

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

**AUDITED FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM 01 JANUARY 2011 TO 30 JUNE 2011**

**TABLE OF CONTENTS**

<b><u>CONTENTS</u></b>	<b><u>PAGE(S)</u></b>
STATEMENT OF THE BOARD OF DIRECTORS	2
AUDITOR'S REPORT	3 - 4
BALANCE SHEET	5 - 6
INCOME STATEMENT	7
CASH FLOW STATEMENT	8
NOTES TO THE FINANCIAL STATEMENTS	9 - 24

**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 period from 01 January 2011 to 30 June 2011.

**THE BOARDS OF MANAGEMENT AND DIRECTORS**

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

**Board of Management**

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

**Board of Directors**

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

**BOARD OF DIRECTORS’ STATEMENT OF RESPONSIBILITY**

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

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

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

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

For and on behalf of the Board of Directors,

---

**Duong Khanh Nam**  
**General Director**

*15 August 2011*

No.: /Deloitte-AUDHN-RE

## AUDITORS' REPORT

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

We have audited the accompanying balance sheet of Royal International Corporation ("the Company") as at 30 June 2011, the related statements of income, cash flows for the period from 01 January 2011 to 30 June 2011, and the notes thereto (collectively referred to as "the financial statements"), as set out from page 5 to page 24. 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 30 June 2011 and the results of its operations and its cash flows for the period from 01 January 2011 to 30 June 2011 in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing relevant regulations in Vietnam.

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

As stated in Note 13 of the Notes to the financial statements, cumulative pre-operating expenses recorded in relation with the Company's construction in progress and other related expenses of the Four Points - Sheraton Hotel as at 30 June 2011 were all presented as long-term prepayments in the balance sheet. According to Vietnamese Accounting Standard No.04 - Intangible Fixed Assets, these expenses should be charged into the income statement during the year they incurred. However, in accordance with Official Letter No.392/TC-TCDN dated 10 January 2003 by the Ministry of Finance, these pre-operating expenses are to be allocated to the general and administration expenses over three years from the date of the operation commencement of the related construction work. Accordingly, the balance of these long-term prepayments as at 30 June 2011 amounted to USD 3,961,903 (as at 31 December 2010: USD 3,877,722).

## AUDITORS' REPORT (Continued)

### Opinion (Continued)

Our audit is performed to express an opinion on the accompanying financial statements. The additional information from page 25 to page 45 is for the Company's internal use only, and does not constitute an integral part of the financial statements. The Board of Directors is responsible for the additional information. The additional information is not included in our audit procedures applicable to the accompanying financial statements and therefore, we do not express our opinion on the information.

---

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

*For and on behalf of*  
**DELOITTE VIETNAM COMPANY LIMITED**

*15 August 2011*  
*Hanoi, S.R. Vietnam*

---

**Tran Duy Cuong**  
**Auditor**  
CPA Certificate No. 0797/KTV

**BALANCE SHEET**

As at 30 June 2011

FORM B 01-DN

Unit: USD

ASSETS	Codes	Notes	30/06/2011	31/12/2010
<b>A. CURRENT ASSETS</b> (100=110+130+140+150)	<b>100</b>		<b>9,377,801</b>	<b>9,081,599</b>
<b>I. Cash</b>	<b>110</b>	<b>5</b>	<b>1,245,267</b>	<b>1,429,485</b>
1. Cash	111		1,245,267	1,429,485
<b>II. Short-term receivables</b>	<b>130</b>		<b>6,326,625</b>	<b>6,405,384</b>
1. Trade accounts receivable	131	6	4,368,259	3,689,896
2. Advances to suppliers	132		2,049,857	2,772,766
3. Other receivables	135		70,044	68,613
4. Provision for short-term doubtful debts	139		(161,535)	(125,891)
<b>III. Inventories</b>	<b>140</b>	<b>7</b>	<b>1,753,748</b>	<b>1,126,263</b>
1. Inventories	141		1,785,796	1,158,311
2. Provision for devaluation of inventories	149		(32,048)	(32,048)
<b>IV. Other short-term assets</b>	<b>150</b>		<b>52,161</b>	<b>120,467</b>
1. Short-term prepayments	151		24,959	48,597
2. Value added tax deductibles	152		-	60,289
3. Other short-term assets	158		27,202	11,581
<b>B. NON-CURRENT ASSETS</b> (200 = 220+240+250+260)	<b>200</b>		<b>52,313,450</b>	<b>51,624,295</b>
<b>I. Fixed assets</b>	<b>220</b>		<b>45,671,211</b>	<b>45,031,543</b>
1. Tangible fixed assets	221	8	18,934,394	19,556,415
- Cost	222		25,881,034	26,230,400
- Accumulated depreciation	223		(6,946,640)	(6,673,985)
2. Intangible fixed assets	227	9	2,495,498	2,627,111
- Cost	228		4,725,995	4,726,706
- Accumulated amortisation	229		(2,230,497)	(2,099,595)
3. Construction in progress	230	10	24,241,319	22,848,017
<b>II. Investment property</b>	<b>240</b>	<b>11</b>	<b>1,883,922</b>	<b>1,913,093</b>
- Cost	241		2,099,206	2,099,206
- Accumulated depreciation	242		(215,284)	(186,113)
<b>III. Long-term financial investments</b>	<b>250</b>		<b>419,411</b>	<b>419,411</b>
1. Other long-term investments	258	12	419,411	419,411
<b>IV. Other long-term assets</b>	<b>260</b>		<b>4,338,906</b>	<b>4,260,248</b>
1. Long-term prepayments	261	13	4,298,522	4,228,775
2. Deferred tax assets	262		40,384	31,473
<b>TOTAL ASSETS (270 = 100 + 200)</b>	<b>270</b>		<b>61,691,251</b>	<b>60,705,894</b>

The notes set out on pages 9 to 24 are an integral part of these financial statements

**BALANCE SHEET (Continued)**

*As at 30 June 2011*

**FORM B 01-DN**

Unit: USD

RESOURCES	Codes	Notes	30/06/2011	31/12/2010
<b>A. LIABILITIES (300=310+330)</b>	<b>300</b>		<b>12,210,905</b>	<b>12,051,932</b>
<b>I. Current liabilities</b>	<b>310</b>		<b>10,146,073</b>	<b>9,834,720</b>
1. Short-term loans and liabilities	311	14	5,682,125	6,500,453
2. Trade accounts payable	312		1,299,783	1,529,327
3. Advances from customers	313		81,394	6,600
4. Taxes and amounts payable to the State budget	314	15	1,377,553	748,896
5. Payables to employees	315		180,740	367,059
6. Accrued expenses	316		172,394	81,737
7. Other current payables	319		1,352,084	600,648
<b>II. Long-term liabilities</b>	<b>330</b>		<b>2,064,832</b>	<b>2,217,212</b>
1. Other long-term payables	333		257,851	280,220
2. Long-term loans and liabilities	334	16	1,553,618	1,691,977
3. Provision for severance allowance	336		197,415	218,264
4. Unrealized revenue	338		55,948	26,751
<b>B. EQUITY (400=410)</b>	<b>400</b>		<b>49,480,346</b>	<b>48,653,962</b>
<b>I. Shareholders' equity</b>	<b>410</b>	<b>17</b>	<b>49,480,346</b>	<b>48,653,962</b>
1. Chartered capital	411		41,326,199	39,749,040
2. Share premium	412		5,027,169	5,027,169
3. Financial reserve fund	418		592,029	498,615
4. Retained earnings	420		2,534,949	3,379,138
<b>TOTAL RESOURCES (440 = 300+ 400)</b>	<b>440</b>		<b>61,691,251</b>	<b>60,705,894</b>

\_\_\_\_\_  
**Duong Khanh Nam**  
 General Director

*15 August 2011*

\_\_\_\_\_  
**Nguyen Linh Chi**  
 Chief Accountant

**INCOME STATEMENT**  
*For the year ended 30 June 2011*

FORM B 02-DN

Unit: USD

ITEMS	Codes	Notes	For the period	For the period
			from 01/01/2011 to 30/06/2011	from 01/01/2010 to 30/06/2010
<b>1. Gross sales</b>	<b>01</b>		<b>4,612,059</b>	<b>2,976,972</b>
2. Less deductions	02		550,881	312,890
<i>Sales discounts</i>	05		21,872	-
<i>Special consumption tax</i>	08		529,009	312,890
<b>3. Net sales</b>				
<b>(10=01-02)</b>	<b>10</b>	<b>18</b>	<b>4,061,178</b>	<b>2,664,082</b>
4. Cost of sales	11		1,948,815	1,862,048
<b>5. Gross profit from sales</b>				
<b>(20=10-11)</b>	<b>20</b>		<b>2,112,363</b>	<b>802,034</b>
6. Financial income	21		802,858	536,717
7. Financial expenses	22		428,200	275,094
- <i>Including: Interest expense</i>	23		345,212	204,204
8. Selling expenses	24		338,829	550,015
9. General and administration expenses	25		914,857	811,258
<b>10. Operating profit</b>	<b>30</b>		<b>1,233,335</b>	<b>(297,616)</b>
<b>(30 = 20+(21-22)-(24+25))</b>				
11. Other income	31		126,853	59,214
12. Other expenses	32		205,678	104,719
<b>13. Loss from other activities (40=31-32)</b>	<b>40</b>		<b>(78,825)</b>	<b>(45,505)</b>
<b>14. Accounting profit before tax (50=30+40)</b>	<b>50</b>		<b>1,154,510</b>	<b>(343,121)</b>
15. Current corporate income tax expense	51	19	304,152	-
16. Deferred corporate tax (income)	52	19	(8,911)	-
<b>17. Net profit after corporate income tax</b>				
<b>(60=50-51-52)</b>	<b>60</b>		<b>859,269</b>	<b>(343,121)</b>
18. Basic earnings per share	70	20	0.02	(0.01)

---

**Duong Khanh Nam**  
General Director

15 August 2011

---

**Nguyen Linh Chi**  
Chief Accountant

---

*The notes set out on pages 9 to 24 are an integral part of these financial statements*

**CASH FLOW STATEMENT***For the year ended 30 June 2011*

FORM B 03-DN

Unit: USD

ITEMS	Codes	FORM B 03-DN	
		For the period from 01/01/2011 to 30/06/2011	For the period from 01/01/2010 to 30/06/2010
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>1. Profit before tax</b>	<b>01</b>	<b>1,154,510</b>	<b>(343,121)</b>
<b>2. Adjustments for:</b>			
Depreciation and amortisation	02	706,338	699,310
Provisions	03	35,644	(92,889)
Unrealized foreign exchange (gain)	04	(314,100)	(287,933)
Loss from disposal of fixed assets	05	45,461	-
Interest expenses	06	345,212	204,204
<b>3. Operating profit before movements in working capital</b>	<b>08</b>	<b>1,973,065</b>	<b>179,571</b>
Decrease/(increase) in receivables	09	43,115	(529,865)
(Increase)/decrease in inventories	10	(627,485)	12,010
Increase/(decrease) in accounts payable (not including accrued interest and corporate income tax payable)	11	277,341	(136,089)
Decrease in prepaid expenses	12	68,306	10,091
Interest paid	13	(577,444)	(402,515)
Corporate income tax paid	14	(387,916)	-
Other cash (outflows)	16	(23,094)	(13,276)
<b>Net cash from operating activities</b>	<b>20</b>	<b>745,888</b>	<b>(880,073)</b>
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
1. Acquisition and construction of fixed assets and other long-term assets	21	(786,428)	(1,544,370)
2. Proceeds from sales of fixed assets and other long-term assets	22	4,389	-
<b>Net cash (used in) investing activities</b>	<b>30</b>	<b>(782,039)</b>	<b>(1,544,370)</b>
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
1. Proceeds from borrowings	33	4,880,561	4,256,592
2. Repayment of borrowings	34	(5,342,728)	(3,573,339)
<b>Net cash (used in)/from financing activities</b>	<b>40</b>	<b>(462,167)</b>	<b>683,253</b>
<b>Net (decrease) in cash</b>	<b>50</b>	<b>(498,318)</b>	<b>(1,741,190)</b>
<b>Cash at the beginning of the period</b>	<b>60</b>	<b>1,429,485</b>	<b>2,701,026</b>
Effect of changes in foreign exchange rates	61	314,100	287,933
<b>Cash at the end of the period</b>	<b>70</b>	<b>1,245,267</b>	<b>1,247,769</b>

**Supplemental non-cash disclosures**

Cash outflows for purchases of fixed assets and construction in progress during the period exclude an amount of USD 1,187,879 (the first half of 2010: USD 437,985) representing an addition in fixed assets during the year that has not been paid yet and include an amount of USD 2,033,977 (the first half of 2010: USD 2,135,979) advanced to suppliers for purchasing fixed assets and other long-term assets. Consequently, changes in accounts payable and receivable have been adjusted by the same amounts.

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

---

**Duong Khanh Nam**  
**General Director**

15 August 2011

---

**Nguyen Linh Chi**  
**Chief Accountant**


---

*The notes set out on pages 9 to 24 are an integral part of these financial statements*

**NOTES TO THE FINANCIAL STATEMENTS****FORM B 09-DN***These notes are an integral part of and should be read in conjunction with the accompanying financial statements***1. GENERAL INFORMATION****Structure of ownership**

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

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

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

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

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

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

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

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

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****FORM B 09-DN***These notes are an integral part of and should be read in conjunction with the accompanying financial statements***1. GENERAL INFORMATION (Continued)****Structure of ownership (Continued)**

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

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

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

The Company's number of employees as at 30 June 2011 was 943 (31 December 2010: 989).

**Operating industry and principal activities**

The Company operates in the hospitality industry.

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

**2. ACCOUNTING CONVENTION AND ACCOUNTING PERIOD****Accounting convention**

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

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

**Accounting period**

The Company's financial year begins on 01 January and ends on 31 December. This is the interim financial statements for the period from 01 January 2011 to 30 June 2011.

**3. NEW ACCOUNTING GUIDANCE IN ISSUE NOT YET ADOPTED**

On 06 November 2009, the Ministry of Finance issued Circular No.210/2009/TT-BTC ("Circular 210") guiding the application of International Financial Reporting Standards on presentation of financial statements and disclosures of financial instruments. The adoption of Circular 210 requires disclosures of certain financial instruments as well as the effect thereof on the financial statements. This Circular is effective for the financial year ending on or after 31 December 2011. The Board of Directors is considering the extent of impact of the adoption on the Company's financial statements for future accounting periods.

**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**

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 reporting period. Actual results could differ from those estimates.

**Cash and cash equivalents**

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

**Receivables and 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 Gaming Club activities, provision for doubtful debts is made based on the aging period starting from the lending date.

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

**Inventories**

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

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

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

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

**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**

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.

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

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

**Intangible fixed assets and amortisation*****Land use rights***

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

**Construction in progress**

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

**Investment property**

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

Investment property depreciated base on straight line method over estimated useful life of 35 years.

**Long-term prepayments**

Long-term prepayments include the remainder of pre-operating expenses, unallocated tools and supplies. Pre-operating expenses represent start-up costs, employee training and advertising fees.

- Pre-operating expenses: According to Official Letter No. 392/TC-TCDN dated 10 January 2003 of the Ministry of Finance, the Company's pre-operating expenses are deferred as follows:
  - + Pre-operating expenses are allocated to each construction works based on the ratio of invested capital therein to the Company's total investment capital. For construction in progress, no pre-operating expenses are allocated to income statement. Accordingly, the Company has yet to commence allocation of its pre-operating expenses relating to the Four Points - Sheraton Hotel into general and administration expenses, since the hotel construction had not been completed at the balance sheet date.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****FORM B 09-DN***These notes are an integral part of and should be read in conjunction with the accompanying financial statements***4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Long-term prepayments (Continued)**

- + Pre-operating expenses of construction works which have already been completed and put into use are continued to be allocated to operating expenses over three (03) years, from the start-of-use date.
- Tools and supplies that are used for a number of business cycles are allocated to expense at the rate of 30% p.a.

**Revenue recognition**

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

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

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

**Foreign currencies**

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

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period 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.

**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)****Credit policy for Royal International Gaming Club activities**

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

**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 period. 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 period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

The determination of the tax currently payable is based on the current interpretation of tax regulations. However, these regulations are subject to 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.

**5. CASH**

	<u>30/06/2011</u>	<u>31/12/2010</u>
	USD	USD
Cash on hand	1,170,521	986,857
Cash in bank	72,457	438,685
Cash in transit	2,289	3,943
	<u>1,245,267</u>	<u>1,429,485</u>

**ROYAL INTERNATIONAL CORPORATION**Bai Chay Ward, Ha Long City  
Quang Ninh Province, S.R. Vietnam**Financial Statements**

For the period from 01 January 2011 to 30 June 2011

**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***6. TRADE ACCOUNTS RECEIVABLE**

	<u>30/06/2011</u>	<u>31/12/2010</u>
	<u>USD</u>	<u>USD</u>
Receivables of Royal International Gaming Club (*)	4,239,188	3,459,714
Other receivables from operating activities	129,071	230,182
	<u><b>4,368,259</b></u>	<u><b>3,689,896</b></u>

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

**7. INVENTORIES**

	<u>30/06/2011</u>	<u>31/12/2010</u>
	<u>USD</u>	<u>USD</u>
Goods in transit	784,814	-
Raw materials	795,062	951,226
Merchandise	205,920	207,085
	<u><b>1,785,796</b></u>	<u><b>1,158,311</b></u>
Provision for devaluation of inventories	(32,048)	(32,048)
<b>Net realizable value</b>	<u><b>1,753,748</b></u>	<u><b>1,126,263</b></u>

**8. TANGIBLE FIXED ASSETS**

Unit: USD

	<u>Buildings, structures</u>	<u>Machinery, equipment</u>	<u>Motor vehicles</u>	<u>Office equipment</u>	<u>Others</u>	<u>Total</u>
<b>COST</b>						
As at 01/01/2011	19,340,055	5,044,247	667,946	716,649	461,503	26,230,400
Additions	-	2,510	-	16,336	-	18,846
Disposals for the period	16,640	265,858	28,369	54,760	2,585	368,212
As at 30/06/2011	<u>19,323,415</u>	<u>4,780,899</u>	<u>639,577</u>	<u>678,225</u>	<u>458,918</u>	<u>25,881,034</u>
<b>ACCUMULATED DEPRECIATION</b>						
As at 01/01/2011	3,221,250	2,171,027	441,394	606,412	233,902	6,673,985
Charge for the period	274,736	234,144	34,778	22,065	30,025	595,748
Disposals for the period	3,219	239,633	28,369	50,267	1,605	323,093
As at 30/06/2011	<u>3,492,767</u>	<u>2,165,538</u>	<u>447,803</u>	<u>578,210</u>	<u>262,322</u>	<u>6,946,640</u>
<b>NET BOOK VALUE</b>						
As at 30/06/2011	<u><b>15,830,648</b></u>	<u><b>2,615,361</b></u>	<u><b>191,774</b></u>	<u><b>100,015</b></u>	<u><b>196,596</b></u>	<u><b>18,934,394</b></u>
As at 31/12/2010	<u><b>16,118,805</b></u>	<u><b>2,873,220</b></u>	<u><b>226,552</b></u>	<u><b>110,237</b></u>	<u><b>227,601</b></u>	<u><b>19,556,415</b></u>

The carrying amounts of the Company's buildings and structures, machinery and equipment as at 30 June 2011 include USD 196,218 (31 December 2010: USD 180,839) of assets which are temporarily not 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*

**8. TANGIBLE FIXED ASSETS (Continued)**

As stated in Notes 14 and 16 of the Notes to the financial statements, the Company mortgaged buildings and structures, machinery and equipment, motor vehicles with net book value of USD 11,316,555 as at 30 June 2011 to secure bank loans.

The cost of the Company's motor vehicles, machinery and office equipment as at 30 June 2011 includes USD 1,220,806 (31 December 2010: USD 1,150,735) of assets which have been fully depreciated but are still in use.

**9. INTANGIBLE FIXED ASSETS**

Unit: USD

	<b>Land Use Right</b>	<b>Accounting Software</b>	<b>Total</b>
<b>COST</b>			
As at 01/01/2011	4,650,000	76,706	4,726,706
Disposals for the period	-	711	711
As at 30/06/2011	<b>4,650,000</b>	<b>75,995</b>	<b>4,725,995</b>
<b>ACCUMULATED AMORTIZATION</b>			
As at 01/01/2011	2,070,599	28,996	2,099,595
Charge for the period	125,824	5,445	131,269
Disposals for the period	-	367	367
As at 30/06/2011	<b>2,196,423</b>	<b>34,074</b>	<b>2,230,497</b>
<b>NET BOOK VALUE</b>			
As at 30/06/2011	<b>2,453,577</b>	<b>41,921</b>	<b>2,495,498</b>
As at 31/12/2010	<b>2,579,401</b>	<b>47,710</b>	<b>2,627,111</b>

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

**10. CONSTRUCTION IN PROGRESS**

	<b>For the period from 01/01/2011 to 30/06/2011 USD</b>	<b>For the period from 01/01/2010 to 30/06/2010 USD</b>
As at 01/01	22,848,017	15,661,639
Additions for the period	1,412,684	2,496,543
Transferred to tangible fixed assets and Investment Property	-	(824,851)
Other decreases	(19,382)	(169,992)
<b>As at 30/06</b>	<b>24,241,319</b>	<b>17,163,339</b>

As stated in Note 16 of the Notes to the financial statements, the Company mortgaged the Four Points - Sheraton Hotel - the construction in progress to the bank with the value of USD 13,602,968.

**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**

Unit: USD

	<b>Investment property</b>	<b>Total</b>
<b>COST</b>		
As at 01/01/2011	2,099,206	2,099,206
As at 30/06/2011	<b>2,099,206</b>	<b>2,099,206</b>
<b>ACCUMULATED DEPRECIATION</b>		
As at 01/01/2011	186,113	186,113
Charge for the year	29,171	29,171
As at 30/06/2011	<b>215,284</b>	<b>215,284</b>
<b>NET BOOK VALUE</b>		
As at 30/06/2011	<b>1,883,922</b>	<b>1,883,922</b>
As at 31/12/2010	<b>1,913,093</b>	<b>1,913,093</b>

**12. OTHER LONG-TERM INVESTMENTS**

Other long-term financial investment represents the capital contributed to Royal International Securities Company, amounting to 5% of its chartered capital. At the date of the financial statements, no reliable market price was available for consideration of provision for diminution in value of the investment. However, management believes that there is no significant diminution that could lead to any adjustment to the value of the investment as at 30 June 2011.

**13. LONG-TERM PREPAYMENTS**

	<b>30/06/2011</b>	<b>31/12/2010</b>
	<b>USD</b>	<b>USD</b>
Fixed asset overhaul expenses	157,853	152,089
Tool and supplies	178,766	198,964
Pre-operating expenses	3,961,903	3,877,722
- the Four Points - Sheraton Hotel (*)		
	<b>4,298,522</b>	<b>4,228,775</b>

(\*) In accordance with Official Letter No.392/TC-TCDN dated 10 January 2003 by the Ministry of Finance, pre-operating expenses of the Four Points - Sheraton Hotel shall not be allocated to expenses until the hotel commences its operation. As at 30 June 2011, this hotel had not yet come into operation.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

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

## 14. SHORT-TERM LOANS AND LIABILITIES

	<u>30/06/2011</u>	<u>31/12/2010</u>
	USD	USD
Vietinbank - Thanh Xuan Branch (1)	1,370,289	1,445,083
Vietcombank - Ha Long Branch (2)	968,484	1,048,753
Vietcombank - Quang Ninh Branch (3)	181,326	257,501
Eximbank - Quang Ninh Branch (4)	962,850	1,045,848
Kai Chieh International Investment Ltd., (5)	1,290,000	600,000
Shanghai Bank (6)	300,000	1,100,000
Current portion of long-term loans	609,176	1,003,268
	<u><u>5,682,125</u></u>	<u><u>6,500,453</u></u>

(1) Loan from Vietnam Joint Stock Commercial Bank for Industry and Trade (Vietinbank) - Thanh Xuan Branch represents a short-term credit facility which can be drawn up to a maximum amount of VND 30 billion and expire on 30 June 2011. This facility bears the interest rate adjusted for each period by Vietinbank - Thanh Xuan Branch. Interest shall be paid on a monthly basis. This loan and a long-term loan stated in Note 16 are mortgaged by the land use right of the Company.

(2) Loan from Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank) - Ha Long Branch represents a short-term credit facility which can be drawn up to a maximum amount of VND 20 billion. This facility bears interest at 0.9%/month which will be adjusted for each period by Vietcombank - Ha Long Branch. Interest shall be paid on a monthly basis. The loan is mortgaged by the Company's machinery and equipment.

(3) Loan from Vietcombank- Quang Ninh Branch represents a short-term credit facility which can be drawn in Vietnam Dong up to a maximum amount of VND 7 billion. This credit facility included balance of short-term credit facility which can be drawn in Vietnam Dong up to a maximum amount of VND 20 billion under Credit Contract No. 01/2009/HG-NTQN date 24 February 2009. This facility bears interest at the rate quoted by Vietcombank - Quang Ninh Branch at the date of disbursement. Interest shall be paid on a monthly basis. The loan is mortgaged by the Company's generator system and air conditioning system.

(4) Loan from Eximbank - Quang Ninh Branch represents a short-term credit facility which can be drawn in Vietnam Dong up to a maximum amount of VND 20 billion. This facility bears interest at the rate which is as per draw down request and adjusted for each period by Eximbank - Quang Ninh Branch. Interest shall be paid on a monthly basis. There is no mortgaged assets for this loan.

(5) Loan from Kai Chieh International Investment Ltd., represents a short-term credit facility which can be drawn in USD up to a maximum amount of USD 4 million from 09 December 2010 to 08 December 2011. This facility bears interest at the U.S. dollars of loan interest rate quoted by Bank state of Viet Nam in interest payment. The principal and interest will be paid on the last day of due repayment period. There is no mortgaged assets for this loan.

(6) Loan from Shanghai Bank represents a short-term credit facility which can be drawn in USD up to a maximum amount of USD 1.5 million from 15 September 2010 to 14 September 2011. This facility bears interest at SIBOR 180 days add 3%. The principal and interest will be paid on a quarterly basis. There is no mortgaged assets for this loan.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**FORM B 09-DN**

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

**15. TAXES AND AMOUNTS PAYABLE TO THE STATE BUDGET**

	<u>30/06/2011</u>	<u>31/12/2010</u>
	USD	USD
Value added tax	193,431	-
Special consumption tax	691,867	177,879
Corporate income tax	428,810	558,325
Others	63,445	12,692
	<u>1,377,553</u>	<u>748,896</u>

**16. LONG-TERM LOANS AND LIABILITIES**

	<u>30/06/2011</u>	<u>31/12/2010</u>
	USD	USD
Vietinbank-Thanh Xuan Branch (1)	1,553,618	1,691,977
	<u>1,553,618</u>	<u>1,691,977</u>

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

Long-term loans are repayable as follows:

	<u>30/06/2011</u>	<u>31/12/2010</u>
	USD	USD
On demand or within one year	609,176	1,003,268
In the second year	609,176	663,427
In the third to fifth year inclusive	944,442	1,028,550
After five years	-	-
Less: Amount due for settlement within 12 months (presented in Note 14)	(609,176)	(1,003,268)
<b>Amount due for settlement after 12 months</b>	<u>1,553,618</u>	<u>1,691,977</u>

**17. SHAREHOLDERS' EQUITY**

**Movements in Shareholders' equity**

	<u>Chartered capital</u>	<u>Share premium</u>	<u>Financial reserves</u>	<u>Retained earnings</u>	<u>Total</u>
	USD	USD	USD	USD	USD
<b>Balance at 01/01/2011</b>	<b>39,749,040</b>	<b>5,027,169</b>	<b>498,615</b>	<b>3,379,138</b>	<b>48,653,962</b>
Capital increased through share issuance (*)	1,577,159	-	-	(1,577,159)	-
Profit for the period	-	-	-	859,269	859,269
Distribution to funds	-	-	93,414	(93,414)	-
Remuneration for Board of Management	-	-	-	(32,524)	(32,524)
Other adjustments	-	-	-	(361)	(361)
<b>Balance at 30/06/2011</b>	<u><b>41,326,199</b></u>	<u><b>5,027,169</b></u>	<u><b>592,029</b></u>	<u><b>2,534,949</b></u>	<u><b>49,480,346</b></u>

**ROYAL INTERNATIONAL CORPORATION**

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

**Financial Statements**

For the period from 01 January 2011 to 30 June 2011

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****FORM B 09-DN**

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

**17. SHAREHOLDERS' EQUITY (Continued)**

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

**Contributed chartered capital**

The shareholders' equity structure and their capital contributions as at 30 June 2011 were as follows:

Shareholders	Per Investment Certificate	Contributed capital as at					
		30/06/2011			31/12/2010		
	'000 VND	USD	'000 VND equivalent	%	USD	'000 VND equivalent	%
Mr. Nguyen Chinh Nghia	43,661,160	2,809,826	45,844,210	7%	2,703,972	43,661,160	7%
Kai Chieh International Investment Ltd.	341,550,000	21,702,990	358,627,500	52%	20,874,910	341,550,000	52%
State Capital Investment Corporation	86,411,800	5,498,775	90,732,390	13%	5,289,272	86,411,800	13%
Other shareholders	179,050,930	11,314,608	187,995,550	28%	10,880,886	179,050,930	28%
<b>Cộng</b>	<b>650,673,890</b>	<b>41,326,199</b>	<b>683,199,650</b>	<b>100%</b>	<b>39,749,040</b>	<b>650,673,890</b>	<b>100%</b>

**18. BUSINESS SEGMENTS**

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

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

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

## 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 30 June 2011

	Casino	Villas	Park	Four Points- Sheraton Hotel	Offset	Total
	USD	USD	USD	USD	USD	USD
<b>Assets</b>						
Segment assets	19,896,473	9,289,150	8,605,838	30,852,572	(12,028,992)	56,615,041
Unallocated assets						5,076,210
<b>Consolidated total assets</b>						<b>61,691,251</b>
<b>Liabilities</b>						
Segment liabilities	4,878,810	2,427,417	1,033,230	15,747,897	(12,028,992)	12,058,362
Unallocated liabilities						152,543
<b>Consolidated total liabilities</b>						<b>12,210,905</b>

## Income statement for the period from 01 January 2011 to 30 June 2011

	Casino	Villas	Park	Four Points- Sheraton Hotel	Offset	Total
	USD	USD	USD	USD	USD	USD
Net sales	1,748,209	1,411,847	901,122	-	-	4,061,178
Cost of sales	(1,023,720)	(639,548)	(285,547)	-	-	(1,948,815)
Gross profit	724,489	772,299	615,575	-	-	2,112,363
Unallocated expenses						(1,253,686)
<b>Operating profit</b>						<b>858,677</b>
Financial income						802,858
Other (losses)						(78,825)
Financial expense						(428,200)
<b>Profit before tax</b>						<b>1,154,510</b>
Current tax expense						(304,152)
Deferred tax income						8,911
<b>Profit for the period</b>						<b>859,269</b>
<b>% /Total net sales</b>	<b>43%</b>	<b>35%</b>	<b>22%</b>	<b>0%</b>		<b>100%</b>

## Balance sheet as at 31 December 2010

	Casino	Villas	Park	Four Points- Sheraton Hotel	Offset	Total
	USD	USD	USD	USD	USD	USD
<b>Assets</b>						
Segment assets	18,902,598	8,873,557	8,039,544	29,543,842	(10,208,717)	55,150,824
Unallocated assets						5,555,070
<b>Consolidated total assets</b>						<b>60,705,894</b>
<b>Liabilities</b>						
Segment liabilities	3,992,935	2,321,911	909,952	14,439,167	(10,208,717)	11,455,248
Unallocated liabilities						596,684
<b>Consolidated total liabilities</b>						<b>12,051,932</b>

## 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 period from 01 January 2010 to 30 June 2010

	Casino	Villas	Park	Four Points- Sheraton Hotel	Offset	Total
	USD	USD	USD	USD	USD	USD
Net sales	1,005,898	1,198,764	459,420	-	-	2,664,082
Cost of sales	(943,755)	(620,798)	(297,495)	-	-	(1,862,048)
Gross profit	62,143	577,966	161,925	-	-	802,034
Unallocated expenses						(1,361,273)
<b>Operating loss</b>						<b>(559,239)</b>
Investment income						536,717
Other (losses)						(45,505)
Financial expense						(275,094)
<b>Loss before tax</b>						<b>(343,121)</b>
Current tax expense						-
Deffered tax expense						-
<b>Loss for the period</b>						<b>(343,121)</b>
% /Total net sales	38%	45%	17%	0%		100%

## 19. CURRENT TAX EXPENSE

	For the period from 01/01/2011 to 30/06/2011	For the period from 01/01/2010 to 30/06/2010
	USD	USD
<b>Net profit/(loss) before tax</b>	<b>1,154,510</b>	<b>(343,121)</b>
<b>Adjustments for taxable income</b>		
<b>Add back:</b>		
Non taxable expenses	62,098	40,312
<b>Assessable income</b>	<b>1,216,608</b>	<b>(302,809)</b>
Normal tax rate	25%	25%
<b>Current tax expense</b>	<b>304,152</b>	-
<b>Deferred tax</b>	<b>(8,911)</b>	-
	<b>295,241</b>	-

## 20. BASIC EARNINGS PER SHARE

	For the period from 01/01/2011 to 30/06/2011	For the period from 01/01/2010 to 30/06/2010
	USD	USD
Accounting profit/(loss) after corporate income tax	859,269	(343,121)
Earnings/(loss) distributed to ordinary shareholders	859,269	(343,121)
Weighted average number of ordinary shares in circulation in the period	41,326,199	41,326,199
<b>Basic earnings per share</b>	<b>0.02</b>	<b>(0.01)</b>

**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. BASIC EARNINGS PER SHARE (Continued)**

As presented in Note 1 of the Notes to the financial statements, on 22 November 2010, the Company was granted with the fifth amended Investment Certificate No. 221.032.000.118 by Quang Ninh People's Committee. Accordingly, the Company's investment capital is VND 730,473,560,000, the face value, chartered capital, and the total number of shares are as follows:

- Face value: VND 10,000/share
- Chartered capital: VND 650,673,890,000
- Total number of shares: 65,067,389 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 during the 6-month period ended 30 June 2010 and the 6-month period ended 30 June 2011.

**Weighted average number of ordinary shares for the period from 01/01/2010 to 30/06/2010 was restated as follows:**

	<u>Weighted average number of ordinary shares in circulation in the period</u> USD	<u>Basic earnings per share</u> USD
As reported for the period from 01/01/2010 to 30/06/2010	35,172,907	(0.01)
As restated	41,326,199	(0.01)

**21. COMMITMENTS**

*Purchase commitment*

Up to 30 June 2011, the contracts for construction and installation, purchases of machinery and equipment which were signed but yet to be implemented, valued at USD 5,584,216 in total (31 December 2010: USD 2,914,787).

*Land- lease commitment*

Under the adjusted Investment Certificate No. 953 CPH/GP dated 15 June 2005 by the Ministry of Planning and Investment of Quang Ninh Province, the Company is obligated to pay rentals of land, beach and water surface to the Government of Vietnam from the eighth (8<sup>th</sup>) month of the twenty-seventh (27<sup>th</sup>) 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.

**22. RELATED PARTY TRANSACTIONS AND BALANCES**

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

	<u>For the period from 01/01/2011 to 30/06/2011</u> USD	<u>For the period from 01/01/2010 to 30/06/2010</u> USD
Revenue from Mr. Nguyen Chinh Nghia	-	20,305
Revenue from Ms. Nguyen Tieu Mai	18,662	-
Revenue from Wei Ji Miu Group guest	-	54,559
Revenue from Kai Chieh International Investment Ltd.	1,934	8,566
Revenue from Lang Son International JSC	420	1,216
Principal received from Kai Chieh International Investment Ltd.	690,000	1,500,000
Interest from Kai Chieh International Investment Ltd.	30,676	35,750

**ROYAL INTERNATIONAL CORPORATION**Bai Chay Ward, Ha Long City  
Quang Ninh Province, S.R. Vietnam**Financial Statements**

For the period from 01 January 2011 to 30 June 2011

**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. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)***Related parties balances as at the balance sheet date were as follows:*

	<u>30/06/2011</u>	<u>31/12/2010</u>
	USD	USD
<b>Receivables</b>		
Lang Son International JSC	3,060	2,872
Mr. Nguyen Chinh Nghia	-	1,153
<b>Payables</b>		
Principal repayable to Kai Chieh International Investment Ltd.	1,290,000	600,000
Interest payable to Kai Chieh International Investment Ltd.	75,141	46,400

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

	<b>For the period from 01/01/2011 to 30/06/2011</b>	<b>For the period from 01/01/2010 to 30/06/2010</b>
	<u>USD</u>	<u>USD</u>
Directors' remuneration	45,355	34,562

**23. COMPARATIVE FIGURES**

Comparative figures on the balance sheet are those of the audited financial statements for the year ended 31 December 2010. Comparative figures on the related statements of income and cash flows are those of the reviewed financial statements for the period from 01 January 2010 to 30 June 2010.

---

**Duong Khanh Nam**  
**General Director**


---

**Nguyen Linh Chi**  
**Chief Accountant**

15 August 2011

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

**APPENDIX TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM 01 JANUARY 2011 TO 30 JUNE 2011**

The additional information in Appendix to the financial statements from page 25 to page 45 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 VND/USD 20,618, VND/USD 18,932 and VND/USD 18,544 on 30 June 2011, 31 December 2010 and 30 June 2010, respectively.

**BALANCE SHEET**

As at 30 June 2011

**FORM B 01-DN**

Unit: VND

ASSETS	Codes	Notes	30/06/2011	31/12/2010
<b>A. CURRENT ASSETS</b> (100=110+130+140+150)	<b>100</b>		<b>193,351,501,018</b>	<b>171,932,832,268</b>
<b>I. Cash</b>	<b>110</b>	<b>5</b>	<b>25,674,915,006</b>	<b>27,063,010,020</b>
1. Cash	111		25,674,915,006	27,063,010,020
<b>II. Short-term receivables</b>	<b>130</b>		<b>130,442,354,250</b>	<b>121,266,729,888</b>
1. Trade accounts receivable	131	6	90,064,764,062	69,857,111,072
2. Advances to suppliers	132		42,263,951,626	52,494,005,912
3. Other receivables	135		1,444,167,192	1,298,981,316
4. Provision for short-term doubtful debts	139		(3,330,528,630)	(2,383,368,412)
<b>III Inventories</b>	<b>140</b>	<b>7</b>	<b>36,158,776,264</b>	<b>21,322,411,116</b>
1. Inventories	141		36,819,541,928	21,929,143,852
2. Provision for devaluation of inventories	149		(660,765,664)	(606,732,736)
<b>IV. Other short-term assets</b>	<b>150</b>		<b>1,075,455,498</b>	<b>2,280,681,244</b>
1. Short-term prepayments	151		514,604,662	920,038,404
2. Value added tax deductibles	152		-	1,141,391,348
3. Other short-term assets	158		560,850,836	219,251,492
<b>B. NON-CURRENT ASSETS</b> (200 = 220+240+250+260)	<b>200</b>		<b>1,078,598,712,100</b>	<b>977,351,152,940</b>
<b>I. Fixed assets</b>	<b>220</b>		<b>941,649,028,398</b>	<b>852,537,172,076</b>
1. Tangible fixed assets	221	8	390,389,335,492	370,242,048,780
- Cost	222		533,615,159,012	496,593,932,800
- Accumulated depreciation	223		(143,225,823,520)	(126,351,884,020)
2. Intangible fixed assets	227	9	51,452,177,764	49,736,465,452
- Cost	228		97,440,564,910	89,485,997,992
- Accumulated amortisation	229		(45,988,387,146)	(39,749,532,540)
3. Construction in progress	230	10	499,807,515,142	432,558,657,844
<b>II. Investment property</b>	<b>240</b>	<b>11</b>	<b>38,842,703,796</b>	<b>36,218,676,676</b>
- Cost	241		43,281,429,308	39,742,167,992
- Accumulated depreciation	242		(4,438,725,512)	(3,523,491,316)
<b>III Long-term financial investments</b>	<b>250</b>		<b>8,647,415,998</b>	<b>7,940,289,052</b>
1. Other long-term investments	258	12	8,647,415,998	7,940,289,052
<b>IV. Other long-term assets</b>	<b>260</b>		<b>89,459,563,908</b>	<b>80,655,015,136</b>
1. Long-term prepayments	261	13	88,626,926,596	80,059,168,300
2. Deferred tax assets	262		832,637,312	595,846,836
<b>TOTAL ASSETS (270 = 100 + 200)</b>	<b>270</b>		<b>1,271,950,213,118</b>	<b>1,149,283,985,208</b>

The notes set out on pages 30 to 45 are an integral part of the appendix to the financial statements

**BALANCE SHEET (Continued)**  
 As at 30 June 2011

**FORM B 01-DN**  
 Unit: VND

<b>RESOURCES</b>	<b>Codes</b>	<b>Notes</b>	<b>30/06/2011</b>	<b>31/12/2010</b>
<b>A. LIABILITIES (300=310+330)</b>	<b>300</b>		<b>251,764,439,290</b>	<b>228,167,176,624</b>
<b>I. Current liabilities</b>	<b>310</b>		<b>209,191,733,114</b>	<b>186,190,919,040</b>
1. Short-term loans and liabilities	311	14	117,154,053,250	123,066,576,196
2. Trade accounts payable	312		26,798,925,894	28,953,218,764
3. Advances from customers	313		1,678,181,492	124,951,200
4. Taxes and amounts payable to the State budget	314	15	28,402,387,754	14,178,099,072
5. Payables to employees	315		3,726,497,320	6,949,160,988
6. Accrued expenses	316		3,554,419,492	1,547,444,884
7. Other current payables	319		27,877,267,912	11,371,467,936
<b>II. Long-term liabilities</b>	<b>330</b>		<b>42,572,706,176</b>	<b>41,976,257,584</b>
1. Other long-term payables	333		5,316,371,918	5,305,125,040
2. Long-term loans and liabilities	334	16	32,032,495,924	32,032,508,564
3. Provision for severance allowance	336		4,070,302,470	4,132,174,048
4. Unrealized revenue	338		1,153,535,864	506,449,932
<b>B. EQUITY (400=410)</b>	<b>400</b>		<b>1,020,185,773,828</b>	<b>921,116,808,584</b>
<b>I. Shareholders' equity</b>	<b>410</b>	<b>17</b>	<b>1,020,185,773,828</b>	<b>921,116,808,584</b>
1. Chartered capital	411		683,199,650,000	650,673,890,000
2. Share premium	412		81,363,105,200	81,363,105,200
3. Foreign exchange reserve	416		193,344,642,191	116,861,682,981
4. Financial reserve fund	418		10,012,797,955	8,244,289,787
5. Retained earnings	420		52,265,578,482	63,973,840,616
<b>TOTAL RESOURCES (440 = 300+ 400)</b>	<b>440</b>		<b>1,271,950,213,118</b>	<b>1,149,283,985,208</b>

*The notes set out on pages 30 to 45 are an integral part of the appendix to the financial statements*

**INCOME STATEMENT**  
For the year ended 30 June 2011

FORM B 02-DN

Unit: VND

ITEMS	Codes	Notes	For the period	For the period
			from 01/01/2011 to 30/06/2011	from 01/01/2010 to 30/06/2010
<b>1. Gross sales</b>	<b>01</b>		<b>95,091,432,462</b>	<b>55,204,968,768</b>
2. Less deductions	02		11,358,064,458	5,802,232,160
<i>Sales discounts</i>	05		450,956,896	-
<i>Special consumption tax</i>	08		10,907,107,562	5,802,232,160
<b>3. Net sales</b>				
<b>(10=01-02)</b>	<b>10</b>	<b>18</b>	<b>83,733,368,004</b>	<b>49,402,736,608</b>
4. Cost of sales	11		40,180,667,670	34,529,818,112
<b>5. Gross profit from sales</b>				
<b>(20=10-11)</b>	<b>20</b>		<b>43,552,700,334</b>	<b>14,872,918,496</b>
6. Financial income	21		16,553,326,244	9,952,880,048
7. Financial expenses	22		8,828,627,600	5,101,343,136
- <i>Including: Interest expense</i>	23		7,117,581,016	3,786,758,976
8. Selling expenses	24		6,985,976,322	10,199,478,160
9. General and administration expenses	25		18,862,521,626	15,043,968,352
<b>10. Operating profit</b>	<b>30</b>		<b>25,428,901,030</b>	<b>(5,518,991,104)</b>
<b>(30 = 20+(21-22)-(24+25))</b>				
11. Other income	31		2,615,455,154	1,098,064,416
12. Other expenses	32		4,240,669,004	1,941,909,136
<b>13. Loss from other activities (40=31-32)</b>	<b>40</b>		<b>(1,625,213,850)</b>	<b>(843,844,720)</b>
<b>14. Accounting profit before tax (50=30+40)</b>	<b>50</b>		<b>23,803,687,180</b>	<b>(6,362,835,824)</b>
15. Current corporate income tax expense	51	19	6,271,005,936	-
16. Deferred corporate tax (income)	52	19	(183,726,998)	-
<b>17. Net profit after corporate income tax</b>				
<b>(60=50-51-52)</b>	<b>60</b>		<b>17,716,408,242</b>	<b>(6,362,835,824)</b>
18. Basic earnings per share	70	20	259	(93)

These financial statements are converted from USD into VND using the applicable average inter-bank exchange rates of USD/VND 20,618 and USD/VND 18,544 on 30/06/2011 and 30/06/2010, respectively. Revenue and special tax incurred in VND and recorded accumulated to 30/06/2011 in amounts of: VND 94,661,351,255 and VND 10,897,301,139, respectively; accumulated to 30/6/2010: VND 55,644,430,515 and VND 5,782,092,611 respectively.

**CASH FLOW STATEMENT**

For the year ended 30 June 2011

FORM B 03-DN

Unit: VND

ITEMS	Codes	For the period from 01/01/2011 to 30/06/2011	For the period from 01/01/2010 to 30/06/2010
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>1. Profit before tax</b>	<b>01</b>	<b>23,803,687,180</b>	<b>(6,362,835,824)</b>
<b>2. Adjustments for:</b>			
Depreciation and amortisation	02	14,563,276,884	12,968,004,640
Provisions	03	734,907,992	(1,722,533,616)
Unrealized foreign exchange (gain)	04	(6,476,113,800)	(5,339,429,552)
Loss from disposal of fixed assets	05	937,314,898	-
Interest expenses	06	7,117,581,016	3,786,758,976
<b>3. Operating profit before movements in working capital</b>	<b>08</b>	<b>40,680,654,170</b>	<b>3,329,964,624</b>
Decrease/(increase) in receivables	09	888,945,070	(9,825,816,560)
(Increase)/decrease in inventories	10	(12,937,485,730)	222,713,440
Increase/(decrease) in accounts payable (not including accrued interest and corporate income tax payable)	11	5,718,216,738	(2,523,634,416)
Decrease in prepaid expenses	12	1,408,333,108	187,127,504
Interest paid	13	(11,905,740,392)	(7,464,238,160)
Corporate income tax paid	14	(7,998,052,088)	-
Other cash (outflows)	16	(476,152,092)	(246,190,144)
<b>Net cash from operating activities</b>	<b>20</b>	<b>15,378,718,784</b>	<b>(16,320,073,712)</b>
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
1. Acquisition and construction of fixed assets and other long-term assets	21	(16,214,572,504)	(28,638,797,280)
2. Proceeds from sales of fixed assets and other long-term assets	22	90,492,402	-
<b>Net cash (used in) investing activities</b>	<b>30</b>	<b>(16,124,080,102)</b>	<b>(28,638,797,280)</b>
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
1. Proceeds from borrowings	33	100,627,406,698	78,934,242,048
2. Repayment of borrowings	34	(110,156,365,904)	(66,263,998,416)
<b>Net cash (used in)/from financing activities</b>	<b>40</b>	<b>(9,528,959,206)</b>	<b>12,670,243,632</b>
<b>Net (decrease) in cash</b>	<b>50</b>	<b>(10,274,320,524)</b>	<b>(32,288,627,360)</b>
<b>Cash at the beginning of the period</b>	<b>60</b>	<b>27,063,010,020</b>	<b>48,459,107,466</b>
Effect of changes in foreign exchange rates	61	8,886,225,510	6,968,148,230
<b>Cash at the end of the period</b>	<b>70</b>	<b>25,674,915,006</b>	<b>23,138,628,336</b>

**Supplemental non-cash disclosures**

Cash outflows for purchases of fixed assets and construction in progress during the period exclude an amount of VND 24,491,689,222 (the first half of 2010: VND 8,121,993,840) representing an addition in fixed assets during the period that has not been paid yet and included an amount of VND 41,936,537,786 (the first half of 2010: VND 39,609,594,576) advanced to suppliers for purchasing of fixed assets. Consequently, changes in accounts payable and receivable have been adjusted by the same amounts.

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

The notes set out on pages 30 to 45 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, chartered capital, and the number of shares as follows:

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

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

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

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

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

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

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

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****FORM B 09-DN***These notes are an integral part of and should be read in conjunction with the accompanying financial statements***1. GENERAL INFORMATION (Continued)****Structure of ownership (Continued)**

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

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

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

The Company's number of employees as at 30 June 2011 was 943 (31 December 2010: 989).

**Operating industry and principal activities**

The Company operates in the hospitality industry.

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

**2. ACCOUNTING CONVENTION AND ACCOUNTING PERIOD****Accounting convention**

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

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

For the purpose of reporting to Ho Chi Minh Stock Exchange, the Company has prepared the accompanying appendix to the financial statements for the period from 01 January 2011 to 30 June 2011 in Vietnam Dong (VND).

**Accounting period**

The Company's financial year begins on 01 January and ends on 31 December. This is the interim financial statements for the period from 01 January 2011 to 30 June 2011.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**FORM B 09-DN**

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

**3. NEW ACCOUNTING GUIDANCE IN ISSUE NOT YET ADOPTED**

On 06 November 2009, the Ministry of Finance issued Circular No.210/2009/TT-BTC (“Circular 210”) guiding the application of International Financial Reporting Standards on presentation of financial statements and disclosures of financial instruments. The adoption of Circular 210 requires disclosures of certain financial instruments as well as the effect thereof on the financial statements. This Circular is effective for the financial year ending on or after 31 December 2011. The Board of Directors is considering the extent of impact of the adoption on the Company’s financial statements for future accounting periods.

**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 reporting period. Actual results could differ from those estimates.

**Cash and cash equivalents**

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

**Receivables and 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 Gaming Club activities, provision for doubtful debts is made based on the aging period 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

**Inventories**

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

**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)**

**Inventories (Continued)**

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

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

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

**Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less accumulated depreciation.

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

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

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

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

**Intangible fixed assets and amortisation**

***Land use rights***

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

**Construction in progress**

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

**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)****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 property depreciated base on straight line method over estimated useful life of 35 years.

**Long-term prepayments**

Long-term prepayments include the remainder of pre-operating expenses, unallocated tools and supplies. Pre-operating expenses represent start-up costs, employee training and advertising fees.

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

**Revenue recognition**

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

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

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

**Foreign currencies**

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

**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)****Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period 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.

**Credit policy for Royal International Gaming Club activities**

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

**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 period. 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 period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

The determination of the tax currently payable is based on the current interpretation of tax regulations. However, these regulations are subject to 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.

**ROYAL INTERNATIONAL CORPORATION**

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

**Appendix to the financial statements**

For the period from 01 January 2011 to 30 June 2011

**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**

	<u>30/06/2011</u>	<u>31/12/2010</u>
	VND	VND
Cash on hand	24,133,801,978	18,683,176,724
Cash in bank	1,493,918,426	8,305,184,420
Cash in transit	47,194,602	74,648,876
	<u><b>25,674,915,006</b></u>	<u><b>27,063,010,020</b></u>

**6. TRADE ACCOUNTS RECEIVABLE**

	<u>30/06/2011</u>	<u>31/12/2010</u>
	VND	VND
Receivables of Royal International Gaming Club (*)	87,403,578,184	65,499,305,448
Other receivables from operating activities	2,661,185,878	4,357,805,624
	<u><b>90,064,764,062</b></u>	<u><b>69,857,111,072</b></u>

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

**7. INVENTORIES**

	<u>30/06/2011</u>	<u>31/12/2010</u>
	VND	VND
Goods in transit	16,181,295,052	-
Raw materials	16,392,588,316	18,008,610,632
Merchandise	4,245,658,560	3,920,533,220
	<u><b>36,819,541,928</b></u>	<u><b>21,929,143,852</b></u>
Provision for devaluation of inventories	(660,765,664)	(606,732,736)
<b>Net realizable value</b>	<u><b>36,158,776,264</b></u>	<u><b>21,322,411,116</b></u>

**8. TANGIBLE FIXED ASSETS**

Unit: VND

	Buildings, structures	Machinery, equipment	Motor vehicles	Office equipment	Others	Total
<b>COST</b>						
As at 01/01/2011	366,145,921,260	95,497,684,204	12,645,553,672	13,567,598,868	8,737,174,796	496,593,932,800
As at 30/06/2011	<u>398,410,170,470</u>	<u>98,572,575,582</u>	<u>13,186,798,586</u>	<u>13,983,643,050</u>	<u>9,461,971,324</u>	<u>533,615,159,012</u>
<b>ACCUMULATED DEPRECIATION</b>						
As at 01/01/2011	60,984,705,000	41,101,883,164	8,356,471,208	11,480,591,984	4,428,232,664	126,351,884,020
As at 30/06/2011	<u>72,013,870,006</u>	<u>44,649,062,484</u>	<u>9,232,802,254</u>	<u>11,921,533,780</u>	<u>5,408,554,996</u>	<u>143,225,823,520</u>
<b>NET BOOK VALUE</b>						
As at 30/06/2011	<u><b>326,396,300,464</b></u>	<u><b>53,923,513,098</b></u>	<u><b>3,953,996,332</b></u>	<u><b>2,062,109,270</b></u>	<u><b>4,053,416,328</b></u>	<u><b>390,389,335,492</b></u>
As at 31/12/2010	<u><b>305,161,216,260</b></u>	<u><b>54,395,801,040</b></u>	<u><b>4,289,082,464</b></u>	<u><b>2,087,006,884</b></u>	<u><b>4,308,942,132</b></u>	<u><b>370,242,048,780</b></u>

The carrying amounts of the Company's buildings and structures, machinery and equipment as at 30 June 2011 include VND 4,045,622,724 (31 December 2010: VND 3,423,643,948) of assets which are temporarily not 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*

**8. TANGIBLE FIXED ASSETS (Continued)**

As stated in Notes 14 and 16 of the Notes to the financial statements, the Company mortgaged some buildings and machineries and equipment, motor vehicles with net book value of VND 233,324,730,990 as at 30 June 2011 to secure bank loans.

The cost of the Company's motor vehicles, machinery and office equipment as at 30 June 2011 includes VND 25,170,578,108 (31 December 2010: VND 21,785,715,020) of assets which have been fully depreciated but are still in use.

**9. INTANGIBLE FIXED ASSETS**

Unit: VND

	<u>Land Use Right</u>	<u>Accounting Software</u>	<u>Total</u>
<b>COST</b>			
As at 01/01/2011	88,033,800,000	1,452,197,992	89,485,997,992
As at 30/06/2011	<u>95,873,700,000</u>	<u>1,566,864,910</u>	<u>97,440,564,910</u>
<b>ACCUMULATED AMORTIZATION</b>			
As at 01/01/2011	39,200,580,268	548,952,272	39,749,532,540
As at 30/06/2011	<u>45,285,849,414</u>	<u>702,537,732</u>	<u>45,988,387,146</u>
<b>NET BOOK VALUE</b>			
As at 30/06/2011	<u>50,587,850,586</u>	<u>864,327,178</u>	<u>51,452,177,764</u>
As at 31/12/2010	<u>48,833,219,732</u>	<u>903,245,720</u>	<u>49,736,465,452</u>

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

**10. CONSTRUCTION IN PROGRESS**

	<u>For the period from 01/01/2011 to 30/06/2011 VND</u>	<u>For the period from 01/01/2010 to 30/06/2010 VND</u>
As at 01/01	432,558,657,844	280,985,465,299
As at 30/6	<u>499,807,515,142</u>	<u>318,276,958,416</u>

As stated in Note 16 of the Notes to the financial statements, the Company mortgaged the Four Points - Sheraton Hotel - the construction in progress to the bank with the value of VND 280,465,994,224.

**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**

Unit: VND

	<u>Investment property</u>	<u>Total</u>
<b>COST</b>		
As at 01/01/2011	39,742,167,992	39,742,167,992
As at 30/06/2011	<u>43,281,429,308</u>	<u>43,281,429,308</u>
<b>ACCUMULATED DEPRECIATION</b>		
As at 01/01/2011	3,523,491,316	3,523,491,316
As at 30/06/2011	<u>4,438,725,512</u>	<u>4,438,725,512</u>
<b>NET BOOK VALUE</b>		
As at 30/06/2011	<u>38,842,703,796</u>	<u>38,842,703,796</u>
As at 31/12/2010	<u>36,218,676,676</u>	<u>36,218,676,676</u>

**12. OTHER LONG-TERM INVESTMENTS**

Other long-term financial investment represents the capital contributed to Royal International Securities Company, amounting to 5% of its chartered capital. At the date of the financial statements, no reliable market price was available for consideration of provision for diminution in value of the investment. However, management believes that there is no significant diminution that could lead to any adjustment to the value of the investment as at 30 June 2011.

**13. OTHER LONG-TERM PREPAYMENTS**

	<u>30/06/2011</u> VND	<u>31/12/2010</u> VND
Fixed asset overhaul expenses	3,254,613,154	2,879,348,948
Tool and supplies	3,685,797,388	3,766,786,448
Pre-operating expenses	81,686,516,054	73,413,032,904
- the Four Points - Sheraton Hotel (*)		
<b>As at the end of the year</b>	<u>88,626,926,596</u>	<u>80,059,168,300</u>

(\*) In accordance with Official Letter No.392/TC-TCDN dated 10 January 2003 by the Ministry of Finance, pre-operating expenses of the Four Points - Sheraton Hotel shall not be allocated to expenses until the hotel commences its operation. As at 30 June 2011, this hotel had not yet come into operation.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**FORM B 09-DN**

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

**14. SHORT-TERM LOANS AND LIABILITIES**

	<u>30/06/2011</u>	<u>31/12/2010</u>
	VND	VND
Vietinbank - Thanh Xuan Branch (1)	28,252,618,602	27,358,311,356
Vietcombank - Ha Long Branch (2)	19,968,203,112	19,854,991,796
Vietcombank - Quang Ninh Branch (3)	3,738,579,468	4,875,008,932
Eximbank - Quang Ninh Branch (4)	19,852,041,300	19,799,994,336
Kai Chieh International Investment Ltd., (5)	26,597,220,000	11,359,200,000
Shanghai Bank (6)	6,185,400,000	20,825,200,000
Current portion of long-term loans	12,559,990,768	18,993,869,776
	<u><b>117,154,053,250</b></u>	<u><b>123,066,576,196</b></u>

(1) Loan from Vietnam Joint Stock Commercial Bank for Industry and Trade (Vietinbank) - Thanh Xuan Branch represents a short-term credit facility which can be drawn up to a maximum amount of VND 30 billion and expire on 30 June 2011. This facility bears the interest rate adjusted for each period by Vietinbank - Thanh Xuan Branch. Interest shall be paid on a monthly basis. This loan and a long-term loan stated in Note 16 are mortgaged by the land use right of the Company.

(2) Loan from Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank) - Ha Long Branch represents a short-term credit facility which can be drawn up to a maximum amount of VND 20 billion. This facility bears interest at 0.9%/month which will be adjusted for each period by Vietcombank - Ha Long Branch. Interest shall be paid on a monthly basis. The loan is mortgaged by the Company's machinery and equipment.

(3) Loan from Vietcombank- Quang Ninh Branch represents a short-term credit facility which can be drawn in Vietnam Dong up to a maximum amount of VND 7 billion. This credit facility included balance of short-term credit facility which can be drawn in Vietnam Dong up to a maximum amount of VND 20 billion under Credit Contract No. 01/2009/HG-NTQN date 24 February 2009. This facility bears interest at the rate quoted by Vietcombank - Quang Ninh Branch at the date of disbursement. Interest shall be paid on a monthly basis. The loan is mortgaged by the Company's generator system and air conditioning system.

(4) Loan from Eximbank - Quang Ninh Branch represents a short-term credit facility which can be drawn in Vietnam Dong up to a maximum amount of VND 20 billion. This facility bears interest at the rate which is as per draw down request and adjusted for each period by Eximbank - Quang Ninh Branch. Interest shall be paid on a monthly basis. There is no mortgaged assets for this loan.

(5) Loan from Kai Chieh International Investment Ltd., represents a short-term credit facility which can be drawn in USD up to a maximum amount of USD 4 million from 09 December 2010 to 08 December 2011. This facility bears interest at the U.S. dollars of loan interest rate quoted by Bank state of Viet Nam in interest payment. The principal and interest will be paid on the last day of due repayment period. There is no mortgaged assets for this loan.

(6) Loan from Shanghai Bank represents a short-term credit facility which can be drawn in USD up to a maximum amount of USD 1.5 million from 15 September 2010 to 14 September 2011. This facility bears interest at SIBOR 180 days add 3%. The principal and interest will be paid on a quarterly basis. There is no mortgaged assets for this loan.

**ROYAL INTERNATIONAL CORPORATION**Bai Chay Ward, Ha Long City  
Quang Ninh Province, S.R. Vietnam**Appendix to the financial statements**

For the period from 01 January 2011 to 30 June 2011

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****FORM B 09-DN***These notes are an integral part of and should be read in conjunction with the accompanying financial statements***15. TAXES AND AMOUNTS PAYABLE TO THE STATE BUDGET**

	<u>30/06/2011</u>	<u>31/12/2010</u>
	VND	VND
Value added tax	3,988,160,358	-
Special consumption tax	14,264,913,806	3,367,605,228
Corporate income tax	8,841,204,580	10,570,208,900
Others	1,308,109,010	240,284,944
	<u><b>28,402,387,754</b></u>	<u><b>14,178,099,072</b></u>

**16. LONG-TERM LOANS AND LIABILITIES**

	<u>30/06/2011</u>	<u>31/12/2010</u>
	VND	VND
Vietinbank-Thanh Xuan Branch (1)	32,032,495,924	32,032,508,564
	<u><b>32,032,495,924</b></u>	<u><b>32,032,508,564</b></u>

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

Long-term loans are payable as follows:

	<u>30/06/2011</u>	<u>31/12/2010</u>
	VND	VND
On demand or within one year	12,559,990,768	18,993,869,776
In the second year	12,559,990,768	12,559,999,964
In the third to fifth year inclusive	19,472,505,156	19,472,508,600
After five years	-	-
Less: Amount due for settlement within 12 months (presented in Note 14)	(12,559,990,768)	(18,993,869,776)
<b>Amount due for settlement after 12 months</b>	<u><b>32,032,495,924</b></u>	<u><b>32,032,508,564</b></u>

**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 01/01/2011	650,673,890,000	81,363,105,200	8,244,289,787	63,973,840,616	116,861,682,981	921,116,808,584
Balance at 30/06/2011 (*)	683,199,650,000	81,363,105,200	10,012,797,955	52,265,578,482	193,344,642,191	1,020,185,773,828

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**FORM B 09-DN**

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

**17. SHAREHOLDERS' EQUITY (Continued)**

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

**Contributed chartered capital**

The shareholders' equity structure and their capital contributions as at 30 June 2011 were as follows:

Shareholders	Per Investment Certificate	Contributed capital as at					
		30/06/2011			31/12/2010		
	'000 VND	USD	'000 VND equivalent	%	USD	'000 VND equivalent	%
Mr. Nguyen Chinh Nghia	43,661,160	2,809,826	45,844,210	7%	2,703,972	43,661,160	7%
Kai Chieh International Investment Ltd.	341,550,000	21,702,990	358,627,500	52%	20,874,910	341,550,000	52%
State Capital Investment Corporation	86,411,800	5,498,775	90,732,390	13%	5,289,272	86,411,800	13%
Other shareholders	179,050,930	11,314,608	187,995,550	28%	10,880,886	179,050,930	28%
<b>Cộng</b>	<b>650,673,890</b>	<b>41,326,199</b>	<b>683,199,650</b>	<b>100%</b>	<b>39,749,040</b>	<b>650,673,890</b>	<b>100%</b>

**18. BUSINESS SEGMENTS**

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

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

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

**ROYAL INTERNATIONAL CORPORATION**

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

**Appendix to the financial statements**

For the period from 01 January 2011 to 30 June 2011

**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 30 June 2011**

	Casino	Villas	Park	Four Points- Sheraton Hotel	Offset	Total
	VND	VND	VND	VND	VND	VND
<b>Assets</b>						
Segment assets	410,225,480,314	191,523,694,700	177,435,167,884	636,118,329,496	(248,013,757,056)	1,167,288,915,338
Unallocated assets						104,661,297,780
<b>Consolidated total assets</b>						<b>1,271,950,213,118</b>
<b>Liabilities</b>						
Segment liabilities	100,591,304,580	50,048,483,706	21,303,136,140	324,690,140,346	(248,013,757,056)	248,619,307,716
Unallocated liabilities						3,145,131,574
<b>Consolidated total liabilities</b>						<b>251,764,439,290</b>

**Income statement for the period 01 January 2011 to 30 June 2011**

	Casino	Villas	Park	Four Points- Sheraton Hotel	Offset	Total
	VND	VND	VND	VND	VND	VND
Net sales	36,044,573,162	29,109,461,446	18,579,333,396	-	-	83,733,368,004
Cost of sales	(21,107,058,960)	(13,186,200,664)	(5,887,408,046)	-	-	(40,180,667,670)
Gross profit	14,937,514,202	15,923,260,782	12,691,925,350	-	-	43,552,700,334
Unallocated expenses						(25,848,497,948)
<b>Operating profit</b>						<b>17,704,202,386</b>
Financial income						16,553,326,244
Other (losses)						(1,625,213,850)
Financial expense						(8,828,627,600)
<b>Profit before tax</b>						<b>23,803,687,180</b>
Current tax expense						(6,271,005,936)
Deferred tax income						183,726,998
<b>Profit for the period</b>						<b>17,716,408,242</b>
<b>% /Total net sales</b>	<b>43%</b>	<b>35%</b>	<b>22%</b>	<b>0%</b>		<b>100%</b>

**Balance sheet as at 31 December 2010**

	Casino	Villas	Park	Four Points- Sheraton Hotel	Offset	Total
	VND	VND	VND	VND	VND	VND
<b>Assets</b>						
Segment assets	357,863,985,336	167,994,181,124	152,204,647,008	559,324,016,744	(193,271,430,244)	1,044,115,399,968
Unallocated assets						105,168,585,240
<b>Consolidated total assets</b>						<b>1,149,283,985,208</b>
<b>Liabilities</b>						
Segment liabilities	75,594,245,420	43,958,419,052	17,227,211,264	273,362,309,644	(193,271,430,244)	216,870,755,136
Unallocated liabilities						11,296,421,488
<b>Consolidated total liabilities</b>						<b>228,167,176,624</b>

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 period 01 January 2010 to 30 June 2010

	Casino	Villas	Park	Four Points- Sheraton Hotel	Offset	Total
	VND	VND	VND	VND	VND	VND
Net sales	18,653,372,512	22,229,879,616	8,519,484,480	-	-	49,402,736,608
Cost of sales	(17,500,992,720)	(11,512,078,112)	(5,516,747,280)	-	-	(34,529,818,112)
Gross profit	1,152,379,792	10,717,801,504	3,002,737,200	-	-	14,872,918,496
Unallocated expenses						(25,243,446,512)
<b>Operating loss</b>						<b>(10,370,528,016)</b>
Investment income						9,952,880,048
Other (losses)						(843,844,720)
Financial expense						(5,101,343,136)
<b>Loss before tax</b>						<b>(6,362,835,824)</b>
Current tax expense						-
Deferred tax expense						-
<b>Loss for the period</b>						<b>(6,362,835,824)</b>
% /Total net sales	38%	45%	17%	0%		100%

19. CURRENT TAX EXPENSE

	For the period from 01/01/2011 to 30/06/2011	For the period from 01/01/2010 to 30/06/2010
	VND	VND
<b>Net profit/(loss) before tax</b>	<b>23,803,687,180</b>	<b>(6,362,835,824)</b>
<b>Adjustments for taxable income</b>		
<b>Add back:</b>		
Non taxable expenses	1,280,336,564	747,545,728
<b>Assessable income</b>	<b>25,084,023,744</b>	<b>(5,615,290,096)</b>
Normal tax rate	25%	25%
<b>Current tax expense</b>	<b>6,271,005,936</b>	<b>-</b>
<b>Deferred tax</b>	<b>(183,726,998)</b>	<b>-</b>
	<b>6,087,278,938</b>	<b>-</b>

20. BASIC EARNINGS PER SHARE

	For the period from 01/01/2011 to 30/06/2011	For the period from 01/01/2010 to 30/06/2010
	VND	VND
Accounting profit/(loss) after corporate income tax	17,716,408,242	(6,362,835,824)
Earnings/(loss) distributed to ordinary shareholders	17,716,408,242	(6,362,835,824)
Weighted average number of ordinary shares in circulation in the period	68,319,965	68,319,965
<b>Basic earnings per share</b>	<b>259</b>	<b>(93)</b>

**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. BASIC EARNINGS PER SHARE (Continued)**

As presented in Note 1 of the Notes to the financial statements, on 22 November 2010, the Company was granted with the fifth amended Investment Certificate No. 221.032.000.118 by Quang Ninh People's Committee. Accordingly, the Company's investment capital is VND 730,473,560,000, the face value, chartered capital, and the total number of shares are as follows:

- Face value: VND 10,000/share
- Chartered capital: VND 650,673,890,000
- Total number of shares: 65,067,389 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 during the 6-month period ended 30 June 2010 and the 6-month period ended 30 June 2011.

**Weighted average number of ordinary shares and basic earnings per share for the period from 01/01/2010 to 30/06/2010 was restated as follows:**

	<b>Weighted average number of ordinary shares in circulation in the period</b>	<b>Basic earnings per share</b>
	<b>VND</b>	<b>VND</b>
As reported for the period from 01/01/2010 to 30/06/2010	56,581,407	(112)
As restated	68,319,965	(93)

**21. COMMITMENTS**

***Purchase commitments***

Up to 30 June 2011, the contracts for construction and installation, purchases of machinery and equipment which were signed but yet to be implemented, valued at VND 115,135,365,488 in total (31 December 2010: VND 55,182,747,484).

***Land- lease commitment***

Under the adjusted Investment Certificate No. 953 CPH/GP dated 15 June 2005 by the Ministry of Planning and Investment of Quang Ninh Province, the Company is obligated to pay rentals of land, beach and water surface to the Government of Vietnam from the eighth (8<sup>th</sup>) month of the twenty-seventh (27<sup>th</sup>) 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.

**22. RELATED PARTY TRANSACTIONS AND BALANCES**

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

	<b>For the period from 01/01/2011 to 30/06/2011</b>	<b>For the period from 01/01/2010 to 30/06/2010</b>
	<b>VND</b>	<b>VND</b>
Revenue from Mr. Nguyen Chinh Nghia	-	376,535,920
Revenue from Ms. Nguyen Tieu Mai	384,773,116	-
Revenue from Wei Ji Miu Group guest	-	1,011,742,096
Revenue from Kai Chieh International Investment Ltd.	39,875,212	158,847,904
Revenue from Lang Son International JSC	8,659,560	22,549,504
Principal received from Kai Chieh International Investment Ltd.	14,226,420,000	27,816,000,000
Interest from Kai Chieh International Investment Ltd.	632,477,768	662,948,000

**ROYAL INTERNATIONAL CORPORATION**

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

**Appendix to the financial statements**

For the period from 01 January 2011 to 30 June 2011

**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. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)**

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

	<u>30/06/2011</u>	<u>31/12/2010</u>
	VND	VND
<b>Receivables</b>		
Lang Son International JSC	63,091,080	54,372,704
Mr. Nguyen Chinh Nghia	-	21,828,596
<b>Payables</b>		
Principal repayable to Kai Chieh International Investment Ltd.	26,597,220,000	11,359,200,000
Interest payable to Kai Chieh International Investment Ltd.	1,549,257,138	878,444,800

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

	<u>For the period from 01/01/2011 to 30/06/2011</u>	<u>For the period from 01/01/2010 to 30/06/2010</u>
	VND	VND
Directors' remuneration	935,129,390	640,917,728

**23. COMPARATIVE FIGURES**

Comparative figures on the balance sheet are those of the audited financial statements for the year ended 31 December 2010. Comparative figures on the related statements of income and cash flows are those of the reviewed financial statements for the period from 01 January 2010 to 30 June 2010.