600,000
Current portion of long-term loans (Note 16)	12,566,636,284	15,700,000,604
	102,507,376,392	134,182,682,104

(i) 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 40 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 168,892,000,000. This facility bears the interest rate adjusted from time to time by Vietinbank - Thanh Xuan Branch. Interest shall be repaid on a monthly basis; the contract is extended to 30 June 2013. This loan and a long-term loan stated in Note 16 are mortgaged by the value of land use rights of the Company.

(ii) 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 in VND up to a maximum amount of VND 30 billion. This facility bears interest at the rate quoted by Vietcombank - Ha Long Branch at each disbursement date which will be adjusted from time to time by the bank. Interest shall be paid on a monthly basis, the contract expires on 05 November 2013. The loan is mortgaged by the Company's electronic distribution equipment system.

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 (Continued)

(iii) 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 25 billion. This facility bears interest at the rate quoted in each loan covenant which can be adjusted from time to time by Eximbank - Quang Ninh Branch. Interest shall be paid on a monthly basis, the contract no. HD-1900-LAV-201200324 which can be drawn in Vietnam Dong up to a maximum amount of VND 20 billion expires on 12 June 2013, the contract no. HD-1900-LAV-2012 which can be drawn in Vietnam Dong up to a maximum amount of VND 5 billion expires on 28 December 2013. The loan is mortgaged by the assets attached to the land of the Company's royal park.

(iv) Unsecured loan from Kai Chieh International Investment Ltd. (the parent company), represents a short-term credit facility which can be drawn in USD up to a maximum amount of USD 1 million effective from 28 November 2012 to 27 November 2013. This facility bears interest at LIBOR 180 days plus 3.25%. The principal and interest will be repaid on the expiry date.

15. TAXES AND AMOUNTS PAYABLE TO THE STATE BUDGET

	<u>31/12/2012</u>	<u>31/12/2011</u>
	VND	VND
Value added tax	16,150,447,760	1,242,994,212
Special consumption tax	16,126,433,076	7,542,756,060
Corporate income tax	8,755,028,972	8,686,838,100
Others	1,573,138,840	410,998,924
	<u>42,605,048,648</u>	<u>17,883,587,296</u>

16. LONG-TERM LOANS AND LIABILITIES

	<u>31/12/2012</u>	<u>31/12/2011</u>
	VND	VND
Vietinbank-Thanh Xuan Branch	13,199,474,236	25,752,509,836
	<u>13,199,474,236</u>	<u>25,752,509,836</u>

Represent long-term loan contract No. 01/2008/Sheraton dated 18 December 2008 for the construction of 13 floors hotel. This loan can be drawn up to a maximum amount of VND 100 billion for 96 months from the first withdrawal date with grace period of 3 months. This facility bears the interest rate adjusted from time to time by Vietinbank - Thanh Xuan Branch. Principal is repayable every three months in 31 installments. The loan is mortgaged by the value of land use rights of the Company and the assets acquired from the loan.

Long-term loans are payable as follows:

	<u>31/12/2012</u>	<u>31/12/2011</u>
	VND	VND
On demand or within one year	12,566,636,284	15,700,000,604
In the second year	13,199,474,236	12,560,012,980
In the third to fifth year inclusive	-	13,192,496,856
After five years	-	-
Less: Amount due for settlement within 12 months (presented in Note 14)	(12,566,636,284)	(15,700,000,604)
Amount due for settlement after 12 months	<u>13,199,474,236</u>	<u>25,752,509,836</u>

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

Movements in Shareholders' equity

	Chartered capital	Share premium	Financial reserves	Retained earnings	Foreign exchange reserve	Total
	VND	VND	VND	VND	VND	VND
Balance at 01/01/2012	683,199,650,000	81,363,105,200	10,012,797,955	58,768,972,124	203,203,175,561	1,036,547,700,840
Balance at 31/12/2012	703,687,540,000	81,363,105,200	11,260,193,409	45,484,894,552	203,149,171,611	1,044,944,904,772

Number of outstanding shares

	31/12/2012	31/12/2011
	Share	Share
Authorised share capital	70,368,754	68,319,965
Ordinary share	70,368,754	68,319,965
Preferred share	-	-
Treasury shares	-	-
Outstanding share in circulation	70,368,754	68,319,965
Ordinary share	70,368,754	68,319,965
Preferred share	-	-

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

Contributed charter capital

The shareholders' equity structure and their capital contributions as at 31 December 2012 were as follows:

Shareholders	Per Investment Certificate	Contributed capital as at					
		31/12/2012			31/12/2011		
		'000 VND	USD	'000 VND equivalent	%	USD	'000 VND equivalent
Mr. Nguyen Chinh Nghia	47,219,530	2,875,859	47,219,530	7%	2,809,826	45,844,210	7%
Kai Chieh International Investment Ltd.	369,386,320	22,219,546	369,386,320	52%	21,702,990	358,627,500	52%
State Capital Investment Corporation	93,454,360	5,629,463	93,454,360	13%	5,498,775	90,732,390	13%
Other shareholders	193,627,330	11,585,002	193,627,330	28%	11,314,608	187,995,550	28%
Total	703,687,540	42,309,870	703,687,540	100%	41,326,199	683,199,650	100%

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 seventh amended Investment Certificate dated 30 October 2012.

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

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
- 13 floors hotel: accommodation for rent and related services

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

Balance sheet as at 31 December 2012

	Casino	Villas	Park	13 floors hotel	Offset	Total
	VND	VND	VND	VND	VND	VND
Assets						
Segment assets	324,691,649,320	219,522,683,636	214,258,594,088	733,073,805,884	(330,921,012,528)	1,160,625,720,400
Unallocated assets	-	-	-	-	-	132,377,644,312
Consolidated total assets						1,293,003,364,712
Liabilities						
Segment liabilities	67,618,039,516	37,452,305,588	25,217,584,312	418,473,634,984	(330,921,012,528)	217,840,551,872
Unallocated liabilities	-	-	-	-	-	30,217,908,068
Consolidated total liabilities						248,058,459,940

Income statement for the year ended 31 December 2012

	Casino	Villas	Park	13 floors hotel	Offset	Total
	VND	VND	VND	VND	VND	VND
Net sales	64,651,090,916	84,117,731,180	45,627,191,448	-	-	194,396,013,544
Cost of sales	(57,745,838,280)	(32,530,274,284)	(14,241,624,044)	-	-	(104,517,736,608)
Gross profit	6,905,252,636	51,587,456,896	31,385,567,404	-	-	89,878,276,936
Unallocated expenses						(60,543,663,520)
Operating profit						29,334,613,416
Financial income						1,934,712,920
Other (losses)						(3,287,845,596)
Financial expense						(15,019,299,908)
Profit before tax						12,962,180,832
Current tax expense						(5,723,576,056)
Deferred tax income						1,587,197,740
Profit for the year						8,825,802,516
% /Total gross profit	8%	57%	35%	0%		100%

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 2011

	Casino	Villas	Park	13 floors hotel	Offset	Total
	VND	VND	VND	VND	VND	VND
Assets						
Segment assets	394,853,704,068	204,726,180,844	184,097,067,416	682,613,456,208	(292,587,557,572)	1,173,702,850,964
Unallocated assets	-	-	-	-	-	106,385,945,724
Consolidated total assets						1,280,088,796,688
Liabilities						
Segment liabilities	97,970,059,076	49,941,794,960	16,367,725,456	368,013,243,652	(292,587,557,572)	239,705,265,572
Unallocated liabilities						3,835,830,276
Consolidated total liabilities						243,541,095,848

Income statement for the year ended 31 December 2011

	Casino	Villas	Park	13 floors hotel	Offset	Total
	VND	VND	VND	VND	VND	VND
Net sales	64,882,198,404	67,877,764,676	40,812,111,924	-	-	173,572,075,004
Cost of sales	(47,494,005,088)	(26,548,181,092)	(12,562,054,124)	-	-	(86,604,240,304)
Gross profit	17,388,193,316	41,329,583,584	28,250,057,800	-	-	86,967,834,700
Unallocated expenses						(51,921,662,984)
Operating profit						35,046,171,716
Financial income						20,295,719,632
Other (losses)						(3,470,965,372)
Financial expense						(19,215,891,972)
Profit before tax						32,655,034,004
Current tax expense						(8,686,838,100)
Deffered tax expense						(100,286,820)
Profit for the year						23,867,909,084
% /Total gross profit	20%	48%	32%	0%		100%

19. INCOME FROM FINANCIAL ACTIVITIES

	2012	2011
	VND	VND
Bank and loan interest	19,453,352	36,511,484
Unrealized foreign exchange gain	208,738,216	8,843,922,876
Realized foreign exchange gain	299,944,028	9,955,575,720
Other financial income	1,406,577,324	1,459,709,552
	1,934,712,920	20,295,719,632

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

20. CURRENT CORPORATE INCOME TAX EXPENSE

	2012	2011
	VND	VND
Profit before tax	12,962,180,832	32,655,034,004
Adjustments for taxable income		
Less:		
Non-assessable income	-	401,168,108
Add back:		
Assessable income	4,451,964,172	-
Non taxable expenses	3,583,353,260	2,493,548,988
Provision for doubtful debts	1,896,847,616	-
Assessable income	22,894,345,880	34,747,414,884
Normal tax rate	25%	25%
Current tax expense	5,723,576,056	8,686,838,100
Deferred tax	(1,587,197,740)	100,286,820
	<u>4,136,378,316</u>	<u>8,787,124,920</u>

21. BASIC EARNINGS PER SHARE

	2012	2011 (restated)
	VND	VND
Accounting profit after corporate income tax	8,825,802,516	23,867,909,084
Earnings distributed to ordinary shareholders	8,825,802,516	23,867,909,084
Weighted average number of ordinary shares in circulation in the year (share)	70,368,754	70,368,754
Basic earnings per share (USD)	<u>125</u>	<u>339</u>

As presented in Note, on 30 October 2012, the People's Committee of Quang Ninh Province granted the seventh amended Investment Certificate No. 221.032.000.118 to the Company. Accordingly, the investment capital is VND 730,473,560,000, the face value, charter capital and the total number of shares are changed as follows:

- Face value: VND 10,000/share
- Charter capital: VND 703,687,540,000
- Total number of shares: 70,368,754 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 2011 and 31 December 2012.

Restatement of weighted average number of ordinary shares

In the year 2012, Royal International Corporation paid stock dividend, which led to a retrospective adjustment to the weighted average number of outstanding ordinary shares of year 2011, as follows:

	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 2011	68,319,965	518
As restated	70,368,754	339

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 2012, the contracts for construction and installation, purchases of machinery and equipment which were signed but yet to be implemented, valued at VND 83,471,854,900 in total (31 December 2011: VND 60,991,486,348).

Investment commitment

Under Resolution No. 080/NQ-DHCDTN dated 14 April 2012 of the Annual General Shareholders' Meeting, the management approved an increase of the total investment amount of the Company from USD 46,000,000 to USD 67,000,000.

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 shareholders' equity (comprisin contributed capital, reserves and retained earnings).

Gearing ratio

The gearing ratio of the Company as at the balance sheet date was as follows:

	<u>31/12/2012</u>	<u>31/12/2011</u>
	VND	VND
Borrowings	115,706,850,628	159,935,191,940
Less: Cash	4,054,440,964	31,875,025,404
Net debt	111,652,409,664	128,060,166,536
Equity	<u>1,044,944,904,772</u>	<u>1,036,547,700,840</u>
Net debt to equity ratio	<u>0.11</u>	<u>0.12</u>

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.

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)

Categories of financial instruments

	Carrying amounts	
	31/12/2012	31/12/2011
	VND	VND
Financial assets		
Cash	4,054,440,964	31,875,025,404
Trade and other receivables	70,901,823,652	52,703,962,664
Long-term investments	8,735,492,308	8,735,492,308
Total	83,691,756,924	93,314,480,376
Financial liabilities		
Borrowings	115,706,850,628	159,935,191,940
Trade and other payables	78,415,753,760	47,776,786,844
Accruals	855,885,004	4,843,009,872
Total	194,978,489,392	212,554,988,656

The Company has not assessed fair value of its financial assets and liabilities as at the balance sheet date since there are no comprehensive guidance under Circular No. 210/2009/TT-BTC issued by the Ministry of Finance on 06 November 2009 ("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 International Financial Reporting Standards ("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

The Company has set up risk management system to identify and assess the risks exposed by the Company and designed control policies and procedures to manage those risks at an acceptable level. Risk management system is reviewed on a regular basis to reflect changes in market conditions and the Company's operations.

Financial risks include market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk.

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 after considering the costs to be incurred to hedge these risk may exceed the inherent risk caused by the fluctuation of the interest rates and foreign currency exchange rates of these financial instruments.

Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

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)

Market risk (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:

	Assets		Liabilities	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	VND	VND	VND	VND
Vietnam Dong (VND)	12,681,710,984	7,822,705,208	160,616,142,572	151,015,455,144
Australia Dollar (AUD)	-	31,012,892	-	-
EURO (EUR)	50,174,652	2,957,576	-	-
Great Britain Pound (GBP)	-	1,270,508	-	-
Hongkong Dollar (HKD)	54,027,832	69,669,660	-	-
China Yuan (CNY)	164,770,308	259,350,256	-	-
Japan Yen (JPY)	16,891,508	5,665,216	-	-
Korea Won (KRW)	29,138,372	35,720,020	-	-
Taiwan Dollar (TWD)	999,744	5,498,592	-	-
Singapore Dollar (SGD)	-	6,456,680	-	-
Thai Bath (THB)	-	3,290,824	-	-

Foreign currency sensitivity analysis

The Company is mainly exposed to VND.

The Company's sensitivity is calculated based on a 10% changes in USD against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. For a 10% decrease in VND against USD before tax in the year would increase by the same amount VND 14,793,441,076 (2011: VND 14,319,270,828).

Interest rate risk management

The Company has significant interest rate risks arising from interest bearing loans which are arranged. The risk is managed by the Company by maintaining an appropriate level of borrowings and analyzing market competition to enjoy favorable interest rates from appropriate lenders.

	Increase/(decrease) in basis points	Impact on profit before tax VND
For the year ended 31 December 2012		
VND	+200	2,314,137,013
VND	-200	(2,314,137,013)
For the year ended 31 December 2011		
VND	+200	3,198,703,839
VND	-200	(3,198,703,839)

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)

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 a significant concentration of credit risk arising on the amounts due from the Royal International Gaming Club's gaming guests. The maximum exposure to credit risk is represented by the carrying amount of balances due from the Royal International Gaming Club's gaming guests as presented in Note 4.

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's 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 shareholders 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 assets and financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial assets including interest that will be earned on those assets, if any and undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. 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.

31/12/2012	Less than 1 year	After 5 years	Total
	VND	VND	VND
Cash	4,054,440,964	-	4,054,440,964
Trade and other receivables	70,901,823,652	-	70,901,823,652
Long-term investments	-	8,735,492,308	8,735,492,308
Total	74,956,264,616	8,735,492,308	83,691,756,924

31/12/2012	Less than 1 year	From 1 - 5 year	Total
	VND	VND	VND
Trade and other payables	75,930,452,660	2,485,301,100	78,415,753,760
Accruals	855,885,004	-	855,885,004
Borrowings	113,937,616,168	18,506,344,496	132,443,960,664
Total	190,723,953,832	20,991,645,596	211,715,599,428
Net liquidity gap	(115,767,689,216)	(12,256,153,288)	(128,023,842,504)

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)

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
Total	84,578,988,068	8,735,492,308	93,314,480,376

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
Total	197,929,275,464	34,352,995,048	232,282,270,512

Net liquidity gap	(113,350,287,396)	(25,617,502,740)	(138,967,790,136)
-------------------	-------------------	------------------	-------------------

The management believes that the Company will be able to generate sufficient funds to meet its financial obligations as and when they fall due.

24. RELATED PARTY TRANSACTIONS AND BALANCES

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

	2012	2011
	VND	VND
Principal received from Kai Chieh International Investment Ltd.	10,414,000,000	41,239,440,000
Interest expense from Kai Chieh International Investment Ltd.	695,072,016	1,558,954,972
Sales to Kai Chieh International Investment Ltd.	56,922,924	75,418,188
Sales to Lang Son International JSC.	-	8,747,760
Sales to Mr. Nguyen Chinh Nghia	-	146,941,540
Sales to Ms. Nguyen Tieu Mai	407,458,164	754,619,268
Sales collected by Ms. Nguyen Tieu Mai from Taiwan	-	15,266,924

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

	2012	2011
	VND	VND
Board of Directors' remuneration	1,529,754,116	1,635,831,120

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)

Significant related parties balances as at the balance sheet date were as follows:

	31/12/2012	31/12/2011
	VND	VND
Receivables		
Mr. Do Try Vy	4,760,135,260	-
Lang Son International JSC.	-	58,130,948
Ms. Nguyen Tieu Mai	-	111,159,036
Payables		
Principal repayable to Kai Chieh International Investment Ltd.	10,414,000,000	11,871,960,000
Interest payable to Kai Chieh International Investment Ltd.	29,909,008	2,449,955,984
Other payables to Kai Chieh International Investment Ltd.	335,601,564	335,622,392

25. SUBSEQUENT EVENTS

On 18 January 2013, the Company has signed new long-term loan with Vietnam Joint Stock Commercial Bank for Industry and Trade (Vietinbank) - Thanh Xuan Branch for building 13 floors hotel. This loan can be drawn up to a maximum amount of VND 100 billion for 96 months from the first withdrawal with grace period of 3 months. This facility bears the interest rate adjusted for each year by Vietinbank - Thanh Xuan Branch. Principal is repayable every three months in 31 installments. The loan is mortgaged by the land use rights of the Company and the assets acquired from the loan.

On 18 January 2013, the Company has signed new short-term loan with 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 40 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 168,892,000,000. 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 is extended to 30 June 2013. This loan is mortgaged by the land use rights of the Company.

26. COMPARATIVE FIGURES

The comparative figures are the figures in the Company's audited financial statements for the year ended 31 December 2011.