



**LAO CAI INTERNATIONAL HOTEL JOINT VENTURE COMPANY**  
(Incorporated in the Socialist Republic of Vietnam)

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2011**

**KRESTON ACA**

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**FOR THE YEAR ENDED 31 DECEMBER 2011**

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**LAO CAI INTERNATIONAL HOTEL JOINT VENTURE COMPANY**

No. 88 Thuy Hoa Street - Duyen Hai Ward

Lao Cai City - Lao Cai Province

**REPORT OF THE BOARD OF DIRECTORS**

The Board of Directors of Lao Cai International Hotel Joint Venture Company ("the Company") presents this report together with the Company's audited Financial Statements for the year ended 31/12/2011.

**THE BOARDS OF MANAGEMENT AND DIRECTORS**

The members of the Boards of Management and Directors of the Company who held office as at 31/12/2011 are as follows:

**Board of Management**

|                            |          |
|----------------------------|----------|
| Mr. Do Du Bac              | Chairman |
| Mr. Benjamin Lim Keong Hoe | Member   |
| Mr. Ang Teck Foo           | Member   |
| Mr. Lim Keong Yew          | Member   |
| Mr. Ong Chong Hock         | Member   |
| Mr. Nguyen Viet Ha         | Member   |

**Board of Directors**

|                    |                         |
|--------------------|-------------------------|
| Mr. Tan lam Howi   | General Director        |
| Mr. Tran Quoc Hung | Deputy General Director |
| Mr. Chew Hock Seng | Deputy General Director |

**BOARD OF DIRECTORS' STATEMENT OF RESPONSIBILITY**

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

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting principles have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- Design and implement an effective internal control system for the purpose of properly preparing the Financial Statements so as to minimise 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 to ensure that the Financial Statements comply with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing accounting regulations in Vietnam. It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

For and on behalf of the Board of Directors,



Tan lam Howi  
General Director  
Lao Cai, 05 March 2012

**Hanoi Office:**

Suite 1401, 17T5 Building, Trung Hoa - Nhan Chinh, Hanoi

Tel: (84 4) 6 2811 488

Fax: (84 4) 6 2811 499

E-mail: [contact@krestonaca.vn](mailto:contact@krestonaca.vn)

[www.krestonaca.vn](http://www.krestonaca.vn)

No: 21/BCKT 2012/Kreston-ACA

**AUDITOR'S REPORT**

**On Financial Statements for the year ended 31 December 2011  
of Lao Cai International Hotel Joint Venture Company**

To: **The members and the Board of Management of  
Lao Cai International Hotel Joint Venture Company**

We have audited the Financial Statements set out from pages 3 to 18, which comprise the Balance sheet as at 31/12/2011, and Income statement, Cash flow statement, Notes to the Financial Statements for the year then ended.

These Financial Statements are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on these Financial Statements based on our audit.

**Basis of opinion**

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

**Opinion**

In our opinion, the accompanying Financial Statements give a true and fair view of, in all material respects, the financial position of the Company as at 31/12/2011 and the results of its operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing accounting regulations in Vietnam.



**Tran Van Thuc**  
General Director  
CPA Certificate No. 0554/KTV

**Tran Duc Cuong**  
Auditor  
CPA Certificate No. 1595/KTV

For and on behalf of  
**Kreston ACA Vietnam Auditing Company Limited**  
Hanoi, 05 March 2012

**BALANCE SHEET**  
 As at 31 December 2011

FORM B 01-DN  
 Unit: VND

| ASSETS                                      | Codes      | Notes | Ending balance         | Beginning balance      |
|---|------------|-------|------------------------|------------------------|
| <b>A - CURRENT ASSETS</b>                   | <b>100</b> |       | <b>270,052,687,319</b> | <b>125,501,940,231</b> |
| <b>I. Cash and cash equivalents</b>         | <b>110</b> |       | <b>227,037,309,854</b> | <b>118,510,899,445</b> |
| 1. Cash                                     | 111        | V.1   | 227,037,309,854        | 118,510,899,445        |
| <b>II. Short-term financial investments</b> | <b>120</b> |       | <b>9,871,361,654</b>   | <b>2,347,400,000</b>   |
| 1. Short-term investments                   | 121        | V.2   | 9,871,361,654          | 2,347,400,000          |
| <b>III. Short-term receivables</b>          | <b>130</b> |       | <b>28,619,022,486</b>  | <b>1,995,451,363</b>   |
| 1. Trade accounts receivable                | 131        |       | 86,759,231             | 1,754,960              |
| 2. Advances to suppliers                    | 132        |       | 28,480,885,015         | 1,639,034,059          |
| 5. Other receivables                        | 135        |       | 51,378,240             | 354,662,344            |
| <b>IV. Inventories</b>                      | <b>140</b> |       | <b>2,910,879,671</b>   | <b>2,245,295,736</b>   |
| 1. Inventories                              | 141        | V.3   | 2,910,879,671          | 2,245,295,736          |
| <b>V. Other short-term assets</b>           | <b>150</b> |       | <b>1,614,113,654</b>   | <b>402,893,687</b>     |
| 1. Short-term prepayments                   | 151        |       | 521,313,803            | -                      |
| 2. VAT deductible                           | 152        |       | 524,348,951            | -                      |
| 4. Other short-term assets                  | 158        |       | 568,450,900            | 402,893,687            |
| <b>B - NON-CURRENT ASSETS</b>               | <b>200</b> |       | <b>77,068,776,066</b>  | <b>26,874,378,727</b>  |
| <b>II. Fixed assets</b>                     | <b>220</b> |       | <b>74,559,065,385</b>  | <b>26,045,031,706</b>  |
| 1. Tangible fixed assets                    | 221        | V.4   | 22,731,944,157         | 18,778,663,022         |
| - Cost                                      | 222        |       | 56,771,256,443         | 52,219,332,155         |
| - Accumulated depreciation                  | 223        |       | (34,039,312,286)       | (33,440,669,133)       |
| 3. Intangible fixed assets                  | 227        | V.5   | 892,629,540            | 1,008,276,459          |
| - Cost                                      | 228        |       | 1,373,111,471          | 1,373,111,471          |
| - Accumulated amortisation                  | 229        |       | (480,481,931)          | (364,835,012)          |
| 4. Construction in progress                 | 230        | V.6   | 50,934,491,688         | 6,258,092,225          |
| <b>V. Other non-current assets</b>          | <b>260</b> |       | <b>2,509,710,681</b>   | <b>829,347,021</b>     |
| 1. Long-term prepaid expenses               | 261        | V.7   | 2,121,228,181          | 829,347,021            |
| 3. Other non-current assets                 | 268        |       | 388,482,500            | -                      |
| <b>TOTAL ASSETS</b>                         | <b>270</b> |       | <b>347,121,463,385</b> | <b>152,376,318,958</b> |

**BALANCE SHEET (Continued)**  
 As at 31 December 2011

FORM B 01-DN  
 Unit: VND

| RESOURCES  | Codes      | Notes | Ending balance         | Beginning balance      |
|--|------------|-------|------------------------|------------------------|
| <b>A. LIABILITIES</b>                            | <b>300</b> |       | <b>171,794,412,012</b> | <b>77,814,545,523</b>  |
| <b>I. Current liabilities</b>                    | <b>310</b> |       | <b>171,558,322,772</b> | <b>77,494,543,783</b>  |
| 1. Short-term loans                              | 311        | V.8   | 992,766,620            | 23,830,673,932         |
| 2. Trade accounts payable                        | 312        |       | 2,589,140,921          | 764,751,393            |
| 3. Advances from customers                       | 313        |       | -                      | 1,871,520              |
| 4. Taxes and amounts payable to the State budget | 314        | V.9   | 97,862,633,023         | 26,420,843,918         |
| 5. Payables to employees                         | 315        |       | 3,195,037,802          | 656,189,911            |
| 6. Accrued expenses                              | 316        |       | 127,843,000            | 1,242,114,862          |
| 9. Other current payables                        | 319        | V.10  | 66,093,901,406         | 24,578,098,247         |
| 11. Bonus and welfare funds                      | 323        |       | 697,000,000            | -                      |
| <b>II. Long-term liabilities</b>                 | <b>330</b> |       | <b>236,089,240</b>     | <b>320,001,740</b>     |
| 6. Provision for severance allowance             | 336        |       | 236,089,240            | 320,001,740            |
| <b>B. EQUITY</b>                                 | <b>400</b> |       | <b>175,327,051,373</b> | <b>74,561,773,435</b>  |
| <b>I. Owner's equity</b>                         | <b>410</b> |       | <b>175,327,051,373</b> | <b>74,561,773,435</b>  |
| 1. Legal capital                                 | 411        | V.11  | 27,659,711,136         | 27,659,711,136         |
| 6. Foreign exchange reserve                      | 416        |       | 520,296,872            | (896,306,352)          |
| 10. Retained earnings                            | 420        | V.11  | 147,147,043,365        | 47,798,368,651         |
| <b>TOTAL RESOURCES</b>                           | <b>440</b> |       | <b>347,121,463,385</b> | <b>152,376,318,958</b> |

**OFF BALANCE SHEET**

| ITEMS                 | Codes | Notes | Ending balance | Beginning balance |
|-----------------------|-------|-------|----------------|-------------------|
| 5. Foreign currencies |       |       |                |                   |
| + USD                 |       |       | 2,560,150      | 2,024,521         |
| + CNY (RMB)           |       |       | 31,758,416     | 21,898,269        |
| + EUR                 |       |       | 4,455          | 4,455             |
| + SGD                 |       |       | 5,095          | 8,535             |
| + HKD                 |       |       | 50,100         | 43,100            |
| + RM                  |       |       | 200            | -                 |



Tan lam Howi  
 General Director

Tran Quoc Hung  
 Deputy General Director

Nguyen Thi Tuyet  
 Chief Accountant

Lao Cai, 05 March 2012

**INCOME STATEMENT**  
 For the year ended 31 December 2011

FORM B 02-DN  
 Unit: VND

| Items  | Code | Notes | Current year    | Previous year  |
|--|------|-------|-----------------|----------------|
| 1. Gross sales of merchandise and services                               | 1    |       | 266,259,491,353 | 88,758,788,836 |
| 2. Less deductions   | 2    |       | 59,072,493,140  | 18,924,066,840 |
| 3. Net sales of merchandise and services<br>(10 = 01 - 02)               | 10   | VI.1  | 207,186,998,213 | 69,834,721,996 |
| 4. Cost of goods sold  | 11   |       | 9,449,426,471   | 5,259,885,451  |
| 5. Gross profit from sales of merchandise and<br>services (20 = 10 - 11) | 20   |       | 197,737,571,742 | 64,574,836,545 |
| 6. Financial income  | 21   | VI.2  | 29,464,909,158  | 10,297,933,577 |
| 7. Financial expenses  | 22   | VI.3  | 4,492,448,579   | 4,352,468,182  |
| - Including : Interest expense   | 23   |       | 692,864,100     | 928,235,700    |
| 8. Selling expenses  | 24   |       | 23,327,314,856  | 18,414,092,641 |
| 9. General and administration expenses                                   | 25   |       | 22,663,560,019  | 14,154,579,369 |
| 10. Operating profit<br>{30 = 20 + (21 - 22) - (24 + 25)}                | 30   |       | 176,719,157,446 | 37,951,629,930 |
| 11. Other income   | 31   |       | 313,624,677     | 434,789,977    |
| 12. Other expenses   | 32   |       | 368,439,952     | 432,993,193    |
| 13. Other profit (loss) (40 = 31 - 32)                                   | 40   |       | (54,815,275)    | 1,796,784      |
| 14. Net profit before tax<br>(50 = 30 + 40)                              | 50   |       | 176,664,342,171 | 37,953,426,714 |
| 15. Corporate income tax   | 51   | VI.4  | 44,315,667,457  | 9,592,858,384  |
| 16. Deferred tax income/(expense)  | 52   |       | -               | -              |
| 17. Net profit after tax<br>(60 = 50 - 51 - 52)                          | 60   | V.11  | 132,348,674,714 | 28,360,568,330 |



Tan lam Howi  
 General Director

Lao Cai, 05 March 2012

Tran Quoc Hung  
 Deputy General Director

Nguyen Thi Tuyet  
 Chief Accountant

**CASH FLOW STATEMENT**  
*(Indirect method)*  
 For the year ended 31 December 2011

FORM B 03-DN  
 Unit: VND

| ITEMS  | Codes | Current year     | Previous year    |
|--|-------|------------------|------------------|
| <b>I CASH FLOWS FROM OPERATING ACTIVITIES</b>  |       |                  |                  |
| <b>1 Profit before tax</b>   | 01    | 176,664,342,171  | 37,953,426,714   |
| <b>2 Adjustments for:</b>  |       |                  |                  |
| Depreciation and amortisation  | 02    | 2,215,852,954    | 5,670,526,822    |
| Provision  | 03    | -                | 24,576,740       |
| Income/loss from investements  | 04    | (6,068,667,519)  | (1,383,775,339)  |
| Interest expenses  | 05    | 692,864,100      | 928,235,700      |
| <b>3 Operating profit before movements in working capital</b>  | 08    | 173,504,391,706  | 43,192,990,637   |
| Decrease/(Increase) in receivables   | 09    | (27,926,373,830) | (1,480,084,333)  |
| (Increase)/Decrease in inventories   | 10    | (665,583,935)    | (1,302,350,064)  |
| (Decrease)/Increase in accounts payable (not including accrued interest and business income tax payable) | 11    | 93,014,917,572   | 645,235,012      |
| Decrease/(Increase) in prepaid expenses and others   | 12    | (949,694,969)    | -                |
| Interest paid  | 13    | (692,864,100)    | 218,828,971      |
| Corporate income tax paid  | 14    | (16,174,176,965) | (1,563,055,951)  |
| Income from other activities   | 15    | 20,000,000       | -                |
| Payment for other activities   | 16    | (719,116,000)    | -                |
| <b>Net cash from operating activities</b>  | 20    | 219,411,499,479  | 39,711,564,272   |
| <b>II CASH FLOWS FROM INVESTING ACTIVITIES</b>   |       |                  |                  |
| 1 Acquisition of fixed assets and other long-term assets   | 21    | (51,161,636,630) | (2,659,715,329)  |
| 2 Proceeds/(Loss) from disposal of fixed assets and other long-term assets                               | 22    | 180,000,000      | 180,000,000      |
| 3 Cash outflow for lending and buying debt instruments of other companies                                | 23    | (7,523,961,654)  | (2,347,400,000)  |
| 7 Interest, dividend received  | 27    | 5,910,008,071    | 1,203,775,339    |
| <b>Net cash used in investing activities</b>   | 30    | (52,595,590,213) | (3,623,339,990)  |
| <b>III CASH FLOWS FROM FINANCING ACTIVITIES</b>  |       |                  |                  |
| 1 Proceeds from borrowings   | 33    | -                | -                |
| 2 Repayment of borrowings  | 34    | (25,069,480,200) | (11,040,000,000) |
| 3 Dividends paid   | 36    | (32,000,000,000) | -                |
| <b>Net cash from (used in) financing activities</b>  | 40    | (57,069,480,200) | (11,040,000,000) |
| <b>Net (decrease)/increase in cash and cash equivalents</b>  | 50    | 109,746,429,066  | 25,048,224,282   |
| <b>Cash and cash equivalents at beginning of year</b>  | 60    | 118,510,899,445  | 93,793,291,487   |
| <b>Unrealised foreign exchange difference of cash</b>  | 61    | (1,220,018,657)  | (330,616,324)    |
| <b>Cash and cash equivalents at the end of the year</b>  | 70    | 227,037,309,854  | 118,510,899,445  |



Tan lam Howi  
 General Director  
 Lao Cai, 05 March 2012

Tran Quoc Hung  
 Deputy General Director

Nguyen Thi Tuyet  
 Chief Accountant

NOTES TO THE FINANCIAL STATEMENTS

Form B 09 - DN

I. GENERAL INFORMATION

Lao Cai International Hotel Joint Venture Company was incorporated in Vietnam as a joint venture for 30 years under Investment License No. 2268/GP dated 19 July 2002 issued by the Ministry of Planning and Investment. The third amended license was issued on 27 February 2009.

The number of Company's employees as at 31/12/2011 is 381 (year 2010: 261).

The principal activities of the Company

The principal activities of the Company are to operate a 4-star hotel and provide international recreational services including bonus entertainment activities for foreign customers.

II. ACCOUNTING CONVENTION AND ACCOUNTING PERIOD

1. Accounting convention

The accompanying Financial Statements, expressed in Vietnam Dong (VND), are prepared under the historical cost convention and in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing accounting regulations in Vietnam.

2. Accounting period

The Company's fiscal year begins on 1 January and ends on 31 December.

III. ADOPTION OF ACCOUNTING STANDARDS AND ACCOUNTING SYSTEM

1. Applicable Accounting System

The Company applies the Vietnamese Accounting System issued by the Ministry of Finance in accordance with Decision No. 15/2006/QD-BTC dated 20/03/2006 and amended by Circular No. 244/2009/TT-BTC dated 31/12/2009.

2. Registered accounting documentation system

The Company's registered accounting documentation system is accounting softwares.

IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and short-term, highly liquid investments with an original maturity of less than three months that are readily convertible into known amounts of cash and that are subject to an insignificant risk of change in value.

2. Receivables

Receivables are presented in the Financial Statements at the carrying amounts due from customers and other debtors, after provision for doubtful debts.

The provision for doubtful debts represents amounts of outstanding receivables at the balance sheet date which are doubtful of being recovered. Increases and decreases to the provision balance are recorded as general and administrative expense in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

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3. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

An inventories provision is created for the estimated loss arising due to the impairment of value (through diminution, damage, obsolescence, etc.) of raw materials, finished goods, and other inventories owned by the Company, based on appropriate evidence of impairment available at the balance sheet date. Increases and decreases to the provision balance are recorded into the cost of goods sold account in the income statement.

4. Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

**Cost**

The cost of purchased tangible fixed assets comprises its purchase price and any directly attributable costs of bringing the assets to its working condition and location for its intended use.

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

The cost of tangible fixed assets purchased in the form of exchange for dissimilar tangible fixed assets or other assets are determined according to the fair value of the received tangible fixed assets, or that of the exchanged ones, after adjusting the cash amounts or cash equivalents which are additionally paid or received. The cost of tangible fixed assets purchased in the form of exchange for similar ones, or possibly formed through their sale in exchange for the right to own similar ones are the residual value of the exchanged ones.

The costs incurred after the initial recognition of tangible fixed assets are recorded as increase in their cost if these costs are certain to augment future economic benefits obtained from the use of these assets. Those incurred costs which fail to meet this requirement are charged to the income statement.

**Depreciation**

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

|                          | <u>Years</u> |
|--------------------------|--------------|
| Buildings and structures | 25           |
| Machinery and equipment  | 5 - 10       |
| Office equipment         | 3 - 5        |
| Transportation means     | 6            |
| Others                   | 2 - 5        |

NOTES TO THE FINANCIAL STATEMENTS

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5. Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortisation.

**Cost**

The cost of an intangible fixed asset comprises of its purchase price and any directly attributable costs of preparing the intangible fixed asset for its intended use.

The cost of intangible fixed assets formed from the process of enterprise merger of re-purchase character are the fair value of such assets on the date of acquisition.

The cost of intangible fixed assets are the land use rights for a definite term when the land are allocated or the payment made when receiving the land use right lawfully transferred from other persons, or the land use right value contributed to joint-venture capital.

The cost of intangible fixed assets purchased in the form of exchange for dissimilar intangible fixed assets or other assets are determined according to the fair value of the received intangible fixed assets, or that of the exchanged ones, after adjusting the cash amounts or cash equivalents which are additionally paid or received. The cost of intangible fixed assets purchased in the form of exchange for similar ones, or possibly formed through their sale in exchange for the right to own similar ones are the residual value of the exchanged ones.

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset only if the Company can demonstrate all of the following conditions: (i) Their technical feasibility assures the finishing and putting of the intangible assets into use as planned or for sale; (ii) The Company intends to finish the intangible assets for use or sale; (iii) The Company is capable of using or selling the intangible assets; (iv) The intangible assets must generate future economic benefits; (v) There are adequate technical, financial and other resources for completion of the development stage, sale or use of such intangible assets; (vi) Being capable of determining with certainty all costs in the development stage for creating the intangible assets; (vii) They are estimated to meet all criteria for use duration and value prescribed for intangible fixed assets.

Costs related to intangible fixed assets, which are incurred after initial recognition, must be recognised as period expenses; if they meet simultaneously the two following conditions, they are included into the costs of intangible fixed assets: (i) These costs can help intangible fixed assets generate more future economic benefits than the original operation evaluation; (ii) These costs are appraised in a certain way and associated with a specific intangible asset.

**Amortisation**

Intangible fixed assets are amortised using the straight-line method over their estimated useful lives as follows:

|                                    | <u>Years</u> |
|------------------------------------|--------------|
| Land use right for a definite term | 30           |
| Accounting softwares               | 3            |

The Company's land use right pertains to land located at No. 88 Thuy Hoa Street, Duyen Hai Precinct, Lao Cai City, Lao Cai Province for 30 years. Land use right is amortized using the straight-line method over the period from commencement of operations to the termination date of the right to use the land.

6. 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 pending their expenditure on qualifying assets is deducted from the cost of those assets.

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

NOTES TO THE FINANCIAL STATEMENTS

Form B 09 - DN

7. **Prepaid expenses**

Prepaid expenses are reported as short-term or long-term prepaid expenses on the balance sheet and allocated over the period for which the amount are paid or the period in which economic benefit are generated in relation to these expenses.

8. **Payables and accruals**

Payables and accruals are recognised for amount to be paid in the future for goods and services received, whether or not billed to the Company.

9. **Provisions**

Provisions are recognised when: (i) the Company has a present obligation (legal or constructive) as a result of a past event; (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (iii) a reliable estimate can be made of the amount of the obligation.

10. **Owners' equity**

Owners' equity are stated at actually contributed capital of owners.

Retained earnings are the profits of business operations after deduction regulated items due to applying a change in accounting retrospectively or to make a retrospective restatement to correct materiality in previous year.

11. **Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding trade discount, rebate and sales return.

**Revenue recognition**

Revenue at the playing table is recognized upon differences between chips at the closing and chips at the opening in each playing table plus (+) chips transferred from the playing table to cage minus (-) chips transferred from the cage to the playing table.

Revenue from business activities by slot machines represents the amount received over the exchange counter less the amount returned to customers.

**Sales of goods**

Sale of goods are recognized if they simultaneously meet the following conditions: (i) The Company has transferred the majority of risks and benefits associated with the right to own the products or goods to the buyer; (ii) The Company no longer holds the right to manage the goods as the goods owner, or the right to control the goods; (iii) Sale can be reliably measured; (iv) The Company has gained or will gain economic benefits from the good sale transaction; and (v) It is possible to determine the costs related to the goods sale transaction.

**Sales from service provision**

Sales from service provision transactions are recognised when the results of these transactions are determined in a reliable way. The result of a service provision transaction are determined only when it satisfies all the following conditions: (i) Sale can be reliably measured; (ii) It is possible to obtain economic benefits from the service provision transaction; (iii) The work volume finished on the date of making the accounting balance sheet can be determined; and (iv) The costs incurred from the service provision transaction and the costs of its completion can be determined.

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11. Revenue (continued)

*Income from interests, royalties, distributed dividends and profits*

Income arising from interests, royalties, distributed dividends and profits of the Company are recognised if they simultaneously satisfy the following conditions: (i) It is possible to obtain economic benefits from the concerned transactions; and (ii) Income can be reliably measured.

12. Foreign currencies

The Company applies the method of recording foreign exchange differences in accordance with Circular No.18/2011/TT-BTC dated 10 February 2011 issued by the Ministry of Finance. Accordingly, transactions arising in foreign currencies are translated at exchange rates ruling at the transaction date. Foreign exchange differences arising from these transactions are recognised in the income statement.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange prevailing on the balance sheet date and are accounted for as follows:

- Foreign exchange differences arising from revaluation of monetary items, receivables denominated in foreign currencies at the balance sheet date are recorded in the balance sheet in the "foreign exchange reserve" item under the Owner's equity section.

- Foreign exchange differences arising from revaluation of payables are recorded in the income statement for the reporting period.

The recognition of foreign exchange differences in accordance with Circular No. 18/2011/TT-BTC differs from that as regulated in Vietnamese Accounting Standard No. 10 (VAS 10) "Effects of changes in foreign exchange rates". According to VAS 10, all foreign exchange differences arising from revaluation of balances denominated in foreign currencies at the balance sheet date are recognized in the income statement. The Board of Directors has decided to recognise foreign exchange differences as guided in Circular No. 18/2011/TT-BTC and believes that such application and disclosure of differences at the same time, in the case where the Company would apply VAS 10, may provide more information to users of the Financial Statements. Accordingly, the adoption of Circular No. 18/2011/TT-BTC in recording foreign exchange differences makes the Company's profit before tax for the year ended unchanged, but not material on the Financial Statements of the Company.

13. Taxation

*Current income tax*

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

The determination of the current income tax 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.

*Deferred tax*

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.

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13. Taxation (continued)

*Deferred tax (continued)*

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.

*Other taxes*

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

V. ADDITIONAL INFORMATION FOR ITEMS SHOWN IN THE BALANCE SHEET

1. Cash

|                      | Ending balance<br>VND  | Beginning balance<br>VND |
|----------------------|------------------------|--------------------------|
| Cash on hand         | 84,177,693,882         | 51,678,401,904           |
| Cash in bank         | 8,669,217,377          | 6,723,950,691            |
| Cash in transit      | 21,373,958,846         | 12,296,457,178           |
| Cash equivalents (*) | 112,816,439,749        | 47,812,089,672           |
| <b>Total</b>         | <b>227,037,309,854</b> | <b>118,510,899,445</b>   |

(\*) Cash equivalents are deposits with period less than 03 months at the Bank with an interest rate of 0.5%/year in USD, 14%/year and 6%/year for deposits of less than 1 month for deposits in VND.

2. Short-term investments

|                             | Ending balance<br>VND | Beginning balance<br>VND |
|-----------------------------|-----------------------|--------------------------|
| Short-term deposit in banks | 9,871,361,654         | 2,347,400,000            |
| <b>Total</b>                | <b>9,871,361,654</b>  | <b>2,347,400,000</b>     |

Short-term deposits in banks with term over 03 months with an interest rate of 0.5%/year for deposits in USD and 14%/year for deposits in VND.

3. Inventory

|                       | Ending balance<br>VND | Beginning balance<br>VND |
|-----------------------|-----------------------|--------------------------|
| Raw materials         | 353,548,567           | 340,020,042              |
| Tools                 | 1,372,899,107         | 1,221,333,421            |
| Merchandies inventory | 1,184,431,997         | 683,942,273              |
| <b>Total</b>          | <b>2,910,879,671</b>  | <b>2,245,295,736</b>     |

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4. Tangible fixed assets

|                                 | Building and<br>structure<br>VND | Machinery and<br>equipment<br>VND | Motor<br>vehicles<br>VND | Office furniture and<br>equipment<br>VND | Others<br>VND        | Total<br>VND          |
|---------------------------------|----------------------------------|-----------------------------------|--------------------------|--|----------------------|-----------------------|
| <b>COST</b>                     |                                  |                                   |                          |  |                      |                       |
| As at beginning balance         | 23,391,699,197                   | 25,555,538,084                    | 1,681,429,867            | 1,311,245,527                            | 279,419,480          | 52,219,332,155        |
| Additions                       | -                                | 2,078,400,700                     | 2,025,641,732            | 496,963,500                              | 1,884,231,235        | 6,485,237,167         |
| Procurement                     | -                                | 2,078,400,700                     | 1,773,664,000            | 496,963,500                              | 1,884,231,235        | 6,233,259,435         |
| Others                          | -                                | -                                 | 251,977,732              | -  | -                    | 251,977,732           |
| Decrease                        | -                                | 1,065,369,338                     | 366,761,905              | 356,821,636                              | 144,360,000          | 1,933,312,879         |
| Disposal                        | -                                | -                                 | 366,761,905              | -  | -                    | 366,761,905           |
| Others                          | -                                | 1,065,369,338                     | -                        | 356,821,636                              | 144,360,000          | 1,566,550,974         |
| As at closing balance           | <u>23,391,699,197</u>            | <u>26,568,569,446</u>             | <u>3,340,309,694</u>     | <u>1,451,387,391</u>                     | <u>2,019,290,715</u> | <u>56,771,256,443</u> |
| <b>ACCUMULATED DEPRECIATION</b> |                                  |                                   |                          |  |                      |                       |
| As at beginning balance         | 6,688,122,639                    | 25,279,715,995                    | 509,525,670              | 931,841,795                              | 31,463,034           | 33,440,669,133        |
| Additions                       | 982,563,327                      | 423,773,097                       | 390,992,145              | 262,443,880                              | 351,883,583          | 2,411,656,032         |
| Depreciated amount              | 982,563,327                      | 423,773,097                       | 390,992,145              | 262,443,880                              | 351,883,583          | 2,411,656,032         |
| Decrease                        | -                                | 1,065,369,338                     | 366,761,905              | 356,821,636                              | 24,060,000           | 1,813,012,879         |
| Disposal                        | -                                | -                                 | 366,761,905              | -  | -                    | 366,761,905           |
| Others                          | -                                | 1,065,369,338                     | -                        | 356,821,636                              | 24,060,000           | 1,446,250,974         |
| As at closing balance           | <u>7,670,685,966</u>             | <u>24,638,119,754</u>             | <u>533,755,910</u>       | <u>837,464,039</u>                       | <u>359,286,617</u>   | <u>34,039,312,286</u> |
| <b>NET BOOK VALUE</b>           |                                  |                                   |                          |  |                      |                       |
| As at beginning balance         | <u>16,703,576,558</u>            | <u>275,822,089</u>                | <u>1,171,904,197</u>     | <u>379,403,732</u>                       | <u>247,956,446</u>   | <u>18,778,663,022</u> |
| As at closing balance           | <u>15,721,013,231</u>            | <u>1,930,449,692</u>              | <u>2,806,553,784</u>     | <u>613,923,352</u>                       | <u>1,660,004,098</u> | <u>22,731,944,157</u> |

Cost of fixed assets fully depreciated but still using as at 31/12/2011 with the amount of VND24,665,287,583.

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5. Intangible fixed assets

|                                 | Land using-right<br>VND | Others<br>VND      | Total<br>VND         |
|---------------------------------|-------------------------|--------------------|----------------------|
| <b>COST</b>                     |                         |                    |                      |
| As at beginning balance         | 1,111,271,562           | 261,839,909        | 1,373,111,471        |
| Additions                       | -                       | -                  | -                    |
| <i>Procurement</i>              | -                       | -                  | -                    |
| Decrease                        | -                       | -                  | -                    |
| <i>Disposal</i>                 | -                       | -                  | -                    |
| As at closing balance           | <u>1,111,271,562</u>    | <u>261,839,909</u> | <u>1,373,111,471</u> |
| <b>ACCUMULATED DEPRECIATION</b> |                         |                    |                      |
| As at beginning balance         | 305,599,642             | 59,235,370         | 364,835,012          |
| Additions                       | 37,042,380              | 78,604,539         | 115,646,919          |
| <i>Depreciated amount</i>       | 37,042,380              | 78,604,539         | 115,646,919          |
| Decrease                        | -                       | -                  | -                    |
| <i>Disposal</i>                 | -                       | -                  | -                    |
| As at closing balance           | <u>342,642,022</u>      | <u>137,839,909</u> | <u>480,481,931</u>   |
| <b>NET BOOK VALUE</b>           |                         |                    |                      |
| As at beginning balance         | <u>805,671,920</u>      | <u>202,604,539</u> | <u>1,008,276,459</u> |
| As at closing balance           | <u>768,629,540</u>      | <u>124,000,000</u> | <u>892,629,540</u>   |

6. Construction in progress

|  | Ending balance<br>VND | Beginning balance<br>VND |
|--|-----------------------|--------------------------|
| Four star Hotel project at Laocai City | 50,934,491,688        | 6,258,092,225            |
| <b>Total</b>                           | <u>50,934,491,688</u> | <u>6,258,092,225</u>     |

7. Long-term prepaid expenses

|                   | Current year<br>VND  | Previous year<br>VND |
|-------------------|----------------------|----------------------|
| Beginning balance | 829,347,021          | 1,006,715,739        |
| Additions         | 4,052,028,546        | 1,025,088,886        |
| Amorttization     | (2,709,620,943)      | (1,184,577,065)      |
| Other disposals   | (50,526,443)         | (17,880,539)         |
| Ending balance    | <u>2,121,228,181</u> | <u>829,347,021</u>   |

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8. Short-term loans

|                                    | Ending balance<br>VND | Beginning balance<br>VND |
|------------------------------------|-----------------------|--------------------------|
| Current portion of long-term loans | 992,766,620           | 23,830,673,932           |
| <b>Total</b>                       | <b>992,766,620</b>    | <b>23,830,673,932</b>    |

The current portion of long-term loan represent the loan from Donaco Singapore Private Limited with the amount of USD47,665. The principal repaid shall be determined annually based on Appendix of the contract. The purpose of this loan is to fund the working capital and it is not secured.

9. Taxes and amounts payable to the state budget

|                      | Ending balance<br>VND | Beginning balance<br>VND |
|----------------------|-----------------------|--------------------------|
| Value added tax      | 13,188,159,296        | 3,095,875,083            |
| Special salesTax     | 41,819,957,103        | 9,029,725,838            |
| Corporate income tax | 42,565,667,457        | 14,260,324,517           |
| Personal income tax  | 288,849,167           | 34,918,480               |
| <b>Total</b>         | <b>97,862,633,023</b> | <b>26,420,843,918</b>    |

10. Other current payables

|                                    | Ending balance<br>VND | Beginning balance<br>VND |
|------------------------------------|-----------------------|--------------------------|
| Trade union fees                   | 16,203,000            | 8,297,400                |
| Social insurance, health insurance | 13,038,380            | -                        |
| Short- term deposits               | 342,523,620           | 143,108,620              |
| Floating chips (*)                 | 65,707,092,315        | 18,785,456,136           |
| Transfer of project implementation | -                     | 5,452,416,000            |
| Other current payables             | 15,044,091            | 188,820,091              |
| <b>Total</b>                       | <b>66,093,901,406</b> | <b>24,578,098,247</b>    |

(\*) Number of floating chips is determined by the difference between the number of chips registered with State Authorities and the actual chips counted in Casino as at 31 December.

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11. Owner's equity

11.1. Change in owner's equity

|                           | Legal capital  | Retained earnings |
|---------------------------|----------------|-------------------|
|                           | VND            | VND               |
| At the beginning of 2010  | 27,659,711,136 | 19,437,800,321    |
| Increase                  | -              | 28,360,568,330    |
| Capital Increase          | -              | -                 |
| Profit                    | -              | 28,360,568,330    |
| Decrease                  | -              | -                 |
| Dividend declared         | -              | -                 |
| Loss                      | -              | -                 |
| At the ending of 2010     | 27,659,711,136 | 47,798,368,651    |
| Increase                  | -              | 132,348,674,714   |
| Capital Increase          | -              | -                 |
| Profit                    | -              | 132,348,674,714   |
| Decrease                  | -              | 33,000,000,000    |
| Dividend declared (*)     | -              | 32,000,000,000    |
| Located to the funds (**) | -              | 1,000,000,000     |
| At the ending of 2011     | 27,659,711,136 | 147,147,043,365   |

(\*) During the year, the Company paid the dividends of years 2009 and 2010 to the members according to the Board of Members' Resolutions No.01/2011 and No.02/2011 dated 15/02/2011 of the Members.

(\*\*) The company temply located Welfare and Bonus Funds according to Decision No. 48/QĐ-CT dated 28/12/2011 of General Director.

11.2. Charter and Investment capital

According to the Company's amended Investment License, the Company's total investment and Charter capital are USD 5,700,000 and USD 1,800,000 respectively. The Charter capital contributions by the shareholders as at 31 December 2011 were as follows:

|                                | Per Investment License |     | Contributed Capital as at 31/12/2011 |                |
|--------------------------------|------------------------|-----|--------------------------------------|----------------|
|                                | USD                    | %   | USD                                  | VND            |
| Donaco Singapore PTE LTD       | 1,350,000              | 75  | 1,350,000                            | 20,655,150,000 |
| Sapa Petroleum Tourism Company | 450,000                | 25  | 450,000                              | 7,004,561,136  |
| Total                          | 1,800,000              | 100 | 1,800,000                            | 27,659,711,136 |

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VI. ADDITIONAL INFORMATION FOR ITEMS SHOWN IN THE INCOME STATEMENT

1. Net sales of merchandise and services

|                                   | Current year<br>VND    | Previous year<br>VND  |
|-----------------------------------|------------------------|-----------------------|
| Sales of finished goods           | 266,259,491,353        | 88,758,788,836        |
| Revenue from Restaurant and Hotel | 10,473,050,635         | 6,926,307,636         |
| Revenue from Casino               | 255,786,440,718        | 81,832,481,200        |
| Deductions                        | 59,072,493,140         | 18,924,066,840        |
| Special Consumption Tax           | 59,072,493,140         | 18,924,066,840        |
| <b>Total</b>                      | <b>207,186,998,213</b> | <b>69,834,721,996</b> |

2. Financial Income

|                                | Current year<br>VND   | Previous year<br>VND  |
|--------------------------------|-----------------------|-----------------------|
| Bank and FDs interest          | 5,888,667,519         | 1,203,775,339         |
| Realized foreign exchange gain | 23,554,901,087        | 9,041,709,861         |
| Others                         | 21,340,552            | 52,448,377            |
| <b>Total</b>                   | <b>29,464,909,158</b> | <b>10,297,933,577</b> |

3. Financial expenses

|                                  | Current year<br>VND  | Previous year<br>VND |
|----------------------------------|----------------------|----------------------|
| Loan interest expense            | 692,864,100          | 928,235,700          |
| Unrealized foreign exchange loss | 3,786,698,790        | 3,424,232,482        |
| Others                           | 12,885,689           | -                    |
| <b>Total</b>                     | <b>4,492,448,579</b> | <b>4,352,468,182</b> |

4. Corporate income tax expense

The Company's tax reporting will be subject to inspection by the tax authorities. Because the application of laws and tax rules can be interpreted in different ways, the amounts presented on the Financial Statements may be subject to final determination by the tax authorities.

4.1 Tax rate

Corporate income tax rate is 25%.

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4.2. Corporate income tax expense

|                                       | Current year<br>VND   | Previous year<br>VND |
|---------------------------------------|-----------------------|----------------------|
| Corporate income tax for the year     |                       |                      |
| Net profit/(loss) before tax          | 176,664,342,171       | 37,953,426,714       |
| Adjustments for taxable income        |                       |                      |
| Add : - Non-deductible expenses       | 598,327,657           | 418,006,821          |
| Assessable income current year        | 177,262,669,828       | 38,371,433,535       |
| Tax rate                              | 25%                   | 25%                  |
| Current corporate income tax expenses | 44,315,667,457        | 9,592,858,384        |
| <b>Total</b>                          | <b>44,315,667,457</b> | <b>9,592,858,384</b> |

VII. Other informations

Comparative figures

Financial Statements for the year ended 31 December 2010 have been audited by Audit and Financial Consulting Company & Associates (now is Kreston ACA Vietnam Auditing Co.,Ltd).



Tan lam Howi  
 General Director  
 Lao Cai, 05 March 2012

Tran Quoc Hung  
 Deputy General Director

Nguyen Thi Tuyet  
 Chief Accountant