

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

**AUDITED FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM 1 JANUARY 2009 TO 30 JUNE 2009**

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## **STATEMENT OF THE BOARD OF DIRECTORS**

The Board of Directors of Royal International Corporation (“the Company”) presents this report together with the Company’s audited financial statements for the period from 1 January 2009 to 30 June 2009.

### **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. Nguyen Chinh Nghia	Chairman
Ms. Ngo Thu Mat	Member
Mr. Nghiem Cong Hao	Member
Mr. Quach Phi Long	Member
Mr. Do Tri Vy	Member
Mr. Pham Ngoc Nam	Member
Ms. Nguyen Linh Chi	Member

#### **Board of Directors**

Mr. Nghiem Cong Hao	General Executive
Mr. Do Tri Vy	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 the internal control system effectively so as to minimize risk and fraud in preparing these financial statements.

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.

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,

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**Do Tri Vy**  
**General Director**

*26 September 2009*

No.: /Deloitte-AUDHN-RE

## AUDITORS' REPORT

To: **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 2009 and the related statements of income and cash flows for the period from 1 January 2009 to 30 June 2009. 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 2009 and the results of its operations and its cash flows for the period from 1 January 2009 to 30 June 2009 in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing accounting regulations in Vietnam.

Without qualifying our opinion, we should draw readers' attention to the following points:

As stated in Note 11 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 by Sheraton Hotel as at 30 June 2009 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 expensed into income statement during the year they incur. 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 that the related construction work is completed and put into use. Accordingly, the balance of these long-term prepayments as at 30 June 2009 amounted to USD 3,607,283 (as at 31 December 2008: USD 3,497,911).

## AUDITORS' REPORT (Continued)

### Opinion (Continued)

As stated in Note 2 of the Notes to the financial statements, the Company's current assets and current liabilities as at 30 June 2009 were approximately USD 16 million and 9 million, respectively. Current assets included USD 10 million of receivables from Casino guests, which have low turnover (0.7 cycle/year, determined by:  $[Casino\ revenue/Receivables\ from\ Casino\ guests] \times [365/Number\ of\ days\ in\ the\ period]$ ). Management's plans concerning these matters are also discussed in Note 2 of the Notes to the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As stated in Note 23 of the Notes to the financial statements, in accordance with Circular No. 84/2008/TT-BTC dated 30 September 2008 with effect from 1 January 2009, personal income tax was imposed on wins from casino with amount greater than VND 10,000,000 at the rate of 10%. However, as the Company had not received guidance from the local tax authority on calculation method of personal income tax in accordance with Circular No. 84/2008/TT-BTC and Circular No. 164/2009/TT-BTC providing detailed guidance on personal income tax on the winnings of prize based games was not issued until 13 August 2009 and came into effect after 45 days therefrom, the Company will start to withhold and pay personal income tax from the effective date of Circular No. 164/2009/TT-BTC. The determination of the tax payable for the period from 1 January 2009 to 30 June 2009 depends on the final decision of the tax authority. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our audit is performed to express an opinion on the accompanying statutory financial statements as a whole. The supplementary information from pages 24 to 45 is for the Company's internal use only, and does not constitute an integral part of the statutory financial statements. The Board of Directors is responsible for the supplementary information. The supplementary 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.

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

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

26 September 2009  
Hanoi, S.R. Vietnam

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

**BALANCE SHEET**

As at 30 June 2009

FORM B 01-DN

Unit: USD

ASSETS	Codes	Notes	30/06/2009	31/12/2008
<b>A. CURRENT ASSETS</b> (100=110+130+140+150)	<b>100</b>		<b>15,938,900</b>	<b>17,460,505</b>
<b>I. Cash</b>	<b>110</b>	<b>4</b>	<b>298,190</b>	<b>198,146</b>
1. Cash	111		298,190	198,146
<b>II. Short-term receivables</b>	<b>130</b>		<b>14,320,797</b>	<b>15,667,015</b>
1. Trade accounts receivable	131	5	10,580,103	10,049,639
2. Advances to suppliers	132		3,714,635	5,530,127
3. Other receivables	135		26,059	87,249
<b>III. Inventories</b>	<b>140</b>	<b>6</b>	<b>1,188,934</b>	<b>1,411,540</b>
1. Inventories	141		1,207,668	1,430,274
2. Provision for devaluation of inventories	149		(18,734)	(18,734)
<b>IV. Other current assets</b>	<b>150</b>		<b>130,979</b>	<b>183,804</b>
1. Short-term prepayments	151		69,746	87,133
2. VAT deductibles	152		-	68,507
3. Other current assets	158		61,233	28,164
<b>B. NON-CURRENT ASSETS</b> (200 = 220+250+260)	<b>200</b>		<b>42,336,086</b>	<b>38,134,048</b>
<b>I. Fixed assets</b>	<b>220</b>		<b>38,108,914</b>	<b>34,036,499</b>
1. Tangible fixed assets	221	7	21,056,080	18,218,016
- Cost	222		26,423,407	23,133,618
- Accumulated depreciation	223		(5,367,327)	(4,915,602)
2. Intangible fixed assets	227	8	2,999,849	3,129,156
- Cost	228		4,706,951	4,706,951
- Accumulated amortisation	229		(1,707,102)	(1,577,795)
3. Construction in progress	230	9	14,052,985	12,689,327
<b>II. Long-term financial investments</b>	<b>250</b>		<b>419,411</b>	<b>419,411</b>
1. Other long-term investments	258	10	419,411	419,411
<b>III. Other non-current assets</b>	<b>260</b>		<b>3,807,761</b>	<b>3,678,138</b>
1. Long-term prepayments	261	11	3,807,761	3,678,138
<b>TOTAL ASSETS (270 = 100 + 200)</b>	<b>270</b>		<b>58,274,986</b>	<b>55,594,553</b>

The notes set out on pages 9 to 23 are an integral part of these financial statements

**BALANCE SHEET (Continued)**

*As at 30 June 2009*

FORM B 01-DN

Unit: USD

RESOURCES	Codes	Notes	30/06/2009	31/12/2008
<b>A. LIABILITIES (300=310+330)</b>	<b>300</b>		<b>12,279,446</b>	<b>10,122,817</b>
<b>I. Current liabilities</b>	<b>310</b>		<b>9,453,938</b>	<b>9,130,474</b>
1. Short-term loans and liabilities	311	12	3,344,179	2,375,933
2. Trade accounts payable	312		1,833,047	1,692,271
3. Advance from customers	313		9,273	11,872
4. Taxes and amounts payable to the State budget	314	13	3,119,104	2,117,764
5. Payables to employees	315		213,086	318,591
6. Accrued expenses	316		33,179	21,736
7. Other current payables	319		902,070	2,592,307
<b>II. Long-term liabilities</b>	<b>330</b>		<b>2,825,508</b>	<b>992,343</b>
1. Long-term loans and liabilities	334	14	1,880,715	59,597
2. Provision for severance allowance	336		330,119	329,652
3. Other long-term payables	333		614,674	603,094
<b>B. EQUITY (400=410)</b>	<b>400</b>		<b>45,995,540</b>	<b>45,471,736</b>
<b>I. Shareholders' equity</b>	<b>410</b>	<b>15</b>	<b>45,995,540</b>	<b>45,471,736</b>
1. Chartered capital	411		35,172,907	32,137,799
2. Share premium	412		8,522,698	11,700,833
3. Financial reserve funds	418		398,937	379,217
4. Retained earnings	420		1,900,998	1,253,887
<b>TOTAL RESOURCES (440 = 300+ 400)</b>	<b>440</b>		<b>58,274,986</b>	<b>55,594,553</b>

Do Tri Vy  
 General Director

26 September 2009

Nguyen Linh Chi  
 Chief Accountant

**INCOME STATEMENT**

*For the period from 1 January 2009 to 30 June 2009*

**FORM B 02-DN**

Unit: USD

ITEMS	Codes	Notes	For the period	For the period
			from 01/01/2009 to 30/06/2009	from 01/01/2008 to 30/06/2008
<b>1. Gross sales of merchandise and services</b>	01		<b>5,155,640</b>	<b>5,845,785</b>
2. Less deductions	02		810,087	695,981
<i>Special consumption tax</i>	08		<i>810,087</i>	<i>695,981</i>
<b>3. Net sales of merchandise and services</b>	10	<b>16</b>	<b>4,345,553</b>	<b>5,149,804</b>
4. Cost of goods sold	11		1,674,020	1,577,639
<b>5. Gross profit from sales of merchandise and services</b>	<b>20</b>		<b>2,671,533</b>	<b>3,572,165</b>
<b>6. Financial income</b>	<b>21</b>		<b>341,784</b>	<b>176,668</b>
<b>7. Financial expenses</b>	<b>22</b>		<b>370,851</b>	<b>263,411</b>
<b>8. Selling expenses</b>	<b>24</b>		<b>681,385</b>	<b>982,405</b>
<b>9. General and administration expenses</b>	<b>25</b>		<b>970,872</b>	<b>1,132,649</b>
<b>10. Operating profit</b> (30 = 20+(21-22)-(24+25))	<b>30</b>		<b>990,209</b>	<b>1,370,368</b>
<b>11. Other income</b>	<b>31</b>	<b>17</b>	<b>54,349</b>	<b>206,942</b>
<b>12. Other expenses</b>	<b>32</b>	<b>17</b>	<b>87,771</b>	<b>589,581</b>
<b>13. Loss from other activities (40=31-32)</b>	<b>40</b>		<b>(33,422)</b>	<b>(382,639)</b>
<b>14. Accounting profit before tax (50=30+40)</b>	<b>50</b>		<b>956,787</b>	<b>987,729</b>
15. Current tax expense	51	<b>18</b>	284,040	153,465
<b>16. Net profit after tax (60=50-51)</b>	<b>60</b>		<b>672,747</b>	<b>834,264</b>
17. Earnings per share	70	<b>19</b>	0.02	0.03

**Do Tri Vy**  
**General Director**

*26 September 2009*

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

**CASH FLOW STATEMENT***For the period from 1 January 2009 to 30 June 2009***FORM B 03-DN**

Unit: USD

ITEMS	Codes	For the period	For the period
		from 01/01/2009 to 30/06/2009	from 01/01/2008 to 30/06/2008
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>1. Profit before tax</b>	01	<b>956,787</b>	<b>987,729</b>
<b>2. Adjustments for:</b>			
Depreciation and amortisation	02	601,296	556,600
Unrealized foreign exchange difference	04	142,742	-
Loss from disposals of fixed assets	05	3,956	34,667
Interest expenses	06	180,378	205,684
<b>3. Operating profit before movements in working capital</b>	<b>08</b>	<b>1,885,159</b>	<b>1,784,680</b>
Decrease/(Increase) in receivables	09	1,170,515	(818,853)
Decrease/(Increase) in inventories	10	222,606	(341,511)
(Decrease)/Increase in accounts payable	11	(2,965,803)	1,626,800
Decrease/(Increase) in prepaid expenses	12	52,825	(84,163)
Interest paid	13	(209,156)	(195,760)
Corporate income tax paid	14	-	(27,769)
Other cash inflows/(outflows)	16	467	(24,872)
<b>Net cash from operating activities</b>	<b>20</b>	<b>156,613</b>	<b>1,918,552</b>
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
1. Acquisition of fixed assets and other long-term assets	21	(2,855,038)	(3,809,197)
2. Proceeds from sales of fixed assets and other long-term assets	22	9,104	4,574
<b>Net cash used in investing activities</b>	<b>30</b>	<b>(2,845,934)</b>	<b>(3,804,623)</b>
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
1. Proceeds from borrowings	33	5,326,653	2,800,803
2. Repayment of borrowings	34	(2,537,288)	(1,728,461)
3. Dividends paid	36	-	-
<b>Net cash from financing activities</b>	<b>40</b>	<b>2,789,365</b>	<b>1,072,342</b>
<b>Net increase/(decrease) in cash</b>	<b>50</b>	<b>100,044</b>	<b>(813,729)</b>
<b>Cash at the beginning of the period</b>	<b>60</b>	<b>198,146</b>	<b>1,197,035</b>
<b>Cash at the end of the period</b>	<b>70</b>	<b>298,190</b>	<b>383,306</b>

**Non-cash transactions disclosure**

Cash outflows for purchases of fixed assets and construction in progress during the period exclude an amount of USD 1,492,474 (2008: USD 1,663,523) representing an addition in fixed assets during the period that has not been paid yet and included an amount of USD 3,705,466 (2008: USD 3,884,528) advances to suppliers for purchasing of fixed assets. Consequently, changes in accounts payable and receivable have been adjusted by the same amounts.

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**Do Tri Vy**  
General Director

26 September 2009

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**Nguyen Linh Chi**  
Chief Accountant

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*The notes set out on pages 9 to 23 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 on the conversion of a number of foreign invested enterprises into joint-stock companies by the Government of Vietnam 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 approved Investment License No. 953 CPH/GP to change Royal International Joint Venture Company into Royal International Corporation (foreign invested joint-stock company) with the share 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 1 July 2008, the People's Committee of Quang Ninh Province issued Investment Certificate No. 221.032.000.118 to the Company. On 30 October 2008, the Company obtained the first amended Investment Certificate approving the increase in the Company's chartered capital. Accordingly, the face value per share, chartered capital, and the total number of shares are changed as follows:

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

The Company's number of employees as at 30 June 2009 was 1,329 (31 December 2008: 1,240).

**Operating industry and principal activities**

The Company operates in the hospitality industry.

The principal activities of the Company are to build and operate a 4-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 is an authorized 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 accounting 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 have been prepared assuming that the Company will continue as a going concern. As at 30 June 2009, the Company's current assets and current liabilities were approximately USD 16 million and 9 million, respectively. However, current assets included USD 10 million of receivables from Casino guests, which have low turnover (0.7 cycle/year, determined by:  $[Casino\ revenue/Receivables\ from\ Casino\ guests] \times [365/Number\ of\ days\ in\ the\ period]$ ).

The Boards of Management and Directors believe that the financial statements should be prepared on a going concern basis as the Company has prepared a cash flow forecast for the foreseeable future (including collection of Casino receivables as these amounts were not overdue as at 30 June 2009) and Kai Chieh International Investment Ltd, the largest shareholder of the Company, committed to continue with financial support to ensure the Company's solvency to its current liabilities in a foreseeable future.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****FORM B 09-DN***These notes are an integral part of and should be read in conjunction with the accompanying financial statements***2. ACCOUNTING CONVENTION AND ACCOUNTING PERIOD (Continued)****Accounting convention (Continued)**

As such, the Company's solvency depends on the recoverability of Casino receivables, the ability to generate cash inflows in the foreseeable future and the financial support from Kai Chieh International Investment Ltd.

**Accounting period**

The Company's financial year begins on 1 January and ends on 31 December. This report is the interim financial report for the period from 1 January 2009 to 30 June 2009.

**3. 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 accounting 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.

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

The Company has established a credit policy approved by the General Director and the Chairman of the Board of Management. Accordingly, credit is only provided to Casino gaming guests in a limited amount, within a certain period of time and upon the approval of the Company's General Director and the Chairman of the Board of Management. All credits provided are guaranteed by the Chairman of the Board of Management. Casino gaming guests are provided credit in the form of cash or casino chips to play at the Royal International Gaming Club. Repayments by these guests are made in the form of casino chips or cash.

On 1 July 2009, the Board of Management approved the new credit policy for Royal International Gaming Club, with effect from 1 July 2009. Under the policy, the General Director is authorized by the Board of Management to approve credits to guests of the Gaming Club with total credit limit of USD 9,000,000. Credit is only granted based on assessment of the guest's financial position. The General Director is fully responsible to the Board of Management and the shareholders for granting and collection of credits to guests and agencies.

**Receivables and provision for doubtful debts**

Provision for doubtful debts is made for receivables that are overdue for three 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.

As stated in Note 5 of the Notes to the financial statements, the Company did not make provision for receivables from Casino gaming guests as at 30 June 2009 since the Chairman of the Board of Management committed to pay on behalf of guests if they did not repay the debts.

**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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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>Inventory categories</b>	<b>Costing method</b>
Food	First in, first out
Beverage	Weighted average
Artwork	Specific identified cost
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 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 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 tangible fixed assets constructed by contractors are the finally accounted cost of the work, directly related expenses and registration fee, if any.

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 and structures	35
Machinery and equipment	5 - 12
Office equipment	5 - 12
Motor vehicles	8 - 12
Others	4 - 12

**Intangible fixed assets and amortisation**

***Land use right***

Intangible fixed assets represent land use right that is stated at cost less accumulated amortization. The Company's land use right pertains 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 right is amortised using the straight-line method over the duration of the right to use the land.

***Accounting Software***

Accounting software are recorded at cost and amortised using the straight-line method over their estimated useful lives.

**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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****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.

**Long-term prepayments**

Long-term prepayments include the remainder of pre-operating expenses, deferred 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 expenses. Accordingly, the Company has yet to commence allocation of its pre-operating expenses relating to the Four Point by Sheraton Hotel into general and administration expenses, since the hotel construction had not been completed at the balance sheet date.
  - + Pre-operating expenses of construction works which have already been completed and put into use are continued to be allocated to operating expenses over three (03) years, from the start-of-use date.
- Tools and supplies that are used for a number of business cycles are allocated to expense at the annual rate of 30% per year.

**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**

Transactions arising in currencies other than US Dollars are translated at exchange rate ruling at the transaction date. Foreign exchange differences arising from these transactions are recognised in the income statement.

Monetary assets and receivables, liabilities denominated in foreign currencies other than US Dollars 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 shareholders.

**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. 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.

**Taxation**

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

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

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' examination.

For 2008 and previous years, the Company paid income tax based on fixed amounts under Decision No. 4097/QD-BTC dated 11 November 2005 by the Ministry of Finance. From 1 January 2009, the Company is obliged to pay corporate income tax at the rate of 25% of its taxable income.

Deferred tax is recognized 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 are accounted for using balance sheet liability method. Deferred tax liabilities are generally recognized for all temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. 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.

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

**Financial Statements**

For the period from 1 January 2009 to 30 June 2009

**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. CASH**

	<u>30/06/2009</u>	<u>31/12/2008</u>
	USD	USD
Cash on hand	205,575	153,815
Cash in bank	91,709	37,976
Cash in transit	906	6,355
	<u>298,190</u>	<u>198,146</u>

**5. TRADE ACCOUNTS RECEIVABLE**

	<u>30/06/2009</u>	<u>31/12/2008</u>
	USD	USD
Receivables of Royal International Gaming Club (*)	10,404,494	9,683,401
Other operating receivables	175,609	366,238
	<u>10,580,103</u>	<u>10,049,639</u>

(\*) These are receivables from the casino's gaming guests. Casino gaming guests are provided credit in the form of cash or casino chips to play at the Royal International Gaming Club. Repayments by these guests are made in the form of casino chips or cash. All credits provided are guaranteed by the Chairman of the Board of Management and were not overdue as at 30 June 2009. On 20 July 2009, Mr. Nguyen Chinh Nghia, the Chairman of the Company committed to fully recover the balance of outstanding credits accumulated to 30 June 2009. According to the commitment, the balance will be reduced to USD 6,000,000 by 31 December 2009 and fully recovered by 31 December 2010.

**6. INVENTORIES**

	<u>30/06/2009</u>	<u>31/12/2008</u>
	USD	USD
Raw materials	962,999	1,181,527
Merchandise	244,669	248,747
	<u>1,207,668</u>	<u>1,430,274</u>
Provision for devaluation of inventories	(18,734)	(18,734)
<b>Net realizable value</b>	<u>1,188,934</u>	<u>1,411,540</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

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

## 7. TANGIBLE FIXED ASSETS

Unit: USD

	Buildings & Structures	Machinery & Equipment	Office Equipment	Motor Vehicles	Others	Total
<b>COST</b>						
As at 01/01/2009	16,824,636	4,650,745	719,935	653,930	284,372	23,133,618
Additions	8,157	64,860	49,878	49,202	3,567	175,664
Increase from CIP	3,151,828	43,164	-	-	-	3,194,992
Disposals	(6,737)	(18,350)	(7,632)	(28,369)	(19,779)	(80,867)
As at 30/06/2009	<b>19,977,884</b>	<b>4,740,419</b>	<b>762,181</b>	<b>674,763</b>	<b>268,160</b>	<b>26,423,407</b>
<b>ACCUMULATED DEPRECIATION</b>						
As at 01/01/2009	2,322,455	1,535,074	595,824	302,386	159,863	4,915,602
Charge for the period	230,169	203,735	25,653	41,581	18,409	519,547
Disposals	(1,264)	(16,876)	(8,749)	(21,155)	(19,778)	(67,822)
As at 30/06/2009	<b>2,551,360</b>	<b>1,721,933</b>	<b>612,728</b>	<b>322,812</b>	<b>158,494</b>	<b>5,367,327</b>
<b>NET BOOK VALUE</b>						
As at 30/06/2009	<b>17,426,524</b>	<b>3,018,486</b>	<b>149,453</b>	<b>351,951</b>	<b>109,666</b>	<b>21,056,080</b>
As at 31/12/2008	<b>14,502,181</b>	<b>3,115,671</b>	<b>124,111</b>	<b>351,544</b>	<b>124,509</b>	<b>18,218,016</b>

The carrying amount of the Company's building and structures, machinery and equipment as at 30 June 2009 include USD 486,918 (31 December 2008: USD 397,345) of assets which are temporarily not in use.

As stated in Note 14 of the Notes to the financial statements, the Company mortgaged one high-speed vessel for the medium-term loan from Vietnam Maritime Joint Stock Bank - Bai Chay Branch.

The cost of the Company's motor vehicles, machinery and office equipment as at 30 June 2009 includes USD 1,174,593 (31 December 2008: USD 1,226,829) of assets which have been fully depreciated but are still in use.

## 8. INTANGIBLE FIXED ASSETS

Unit: USD

	Land Use Right	Accounting Software	Total
<b>COST</b>			
As at 01/01/2009	4,650,000	56,951	4,706,951
As at 30/06/2009	<b>4,650,000</b>	<b>56,951</b>	<b>4,706,951</b>
<b>ACCUMULATED AMORTIZATION</b>			
As at 01/01/2009	1,567,301	10,494	1,577,795
Charge for the period	125,824	3,483	129,307
As at 30/06/2009	<b>1,693,125</b>	<b>13,977</b>	<b>1,707,102</b>
<b>NET BOOK VALUE</b>			
As at 30/06/2009	<b>2,956,875</b>	<b>42,974</b>	<b>2,999,849</b>
As at 31/12/2008	<b>3,082,699</b>	<b>46,457</b>	<b>3,129,156</b>

As stated in Note 12 of the Notes to the financial statements, the Company mortgaged its full land-use right for the loans from Vietinbank - Thanh Xuan Branch.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

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

## 9. CONSTRUCTION IN PROGRESS

	<b>For the period from 01/01/2009 to 30/06/2009</b>	<b>For the period from 01/01/2008 to 30/06/2008</b>
	<b>USD</b>	<b>USD</b>
At the beginning of the period	12,689,327	12,047,674
Additions	4,582,303	3,541,314
Transferred to tangible fixed assets	(3,194,992)	(1,000,458)
Other decrease	(23,653)	(95,296)
<b>At the end of the period</b>	<b>14,052,985</b>	<b>14,493,234</b>

## 10. 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. Royal International Securities Company has been granted Business Registration Certificate by the State Securities Commission of Vietnam on 6 July 2007. Management believes that there is no significant loss that could lead to any adjustment to the value of the investment as at 30 June 2009.

## 11. LONG-TERM PREPAYMENTS

	<b>30/06/2009</b>	<b>31/12/2008</b>
	<b>USD</b>	<b>USD</b>
Tool and supplies	200,478	180,227
Pre-operating expenses - the Four Points by Sheraton Hotel (*)	3,607,283	3,497,911
<b>As at the end of the period</b>	<b>3,807,761</b>	<b>3,678,138</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 by Sheraton Hotel are not allocated to expenses until the hotel commences its operation. As at 30 June 2009, this hotel had not yet come into operation.

## 12. SHORT-TERM LOANS AND LIABILITIES

	<b>30/06/2009</b>	<b>31/12/2008</b>
	<b>USD</b>	<b>USD</b>
Vietinbank - Thanh Xuan Branch (1)	1,368,626	1,766,996
Vietcombank - Bai Chay Branch (2)	1,159,999	-
Vietcombank - Quang Ninh Branch (3)	784,273	588,558
Current portion of long-term loans	31,281	20,379
	<b>3,344,179</b>	<b>2,375,933</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***12. SHORT-TERM LOANS AND LIABILITIES (Continued)**

(1) Loan from Vietinbank-Thanh Xuan Branch represents a short-term credit limit facility. This loan can be withdrawn in Vietnamese Dong up to a maximum amount of VND 30,000,000,000 and expired on 31 March 2009. This facility bears interest at 1.25%/month. Interest shall be paid on a monthly basis. The loan is mortgaged by the land use right of the Company.

(2) Loan from Vietcombank-Bai Chay Branch represents a short-term credit limit facility. This loan can be withdrawn in Vietnamese Dong up to a maximum amount of VND 20,000,000,000. This facility is secured by the Company's equipment (power allocator) and bears interest at the rate announced by Vietcombank Bai Chay at the promissory note date. Interest shall be paid on a monthly basis.

(3) Loan from Vietcombank-Quang Ninh Branch represents a short-term credit limit facility. This loan can be withdrawn in Vietnamese Dong up to a maximum amount of VND 10,000,000,000. This facility is secured by the Company's assets (power generator system and air-conditioning system of the Casino and the Royal swimming pool) and bears interest at the rate announced by Vietcombank-Quang Ninh Branch at the promissory note date. Interest shall be paid on a monthly basis.

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

	<u>30/06/2009</u>	<u>31/12/2008</u>
	USD	USD
VAT	913,663	736,669
Special consumption tax	1,649,034	1,038,337
Corporate income tax	445,472	161,432
Others	110,935	181,326
	<u>3,119,104</u>	<u>2,117,764</u>

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

	<u>30/06/2009</u>	<u>31/12/2008</u>
	USD	USD
Vietinbank-Thanh Xuan Branch (1)	1,859,664	56,469
Maritime Bank - Bai Chay Branch (2)	3,127	3,128
Eximbank Quang Ninh (3)	17,924	-
	<u>1,880,715</u>	<u>59,597</u>

(1) Long-term loan contract No. 01/2008/Sheraton dated 18 December 2008 is for building Four Points by Sheraton Hotel. This loan could be withdrawn in Vietnamese Dong up to a maximum amount of VND 70,000,000,000 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 then adjusted to 150% of the base 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 period. Principal is repayable every three months in 22 installments and in the 3<sup>rd</sup> month of each installment. The loan is mortgaged by the land use right of the Company.

(2) Medium-term loan contract No. 0074/07/BC dated 25 October 2007 is for a loan to purchase 24 seat high-speed vessel. The total loan amount was USD 33,696 for 36 months from contract date with grace period of 06 months. The loan interest rate is 6.7% per annum initially set at the promissory note date. Over-due interest rate was 150% of initially set interest rate. The loan interest can be adjusted based on the fluctuation of interest rate in the market and banking regulations. Principal is evenly paid quarterly and interest is paid on a monthly basis from 26th to the end of the month. The loan is mortgaged by the high-speed vessel acquired.

## 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. LONG-TERM LOANS AND LIABILITIES (Continued)

(3) Medium-term loan contract No. 1900-LAV-2009 dated 2 June 2009 is for a loan to purchase 2 new Hyundai Verna cars. The total loan amount was VND 603,876,000 for 24 months. The loan interest rate is based on the prevailing rate quoted by Eximbank Quang Ninh at the promissory note date. Principal is evenly paid quarterly in the amount of VND 75,000,000. Interest is paid on a monthly basis.

Medium-term loans and long-term loans are repayable as follows:

	<u>30/06/2009</u>	<u>31/12/2008</u>
	USD	USD
On demand or within one year	31,281	20,379
In the second year	1,880,715	21,095
In the third to fifth year inclusive	-	30,802
After five years	-	7,700
Less: Amount due for settlement within 12 months	(31,281)	(20,379)
Amount due for settlement after 12 months	<u>1,880,715</u>	<u>59,597</u>

## 15. 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 as at 01/01/2009</b>	<b>32,137,799</b>	<b>11,700,833</b>	<b>379,217</b>	<b>1,253,887</b>	<b>45,471,736</b>
Capital increased through share issuance	3,035,108	(3,035,108)	-	-	-
Profit for the period	-	-	-	672,747	672,747
Dividend declared	-	-	-	-	-
Distribution for funds	-	-	19,720	(19,720)	-
Remuneration for the Board of Management	-	-	-	(5,916)	(5,916)
Other adjustments	-	(143,027)	-	-	(143,027)
<b>Balance as at 30/6/2009</b>	<b><u>35,172,907</u></b>	<b><u>8,522,698</u></b>	<b><u>398,937</u></b>	<b><u>1,900,998</u></b>	<b><u>45,995,540</u></b>

On 11 April 2009, the Company's Shareholders' Meeting declared dividend in shares of USD 3,178,331 out of the share premium fund, equivalent to 10% of the share capital as at 31 December 2008. On 10 June 2009, the Company fixed the core list of shareholders to receive bonus shares. The total number of bonus shares actually distributed was 5,143,294, equivalents to VND 3,035,108. On 15 July 2009, the Ho Chi Minh City Stock Exchange approved, in principle, the additional listing of 1,415,050 shares of the Company. At the date of this report, the Company had not yet completed investment license amendment procedures.

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. SHAREHOLDERS' EQUITY (Continued)

Contributed Chartered Capital

Under the second amended Investment Certificate No. 221.032.000.118 dated 30 June 2009, the shareholders' equity structure and capital contributions by shareholders as at 30 June 2009 were as follows:

Shareholders	Per Investment Certificate '000 VND	Contributed capital as at					
		30/06/2009			31/12/2008		
		USD	'000 VND equivalent	%	USD	'000 VND equivalent	%
Mr. Nguyen Chinh Nghia	34,514,760	2,396,868	37,966,230	7%	19,072,413	304,514,760	59%
Kai Chieh International Investment Ltd.	270,000,000	18,472,516	297,000,000	52%	-	-	-
State Capital Investment Corporation	68,309,730	4,681,468	75,140,700	13%	4,278,366	68,309,730	13%
Other shareholders	141,556,640	9,622,055	155,707,140	28%	8,787,020	141,556,640	28%
<b>Total</b>	<b>514,381,130</b>	<b>35,172,907</b>	<b>565,814,070</b>	<b>100%</b>	<b>32,137,799</b>	<b>514,381,130</b>	<b>100%</b>

16. BUSINESS SEGMENTS

The Company has divided management control by business segment. The structure of the Company included 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 tickets for the park's amusement activities
- Four Points by Sheraton Hotel: accommodation for rent.

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

Balance sheet as at 30 June 2009

	Casino	Villas	Park	Four Points by Sheraton Hotel	Off-set	Total
	USD	USD	USD	USD	USD	USD
<b>Assets</b>						
Segment assets	20,446,318	8,009,384	9,333,162	19,918,074	(5,355,089)	52,351,849
Unallocated assets						5,923,137
<b>Total assets</b>						<b>58,274,986</b>
<b>Liabilities</b>						
Segment liabilities	7,697,038	2,364,757	2,325,263	4,813,398	(5,355,089)	11,845,367
Unallocated liabilities						434,079
<b>Total liabilities</b>						<b>12,279,446</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*

## 16. BUSINESS SEGMENTS (Continued)

## Income statement for the period from 1 January 2009 to 30 June 2009

	Casino	Villas	Park	Four Points by Sheraton Hotel	Off-set	Total
	USD	USD	USD	USD	USD	USD
Net sales	2,619,531	1,221,657	504,365	-	-	4,345,553
Cost of goods sold	871,922	540,381	261,717	-	-	1,674,020
<b>Gross profit</b>	<b>1,747,609</b>	<b>681,276</b>	<b>242,648</b>	<b>-</b>	<b>-</b>	<b>2,671,533</b>
Unallocated expenses						1,652,257
<b>Operating profit</b>						<b>1,019,276</b>
Investment revenues						-
Other losses						(33,422)
Loss from financial activities						(29,067)
<b>Profit before tax</b>						<b>956,787</b>
Current tax expense						284,040
<b>Profit for the period</b>						<b>672,747</b>
<b>% Total net sales</b>	<b>60 %</b>	<b>28 %</b>	<b>12 %</b>	<b>0 %</b>		<b>100 %</b>

## Balance sheet as at 31 December 2008

	Casino	Villas	Park	Four Points by Sheraton Hotel	Off-set	Total
	USD	USD	USD	USD	USD	USD
<b>Assets</b>						
Segment assets	19,834,619	7,336,840	8,715,458	18,745,888	(5,509,258)	49,123,547
Unallocated assets						6,471,006
<b>Total assets</b>						<b>55,594,553</b>
<b>Liabilities</b>						
Segment liabilities	7,548,593	1,838,966	1,764,382	3,641,214	(5,509,258)	9,283,897
Unallocated liabilities						838,920
<b>Total liabilities</b>						<b>10,122,817</b>

## Income statement for the period from 1 January 2008 to 30 June 2008

	Casino	Villas	Park	Four Points by Sheraton Hotel	Off-set	Total
	USD	USD	USD	USD	USD	USD
Net sales	2,871,942	1,882,330	395,532	-	-	5,149,804
Cost of goods sold	620,705	696,327	260,607	-	-	1,577,639
<b>Gross profit</b>	<b>2,251,237</b>	<b>1,186,003</b>	<b>134,925</b>	<b>-</b>	<b>-</b>	<b>3,572,165</b>
Unallocated expenses						2,115,054
<b>Operating profit</b>						<b>1,457,111</b>
Investment revenues						-
Other losses						(382,639)
Loss from financial activities						(86,743)
<b>Profit before tax</b>						<b>987,729</b>
Current tax expense						153,465
<b>Profit for the period</b>						<b>834,264</b>
<b>% /Total net sales</b>	<b>56 %</b>	<b>36 %</b>	<b>8 %</b>	<b>0 %</b>		<b>100 %</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*

**17. LOSS FROM OTHER ACTIVITIES**

	<b>For the period from 01/01/2009 to 30/06/2009</b>	<b>For the period from 01/01/2008 to 30/06/2008</b>
	<b>USD</b>	<b>USD</b>
Gain from difference between tax payable and fixed tax payable (*)	-	82,115
Proceeds from disposals of fixed assets	9,104	4,574
Others	45,245	120,253
<b>Other income</b>	<b>54,349</b>	<b>206,942</b>
Net book value of fixed assets disposed	13,060	34,667
Loss from difference between tax payable and fixed tax payable (*)	-	311,287
Others	74,711	243,627
<b>Other expenses</b>	<b>87,771</b>	<b>589,581</b>
<b>Loss from other activities</b>	<b>(33,422)</b>	<b>(382,639)</b>

(\*) Variances between the current tax payable and the fixed tax payable for the period from 1 January 2008 to 30 June 2008 as per Decision No. 4097/QD-BTC dated 11 November 2005 issued by the Ministry of Finance.

**18. CURRENT TAX EXPENSE**

	<b>For the period from 01/01/2009 to 30/06/2009</b>
	<b>USD</b>
<b>Income tax payable for the current period</b>	
Profit before tax	956,787
<b>Adjustments:</b>	
Less: Non-taxable incomes	(32,961)
Add: Non-deductible expenses	212,334
<b>Taxable income</b>	<b>1,136,160</b>
Effective tax rate	25%
<b>Income tax expense</b>	<b>284,040</b>

**19. EARNINGS PER SHARE**

	<b>For the period from 01/01/2009 to 30/06/2009</b>	<b>For the period from 01/01/2008 to 30/06/2008</b>
	<b>USD</b>	<b>USD</b>
Accounting profit after tax	672,747	834,264
Earnings distributed to common shareholders	672,747	834,264
Weighted average number of common shares in circulation of the period	32,491,895	25,838,989
<b>Earnings per share</b>	<b>0.02</b>	<b>0.03</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*

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

As presented in Note 1 of the Notes to financial statements, on 30 October 2008, the Company was granted with the first amended Investment Certificate No. 221.032.000.118 by the People's Committee of Quang Ninh Province that approved the increase in the Company's chartered capital. Accordingly, the face value per share, chartered capital, and the total number of shares of the Company are changed as follows:

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

As presented in Note 15 of the Notes to the financial statements, on 10 June 2009, the Company fixed the core list of shareholders to distribute bonus shares. The number of shares actually distributed was 5,143,294.

The accompanying financial statements are presented in US Dollar. Therefore, for the purpose of calculating earnings per share, the management decided to take the face value of USD 01/share to determine the weighted average number of common shares in circulation during the 6-month period ended 30 June 2009 and the 6-month period ended 30 June 2008.

**20. COMMITMENTS**

*Purchase commitment*

Up to 30 June 2009, the contracts for construction and installation, purchases of machinery and equipment, which were signed but yet to be implemented, valued at USD 1,253,646 in total (31 December 2008: USD 9,055,866).

*Land- lease commitment*

Under the Investment Certificate No. 221.032.000.118 dated 1 July 2008 by the People's Committee of Quang Ninh Province, the Company is obliged 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 13 August 1994. The rental amount will be determined based on the prevailing market rental value at the time of the lease as announced by the People's Committee of Quang Ninh Province.

**21. 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 01/01/2009 to 30/06/2009</b>	<b>For the period from 01/01/2008 to 30/06/2008</b>
	<b>USD</b>	<b>USD</b>
Amounts collected from gaming guests and advanced for purchasing contracts of hotel fixtures by Mr. Nguyen Chinh Nghia	-	60,000
Mr. Wei Ji Miu borrowed cash, chip at casino	-	1,580,000
Mr. Wei Ji Miu repaid cash, chip to casino	-	595,000
Revenue from Wei Ji Miu group guests	24,230	373,960
Revenue from Mei Lai group guests	17,949	18,177
Revenue from Kai Chieh International Investment Ltd.	16,715	-

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

**FORM B 09-DN**

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

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

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

	<u>30/06/2009</u>	<u>31/12/2008</u>
	USD	USD
<b>Receivables</b>		
Mr. Wei Ji Miu	-	75,495
Mei Lai Company (Taiwan)	341	10,202
Lang Son International J.V.	18,073	17,539
Kai Chieh International Investment Ltd.	3,953	-
Than Than Duc Lac Co., Ltd.	530,000	530,000
	<u>30/06/2009</u>	<u>31/12/2008</u>
	USD	USD
<b>Payables</b>		
Board of Management	17,899	65,836

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

	<u>For the period</u>	<u>For the period</u>
	<u>from 01/01/2009</u>	<u>from 01/01/2008</u>
	<u>to 30/06/2009</u>	<u>to 30/06/2008</u>
	USD	USD
Directors' remuneration	37,984	43,893

**22. SUBSEQUENT EVENTS**

On 1 July 2009, the Board of Management approved for the issuance of new credit policy for the Royal International Gaming Club with effect from 1 July 2009.

On 15 July 2009, Ho Chi Minh City Stock Exchange approved in principle the additional listing of 1,415,050 shares in connection to the issuance of 5,143,294 bonus shares of the Company.

On 15 August 2009, the Board of Management approved fund raising plan by issuing shares for the purpose of investing in Four Points by Sheraton Hotel, park infrastructure improvement and increasing working capital with the total issuance value of VND 226 billion or USD 12.5 million equivalentf.

**23. CONTINGENT LIABILITIES**

In accordance with Circular No. 84/2008/TT-BTC dated 30 September 2008 with effect from 1 January 2009, personal income tax was imposed on wins from casino with amount greater than VND 10,000,000 at the rate of 10%. However, as the Company had not received guidance from the local tax authority on calculation method of personal income tax in accordance with Circular No. 84/2008/TT-BTC and Circular No. 164/2009/TT-BTC providing detailed guidance on personal income tax on the winnings of prize based games was not issued until 13 August 2009 and came into effect after 45 days therefrom, the Company will start to withhold and pay personal income tax from the effective date of the Circular No. 164/2009/TT-BTC. The determination of the tax payable for the period from 1 January 2009 to 30 June 2009 depends on the final decision of the tax authority. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**24. COMPARATIVE FIGURES**

Certain reclassifications have been made to the prior period's figures to enhance their comparability with the current period's presentation.

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

**FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM 1 JANUARY 2009 TO 30 JUNE 2009**

**In the accompanying financial statements, the items in the balance sheet and the notes thereof are converted from USD into VND using the applicable average VND/USD inter-bank exchange rates of 16,953 and 16,977 on 30/06/2009 and 31/12/2008, respectively. The items in the income statement, cash flow statement and the notes thereof are converted from USD into VND using the applicable average VND/USD inter-bank exchange rates of 16,953 and 16,514 on 30/06/2009 and 30/06/2008 respectively.**

**BALANCE SHEET**

As at 30 June 2009

FORM B 01-DN

Unit: VND

ASSETS	Codes	Notes	30/06/2009	31/12/2008
<b>A. CURRENT ASSETS</b> (100=110+130+140+150)	<b>100</b>		<b>270,212,171,700</b>	<b>296,426,993,385</b>
<b>I. Cash</b>	<b>110</b>	<b>4</b>	<b>5,055,215,070</b>	<b>3,363,924,642</b>
1. Cash	111		5,055,215,070	3,363,924,642
<b>II. Short-term receivables</b>	<b>130</b>		<b>242,780,471,541</b>	<b>265,978,913,655</b>
1. Trade accounts receivable	131	5	179,364,486,159	170,612,721,303
2. Advances to suppliers	132		62,974,207,155	93,884,966,079
3. Other receivables	135		441,778,227	1,481,226,273
<b>III. Inventories</b>	<b>140</b>	<b>6</b>	<b>20,155,998,102</b>	<b>23,963,714,580</b>
1. Inventories	141		20,473,595,604	24,281,761,698
2. Provision for devaluation of inventories	149		(317,597,502)	(318,047,118)
<b>IV. Other current assets</b>	<b>150</b>		<b>2,220,486,987</b>	<b>3,120,440,508</b>
1. Short-term prepayments	151		1,182,403,938	1,479,256,941
2. VAT deductibles	152		-	1,163,043,339
3. Other current assets	158		1,038,083,049	478,140,228
<b>B. NON-CURRENT ASSETS</b> (200 = 220+250+260)	<b>200</b>		<b>717,723,665,958</b>	<b>647,401,732,896</b>
<b>I. Fixed assets</b>	<b>220</b>		<b>646,060,419,042</b>	<b>577,837,643,523</b>
1. Tangible fixed assets	221	7	356,963,724,240	309,287,257,632
- Cost	222		447,956,018,871	392,739,432,786
- Accumulated depreciation	223		(90,992,294,631)	(83,452,175,154)
2. Intangible fixed assets	227	8	50,856,440,097	53,123,681,412
- Cost	228		79,796,940,303	79,909,907,127
- Accumulated amortisation	229		(28,940,500,206)	(26,786,225,715)
3. Construction in progress	230	9	238,240,254,705	215,426,704,479
<b>II. Long-term financial investments</b>	<b>250</b>		<b>7,110,274,683</b>	<b>7,120,340,547</b>
1. Other long-term investments	258	10	7,110,274,683	7,120,340,547
<b>III. Other non-current assets</b>	<b>260</b>		<b>64,552,972,233</b>	<b>62,443,748,826</b>
1. Long-term prepayments	261	11	64,552,972,233	62,443,748,826
<b>TOTAL ASSETS (270 = 100 + 200)</b>	<b>270</b>		<b>987,935,837,658</b>	<b>943,828,726,281</b>

Supplementary information - see auditors' report on pages 3 and 4

In the accompanying financial statements, the items in the balance sheet and the notes thereof are converted from USD into VND using the applicable average VND/USD inter-bank exchange rates of 16,953 and 16,977 on 30/06/2009 and 31/12/2008, respectively. The items in the income statement, cash flow statement and the notes thereof are converted from USD into VND using the applicable average VND/USD inter-bank exchange rates of 16,953 and 16,514 on 30/06/2009 and 30/6/2008 respectively.

The notes set out on pages 29 to 45 are an integral part of these financial statements

**BALANCE SHEET (Continued)**

As at 30 June 2009

FORM B 01-DN

Unit: VND

RESOURCES	Codes	Notes	30/06/2009	31/12/2008
<b>A. LIABILITIES (300=310+330)</b>	<b>300</b>		<b>208,173,448,038</b>	<b>171,855,064,209</b>
<b>I. Current liabilities</b>	<b>310</b>		<b>160,272,610,914</b>	<b>155,008,057,098</b>
1. Short-term loans and liabilities	311	12	56,693,866,587	40,336,214,541
2. Trade accounts payable	312		31,075,645,791	28,729,684,767
3. Advance from customers	313		157,205,169	201,550,944
4. Taxes and amounts payable to the	314	13	52,878,170,112	35,953,279,428
5. Payables to employees	315		3,612,446,958	5,408,719,407
6. Accrued expenses	316		562,483,587	369,012,072
7. Other current payables	319		15,292,792,710	44,009,595,939
<b>II. Long-term liabilities</b>	<b>330</b>		<b>47,900,837,124</b>	<b>16,847,007,111</b>
1. Long-term loans and liabilities	334	14	31,883,761,395	1,011,778,269
2. Provision for severance allowance	336		5,596,507,407	5,596,502,004
3. Other long-term payables	333		10,420,568,322	10,238,726,838
<b>B. EQUITY (400=410)</b>	<b>400</b>		<b>779,762,389,620</b>	<b>771,973,662,072</b>
<b>I. Shareholders' equity</b>	<b>410</b>	<b>15</b>	<b>779,762,389,620</b>	<b>771,973,662,072</b>
1. Chartered capital	411		565,814,070,000	514,381,130,000
2. Share premium	412		137,938,235,200	189,376,348,200
3. Difference from foreign currency conversion	416		37,326,506,610	40,807,775,392
4. Financial reserve funds	418		6,455,958,716	6,121,168,881
5. Retained earnings	420		32,227,619,094	21,287,239,599
<b>TOTAL RESOURCES (440 = 300+ 400)</b>	<b>440</b>		<b>987,935,837,658</b>	<b>943,828,726,281</b>

Supplementary information - see auditors' report on pages 3 and 4

In the accompanying financial statements, the items in the balance sheet and the notes thereof are converted from USD into VND using the applicable average VND/USD inter-bank exchange rates of 16,953 and 16,977 on 30/06/2009 and 31/12/2008, respectively. The items in the income statement, cash flow statement and the notes thereof are converted from USD into VND using the applicable average VND/USD inter-bank exchange rates of 16,953 and 16,514 on 30/06/2009 and 30/6/2008 respectively.

The notes set out on pages 29 to 45 are an integral part of these financial statements

**INCOME STATEMENT***For the period from 1 January 2009 to 30 June 2009*

FORM B 02-DN

Unit: VND

ITEMS	Codes	Notes	For the period	For the period
			from 01/01/2009 to 30/06/2009	from 01/01/2008 to 30/06/2008
<b>1. Gross sales of merchandise and services</b>	01		<b>87,403,564,920</b>	<b>96,537,293,490</b>
2. Less deductions	02		13,733,404,911	11,493,430,234
<i>Special consumption tax</i>	08		<i>13,733,404,911</i>	<i>11,493,430,234</i>
<b>3. Net sales of merchandise and services</b>	10	<b>16</b>	<b>73,670,160,009</b>	<b>85,043,863,256</b>
4. Cost of goods sold	11		28,379,661,060	26,053,130,446
<b>5. Gross profit from sales of merchandise and services</b>	<b>20</b>		<b>45,290,498,949</b>	<b>58,990,732,810</b>
<b>6. Financial income</b>	<b>21</b>		<b>5,794,264,152</b>	<b>2,917,495,352</b>
<b>7. Financial expenses</b>	<b>22</b>		<b>6,287,037,003</b>	<b>4,349,969,254</b>
<b>8. Selling expenses</b>	<b>24</b>		<b>11,551,519,905</b>	<b>16,223,436,170</b>
<b>9. General and administration expenses</b>	<b>25</b>		<b>16,459,193,016</b>	<b>18,704,565,586</b>
<b>10. Operating profit</b> (30 = 20+(21-22)-(24+25))	<b>30</b>		<b>16,787,013,177</b>	<b>22,630,257,152</b>
<b>11. Other income</b>	<b>31</b>	<b>17</b>	<b>921,378,597</b>	<b>3,417,440,188</b>
<b>12. Other expenses</b>	<b>32</b>	<b>17</b>	<b>1,487,981,763</b>	<b>9,736,340,634</b>
<b>13. Loss from other activities (40=31-32)</b>	<b>40</b>		<b>(566,603,166)</b>	<b>(6,318,900,446)</b>
<b>14. Accounting profit before tax (50=30+40)</b>	<b>50</b>		<b>16,220,410,011</b>	<b>16,311,356,706</b>
15. Current tax expense	51	<b>18</b>	4,815,330,120	2,534,321,010
<b>16. Net profit after tax (60=50-51)</b>	<b>60</b>		<b>11,405,079,891</b>	<b>13,777,035,696</b>
17. Earnings per share	70	<b>19</b>	219	336

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Supplementary information - see auditors' report on pages 3 and 4

In the accompanying financial statements, the items in the balance sheet and the notes thereof are converted from USD into VND using the applicable average VND/USD inter-bank exchange rates of 16,953 and 16,977 on 30/06/2009 and 31/12/2008, respectively. The items in the income statement, cash flow statement and the notes thereof are converted from USD into VND using the applicable average VND/USD inter-bank exchange rates of 16,953 and 16,514 on 30/06/2009 and 30/6/2008 respectively.

*The notes set out on pages 29 to 45 are an integral part of these financial statements*

**CASH FLOW STATEMENT***For the period from 1 January 2009 to 30 June 2009***FORM B 03-DN**

Unit: VND

ITEMS	Codes	For the period from 01/01/2009 to 30/06/2009	For the period from 01/01/2008 to 30/06/2008
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>1. Profit before tax</b>	<b>01</b>	<b>16,220,410,011</b>	<b>16,311,356,706</b>
<b>2. Adjustments for:</b>			
Depreciation and amortisation	02	10,193,771,088	9,191,692,400
Unrealized foreign exchange difference	04	2,419,905,126	-
Loss from disposals of fixed assets	05	67,066,068	572,490,838
Interest expenses	06	3,057,948,234	3,396,665,576
<b>3. Operating profit before movements in working capital</b>	<b>08</b>	<b>31,959,100,527</b>	<b>29,472,205,520</b>
Decrease/(Increase) in receivables	09	19,843,740,795	(13,522,538,442)
Decrease/(Increase) in inventories	10	3,773,839,518	(5,639,712,654)
(Decrease)/Increase in accounts payable	11	(50,279,258,259)	26,864,975,200
Decrease/(Increase) in prepaid expenses	12	895,542,225	(1,389,867,782)
Interest paid	13	(3,545,821,668)	(3,232,780,640)
Corporate income tax paid	14	-	(458,577,266)
Other cash inflows/(outflows)	16	7,917,051	(410,736,208)
<b>Net cash from operating activities</b>	<b>20</b>	<b>2,655,060,189</b>	<b>31,682,967,728</b>
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
1. Acquisition of fixed assets and other long-term assets	21	(48,401,459,214)	(62,905,079,258)
2. Proceeds from sales of fixed assets and other long-term assets	22	154,340,112	75,535,036
<b>Net cash used in investing activities</b>	<b>30</b>	<b>(48,247,119,102)</b>	<b>(62,829,544,222)</b>
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
1. Proceeds from borrowings	33	90,302,748,309	46,252,460,742
2. Repayment of borrowings	34	(43,014,643,464)	(28,543,804,954)
3. Dividends paid	36	-	-
<b>Net cash from financing activities</b>	<b>40</b>	<b>47,288,104,845</b>	<b>17,708,655,788</b>
<b>Net increase/(decrease) in cash</b>	<b>50</b>	<b>1,696,045,932</b>	<b>(13,437,920,706)</b>
<b>Cash at the beginning of the period</b>	<b>60</b>	<b>3,363,924,642</b>	<b>19,289,021,990</b>
Effect of changes in foreign exchange rates	<b>61</b>	(4,755,504)	478,814,000
<b>Cash at the end of the period</b>	<b>70</b>	<b>5,055,215,070</b>	<b>6,329,915,284</b>

**Non-cash transactions disclosure**

Cash outflows for purchases of fixed assets and construction in progress during the period exclude an amount of VND 25,301,911,722 (2008: VND 27,471,419,483) representing an addition in fixed assets during the period that has not been paid yet and included an amount of VND 62,818,765,098 (2008: VND 64,149,087,961) advances to suppliers for purchasing of fixed assets. Consequently, changes in accounts payable and receivable have been adjusted by the same amounts.

Supplementary information - see auditors' report on pages 3 and 4

In the accompanying financial statements, the items in the balance sheet and the notes thereof are converted from USD into VND using the applicable average VND/USD inter-bank exchange rates of 16,953 and 16,977 on 30/06/2009 and 31/12/2008, respectively. The items in the income statement, cash flow statement and the notes thereof are converted from USD into VND using the applicable average VND/USD inter-bank exchange rates of 16,953 and 16,514 on 30/06/2009 and 30/6/2008 respectively.

*The notes set out on pages 29 to 45 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 on the conversion of a number of foreign invested enterprises into joint-stock companies by the Government of Vietnam 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 approved Investment License No. 953 CPH/GP to change Royal International Joint Venture Company into Royal International Corporation (foreign invested joint-stock company) with the share 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 1 July 2008, the People’s Committee of Quang Ninh Province issued Investment Certificate No. 221.032.000.118 to the Company. On 30 October 2008, the Company obtained the first amended Investment Certificate approving the increase in the Company’s chartered capital. Accordingly, the face value per share, chartered capital, and the total number of shares are changed as follows:

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

The Company’s number of employees as at 30 June 2009 was 1,329 (31 December 2008: 1,240).

**Operating industry and principal activities**

The Company operates in the hospitality industry.

The principal activities of the Company are to build and operate a 4-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 is an authorized 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.

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Supplementary information - see auditors’ report on pages 3 and 4

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)****FORM B 09-DN***These notes are an integral part of and should be read in conjunction with the accompanying financial statements***2. ACCOUNTING CONVENTION AND 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 accounting 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.

For the purpose of reporting to Ho Chi Minh City Stock Exchange, the Company's financial statements for the period from 1 January 2009 to 30 June 2009 were converted to Vietnam Dong (VND).

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As at 30 June 2009, the Company's current assets and current liabilities were approximately VND 270 billion and VND 160 billion, respectively. However, current assets included USD 176 billion of receivables from Casino guests, which have low turnover (0.7 cycle/year, determined by:  $[Casino\ revenue/Receivables\ from\ Casino\ guests] \times [365/Number\ of\ days\ in\ the\ period]$ ).

he Boards of Management and Directors believe that the financial statements should be prepared on a going concern basis as the Company has prepared a cash flow forecast for the foreseeable future (including collection of Casino receivables as these amounts were not overdue as at 30 June 2009) and Kai Chieh International Investment Ltd, the largest shareholder of the Company, committed to continue with financial support to ensure the Company's solvency to its current liabilities in a foreseeable future.

As such, the Company's solvency depends on the recoverability of Casino receivables, the ability to generate cash inflows in the foreseeable future and the financial support from Kai Chieh International Investment Ltd.

**Accounting period**

The Company's financial year begins on 1 January and ends on 31 December. This report is the interim financial report for the period from 1 January 2009 to 30 June 2009.

**3. 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 accounting 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.

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Supplementary information - see auditors' report on pages 3 and 4

In the accompanying financial statements, the items in the balance sheet and the notes thereof are converted from USD into VND using the applicable average VND/USD inter-bank exchange rates of 16,953 and 16,977 on 30/06/2009 and 31/12/2008, respectively. The items in the income statement, cash flow statement and the notes thereof are converted from USD into VND using the applicable average VND/USD inter-bank exchange rates of 16,953 and 16,514 on 30/06/2009 and 30/6/2008 respectively.

**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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****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.

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

The Company has established a credit policy approved by the General Director and the Chairman of the Board of Management. Accordingly, credit is only provided to Casino gaming guests in a limited amount, within a certain period of time and upon the approval of the Company's General Director and the Chairman of the Board of Management. All credits provided are guaranteed by the Chairman of the Board of Management. Casino gaming guests are provided credit in the form of cash or casino chips to play at the Royal International Gaming Club. Repayments by these guests are made in the form of casino chips or cash.

On 1 July 2009, the Board of Management approved the new credit policy for Royal International Gaming Club, with effect from 1 July 2009. Under the policy, the General Director is authorized by the Board of Management to approve credits to guests of the Gaming Club with total credit limit of USD 9,000,000. Credit is only granted based on assessment of the guest's financial position. The General Director is fully responsible to the Board of Management and the shareholders for granting and collection of credits to guests and agencies.

**Receivables and provision for doubtful debts**

Provision for doubtful debts is made for receivables that are overdue for three 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.

As stated in Note 5 of the Notes to the financial statements, the Company did not make provision for receivables from Casino gaming guests as at 30 June 2009 since the Chairman of the Board of Management committed to pay on behalf of guests if they did not repay the debts.

**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>Inventory categories</b>	<b>Costing method</b>
Food	First in, first out
Beverage	Weighted average
Artwork	Specific identified cost
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 whose book value is higher than net realizable value as at the balance sheet date.

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Supplementary information - see auditors' report on pages 3 and 4

In the accompanying financial statements, the items in the balance sheet and the notes thereof are converted from USD into VND using the applicable average VND/USD inter-bank exchange rates of 16,953 and 16,977 on 30/06/2009 and 31/12/2008, respectively. The items in the income statement, cash flow statement and the notes thereof are converted from USD into VND using the applicable average VND/USD inter-bank exchange rates of 16,953 and 16,514 on 30/06/2009 and 30/6/2008 respectively.

**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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less accumulated depreciation.

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 tangible fixed assets constructed by contractors are the finally accounted cost of the work, directly related expenses and registration fee, if any.

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 and structures	35
Machinery and equipment	5 - 12
Office equipment	5 - 12
Motor vehicles	8 - 12
Others	4 - 12

**Intangible fixed assets and amortisation**

Intangible fixed assets represent land use right that is stated at cost less accumulated amortization. The Company's land use right pertains 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 right is amortised using the straight-line method over the duration of the right to use the land.

**Accounting Software**

Accounting software are recorded at cost and amortised using the straight-line method over their estimated useful lives.

**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.

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Supplementary information - see auditors' report on pages 3 and 4

In the accompanying financial statements, the items in the balance sheet and the notes thereof are converted from USD into VND using the applicable average VND/USD inter-bank exchange rates of 16,953 and 16,977 on 30/06/2009 and 31/12/2008, respectively. The items in the income statement, cash flow statement and the notes thereof are converted from USD into VND using the applicable average VND/USD inter-bank exchange rates of 16,953 and 16,514 on 30/06/2009 and 30/6/2008 respectively.

**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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Long-term prepayments**

Long-term prepayments include the remainder of pre-operating expenses, deferred 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 expenses. Accordingly, the Company has yet to commence allocation of its pre-operating expenses relating to the Four Point by 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 annual rate of 30% per year.

**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, beverage, 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**

Transactions arising in currencies other than US Dollars are translated at exchange rate ruling at the transaction date. Foreign exchange differences arising from these transactions are recognised in the income statement.

Monetary assets and receivables, liabilities denominated in foreign currencies other than US Dollars 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 shareholders.

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Supplementary information - see auditors' report on pages 3 and 4

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**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. 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.

**Taxation**

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

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

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' examination.

For 2008 and previous years, the Company paid income tax based on fixed amounts under Decision No. 4097/QD-BTC dated 11 November 2005 by the Ministry of Finance. From 1 January 2009, the Company is obliged to pay corporate income tax at the rate of 25% of its taxable income.

Deferred tax is recognized 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 are accounted for using balance sheet liability method. Deferred tax liabilities are generally recognized for all temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. 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.

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

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Supplementary information - see auditors' report on pages 3 and 4

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

For the period from 1 January 2009 to 30 June 2009

**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. CASH AND CASH EQUIVALENTS**

	<u>30/06/2009</u>	<u>31/12/2008</u>
	VND	VND
Cash on hand	3,485,112,975	2,611,317,255
Cash in bank	1,554,742,677	644,718,552
Cash in transit	15,359,418	107,888,835
	<u><b>5,055,215,070</b></u>	<u><b>3,363,924,642</b></u>

**5. TRADE ACCOUNTS RECEIVABLE**

	<u>30/06/2009</u>	<u>31/12/2008</u>
	VND	VND
Receivables of Royal International Gaming Club (*)	176,387,386,782	164,395,098,777
Other operating receivables	2,977,099,377	6,217,622,526
	<u><b>179,364,486,159</b></u>	<u><b>170,612,721,303</b></u>

(\*) These are receivables from the casino's gaming guests. Casino gaming guests are provided credit in the form of cash or casino chips to play at the Royal International Gaming Club. Repayments by these guests are made in the form of casino chips or cash. All credits provided are guaranteed by the Chairman of the Board of Management and were not overdue as at 30 June 2009. On 20 July 2009, Mr. Nguyen Chinh Nghia, the Chairman of the Company committed to fully recover the balance of outstanding credits accumulated to 30 June 2009. According to the commitment, the balance will be reduced to USD 6,000,000 by 31 December 2009 and fully recovered by 31 December 2010.

**6. INVENTORIES**

	<u>30/06/2009</u>	<u>31/12/2008</u>
	VND	VND
Raw materials	16,325,722,047	20,058,783,879
Merchandise	4,147,873,557	4,222,977,819
	<u><b>20,473,595,604</b></u>	<u><b>24,281,761,698</b></u>
Provision for devaluation of inventories	(317,597,502)	(318,047,118)
<b>Net realizable value</b>	<u><b>20,155,998,102</b></u>	<u><b>23,963,714,580</b></u>

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Supplementary information - see auditors' report on pages 3 and 4

In the accompanying financial statements, the items in the balance sheet and the notes thereof are converted from USD into VND using the applicable average VND/USD inter-bank exchange rates of 16,953 and 16,977 on 30/06/2009 and 31/12/2008, respectively. The items in the income statement, cash flow statement and the notes thereof are converted from USD into VND using the applicable average VND/USD inter-bank exchange rates of 16,953 and 16,514 on 30/06/2009 and 30/6/2008 respectively.

**ROYAL INTERNATIONAL CORPORATION**Bai Chay Ward, Ha Long City  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)****FORM B 09-DN***These notes are an integral part of and should be read in conjunction with the accompanying financial statements***7. TANGIBLE FIXED ASSETS**

Unit: VND

	<b>Buildings &amp; Structures</b>	<b>Machinery &amp; Equipment</b>	<b>Office Equipment</b>	<b>Motor Vehicles</b>	<b>Others</b>	<b>Total</b>
<b>COST</b>						
As at 01/01/2009	285,631,845,372	78,955,697,865	12,222,336,495	11,101,769,610	4,827,783,444	392,739,432,786
As at 30/06/2009	338,685,067,452	80,364,323,307	12,921,254,493	11,439,257,139	4,546,116,480	447,956,018,871
<b>ACCUMULATED DEPRECIATION</b>						
As at 01/01/2009	39,428,318,535	26,060,951,298	10,115,304,048	5,133,607,122	2,713,994,151	83,452,175,154
As at 30/06/2009	43,253,206,080	29,191,930,149	10,387,577,784	5,472,631,836	2,686,948,782	90,992,294,631
<b>NET BOOK VALUE</b>						
As at 30/06/2009	295,431,861,372	51,172,393,158	2,533,676,709	5,966,625,303	1,859,167,698	356,963,724,240
As at 31/12/2008	246,203,526,837	52,894,746,567	2,107,032,447	5,968,162,488	2,113,789,293	309,287,257,632

The carrying amount of the Company's building and structures, machinery and equipment as at 30 June 2009 include VND 8,254,720,854 (31 December 2008: VND 6,745,726,065) of assets which are temporarily not in use.

As stated in Note 14 of the Notes to the financial statements, the Company mortgaged one high-speed vessel for the medium-term loan from Vietnam Maritime Joint Stock Bank - Bai Chay Branch.

The cost of the Company's motor vehicles, machinery and office equipment as at 30 June 2009 includes VND 19,912,875,129 (31 December 2008: VND 20,827,875,933) of assets which have been fully depreciated but are still in use.

**8. INTANGIBLE FIXED ASSETS**

Unit: VND

	<b>Land Use Right</b>	<b>Accounting Software</b>	<b>Total</b>
<b>COST</b>			
As at 01/01/2009	78,943,050,000	966,857,127	79,909,907,127
As at 30/06/2009	78,831,450,000	965,490,303	79,796,940,303
<b>ACCUMULATED AMORTIZATION</b>			
As at 01/01/2009	26,608,069,077	178,156,638	26,786,225,715
As at 30/06/2009	28,703,548,125	236,952,081	28,940,500,206
<b>NET BOOK VALUE</b>			
As at 30/06/2009	50,127,901,875	728,538,222	50,856,440,097
As at 31/12/2008	52,334,980,923	788,700,489	53,123,681,412

As stated in Note 12 of the Notes to the financial statements, the Company mortgaged land use right for the loans from Vietinbank - Thanh Xuan Branch.

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Supplementary information - see auditors' report on pages 3 and 4

In the accompanying financial statements, the items in the balance sheet and the notes thereof are converted from USD into VND using the applicable average VND/USD inter-bank exchange rates of 16,953 and 16,977 on 30/06/2009 and 31/12/2008, respectively. The items in the income statement, cash flow statement and the notes thereof are converted from USD into VND using the applicable average VND/USD inter-bank exchange rates of 16,953 and 16,514 on 30/06/2009 and 30/6/2008 respectively.

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

For the period from 1 January 2009 to 30 June 2009

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****FORM B 09-DN***These notes are an integral part of and should be read in conjunction with the accompanying financial statements***9. CONSTRUCTION IN PROGRESS**

	<b>For the period from 01/01/2009 to 30/06/2009</b>	<b>For the period from 01/01/2008 to 30/06/2008</b>
	<b>VND</b>	<b>VND</b>
At the beginning of the period	215,426,704,479	194,136,218,836
<b>At the end of the period</b>	<b>238,240,254,705</b>	<b>239,341,266,276</b>

**10. LONG-TERM INVESTMENTS**

Other long-term financial investment represents the capital contributed to Royal International Securities Company, amounting to 5% of its chartered capital. Royal International Securities Company has been granted Business Registration Certificate by the State Securities Commission of Vietnam on 6 July 2007. Management believes that there is no significant loss that could lead to any adjustment to the value of the investment as at 30 June 2009.

**11. OTHER LONG-TERM PREPAYMENTS**

	<b>30/06/2009</b>	<b>31/12/2008</b>
	<b>VND</b>	<b>VND</b>
Tool and supplies	3,398,703,534	3,059,713,779
Pre-operating expense	61,154,268,699	59,384,035,047
- the Four Points by Sheraton Hotel (*)		
<b>As at the end of the period</b>	<b>64,552,972,233</b>	<b>62,443,748,826</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 by Sheraton Hotel are not allocated to expenses until the hotel commences its operation. As at 30 June 2009, this hotel had not yet come into operation.

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

	<b>30/06/2009</b>	<b>31/12/2008</b>
	<b>VND</b>	<b>VND</b>
Vietinbank - Thanh Xuan Branch (1)	23,202,316,578	29,998,291,092
Vietcombank - Bai Chay Branch (2)	19,665,463,047	-
Vietcombank - Quang Ninh Branch (3)	13,295,780,169	9,991,949,166
Current portion of long-term loans	530,306,793	345,974,283
	<b>56,693,866,587</b>	<b>40,336,214,541</b>

Supplementary information - see auditors' report on pages 3 and 4

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)****FORM B 09-DN***These notes are an integral part of and should be read in conjunction with the accompanying financial statements***12. SHORT-TERM LOANS AND LIABILITIES (Continued)**

(1) Loan from Vietinbank-Thanh Xuan Branch represents a short-term credit limit facility. This loan can be withdrawn in Vietnamese Dong up to a maximum amount of VND 30,000,000,000 and expired on 31 March 2009. This facility bears interest at 1.25%/month. Interest shall be paid on a monthly basis. The loan is mortgaged by the land use right of the Company.

(2) Loan from Vietcombank-Bai Chay Branch represents a short-term credit limit facility. This loan can be withdrawn in Vietnamese Dong up to a maximum amount of VND 20,000,000,000. This facility is secured by the Company's equipment (power allocator) and bears interest at the rate announced by Vietcombank Bai Chay at the promissory note date. Interest shall be paid on a monthly basis.

(3) Loan from Vietcombank-Quang Ninh Branch represents a short-term credit limit facility. This loan can be withdrawn in Vietnamese Dong up to a maximum amount of VND 10,000,000,000. This facility is secured by the Company's assets (power generator system and air-conditioning system of the Casino and the Royal swimming pool) and bears interest at the rate announced by Vietcombank-Quang Ninh Branch at the promissory note date. Interest shall be paid on a monthly basis.

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

	<u>30/06/2009</u>	<u>31/12/2008</u>
	VND	VND
VAT	15,489,328,839	12,506,429,613
Special consumption tax	27,956,073,402	17,627,847,249
Corporate income tax	7,552,086,816	2,740,631,064
Others	1,880,681,055	3,078,371,502
	<u>52,878,170,112</u>	<u>35,953,279,428</u>

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

	<u>30/06/2009</u>	<u>31/12/2008</u>
	VND	VND
Vietinbank-Thanh Xuan Branch (1)	31,526,883,792	958,674,213
Maritime Bank - Bai Chay Branch (2)	53,012,031	53,104,056
Eximbank Quang Ninh (3)	303,865,572	-
	<u>31,883,761,395</u>	<u>1,011,778,269</u>

(1) Long-term loan contract No. 01/2008/Sheraton dated 18 December 2008 is for building Four Points by Sheraton Hotel. This loan could be drawn in Vietnamese Dong up to a maximum amount of VND 70,000,000,000 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 then adjusted to 150% of the base 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 period. Principal is repayable every three months in 22 installments and in the 3<sup>rd</sup> month of each installment. The loan is mortgaged by the land use right of the Company.

Supplementary information - see auditors' report on pages 3 and 4

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**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. LONG-TERM LOANS AND LIABILITIES (Continued)**

(2) Medium-term loan contract No. 0074/07/BC dated 25 October 2007 is for purchasing 24 seat high-speed vessel. The total loan amount was USD 33,696 for 36 months from contract date with grace period of 06 months. The loan interest rate is 6.7% per annum initially set at the promissory note date. Over-due interest rate was 150% of initially set interest rate. The loan interest can be adjusted based on the fluctuation of interest rate in the market and banking regulations. Principal is evenly paid quarterly and interest is paid on a monthly basis from 26th to the end of the month. The loan is mortgaged by the high-speed vessel acquired.

(3) Medium-term loan contract No. 1900-LAV-2009 dated 2 June 2009 is for purchasing 2 new Hyundai Verna cars. The total loan amount was VND 603,876,000 for 24 months. The loan interest rate is based on the prevailing rate quoted by Eximbank Quang Ninh at the promissory note date. Principal is evenly paid quarterly in the amount of VND 75,000,000. Interest is paid on a monthly basis.

Medium-term loans and long-term loans are payable as follows:

	<u>30/06/2009</u>	<u>31/12/2008</u>
	VND	VND
On demand or within one year	530,306,793	345,974,283
In the second year	31,883,761,395	358,129,815
In the third to fifth year inclusive	-	522,925,554
After five years	-	130,722,900
Less: Amount due for settlement within 12 months	(530,306,793)	(345,974,283)
Amount due for settlement after 12 months	<b><u>31,883,761,395</u></b>	<b><u>1,011,778,269</u></b>

**15. SHAREHOLDERS' EQUITY**

**Movements in Shareholders' equity**

Unit: VND

	Chartered Capital	Share premium	Financial Reserves	Retained Earnings	Foreign exchange difference	Total
	VND	VND	VND	VND	VND	VND
Balance as at 01/01/2009	514,381,130,000	189,376,348,200	6,121,168,881	21,287,239,599	40,807,775,392	771,973,662,072
Balance as at 30/6/2009	565,814,070,000	137,938,235,200	6,455,958,716	32,227,619,094	37,326,506,610	779,762,389,620

On 11 April 2009, the Company's Shareholders' Meeting declared dividend in shares of VND 51,438,113,000 out of the share premium fund, equivalent to 10% of the share capital as at 31 December 2008. On 10 June 2009, the Company fixed the core list of shareholders to receive bonus shares. The total number of bonus shares actually distributed was 5,143,294, equivalents to VND 51,432,940,000. On 15 July 2009, the Ho Chi Minh City Stock Exchange approved, in principle, the additional listing of 1,415,050 shares of the Company. At the date of this report, the Company had not yet completed procedures of investment certificate amendment.

Supplementary information - see auditors' report on pages 3 and 4

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**ROYAL INTERNATIONAL CORPORATION**

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**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. SHAREHOLDERS' EQUITY (Continued)****Contributed Chartered Capital**

Under the second amended Investment Certificate No. 221.032.000.118 dated 30 June 2009, the shareholders' equity structure and contributions by shareholders as at 30 June 2009 were as follows:

Shareholders	Per Investment Certificate '000 VND	Contributed capital as at					
		30/06/2009			31/12/2008		
		USD	'000 VND equivalent	%	USD	'000 VND equivalent	%
Mr. Nguyen Chinh Nghia	34,514,760	2,396,868	37,966,230	7%	19,072,413	304,514,760	59%
Kai Chieh International Investment Ltd.	270,000,000	18,472,516	297,000,000	52%	-	-	-
State Capital Investment Corporation	68,309,730	4,681,468	75,140,700	13%	4,278,366	68,309,730	13%
Other shareholders	141,556,640	9,622,055	155,707,140	28%	8,787,020	141,556,640	28%
<b>Total</b>	<b>514,381,130</b>	<b>35,172,907</b>	<b>565,814,070</b>	<b>100%</b>	<b>32,137,799</b>	<b>514,381,130</b>	<b>100%</b>

**16. BUSINESS SEGMENTS**

The Company has divided management control by business segment. The structure of the Company included 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 tickets for the park's amusement activities
- Four Points by Sheraton Hotel: accommodation for rent.

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

**Balance sheet as at 30 June 2009**

	Casino	Villas	Park	Four Points by Sheraton Hotel	Off-set	Total
	VND	VND	VND	VND	VND	VND
<b>Assets</b>						
Segment assets	346,626,429,054	135,783,086,952	158,225,095,386	337,671,108,522	(90,784,823,817)	887,520,896,097
Unallocated assets						100,414,941,561
<b>Consolidated total assets</b>						<b>987,935,837,658</b>
<b>Liabilities</b>						
Segment liabilities	130,487,885,214	40,089,725,421	39,420,183,639	81,601,536,294	(90,784,823,817)	200,814,506,751
Unallocated liabilities						7,358,941,287
<b>Consolidated total liabilities</b>						<b>208,173,448,038</b>

Supplementary information - see auditors' report on pages 3 and 4

In the accompanying financial statements, the items in the balance sheet and the notes thereof are converted from USD into VND using the applicable average VND/USD inter-bank exchange rates of 16,953 and 16,977 on 30/06/2009 and 31/12/2008, respectively. The items in the income statement, cash flow statement and the notes thereof are converted from USD into VND using the applicable average VND/USD inter-bank exchange rates of 16,953 and 16,514 on 30/06/2009 and 30/6/2008 respectively.

**ROYAL INTERNATIONAL CORPORATION**

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

**Financial Statements**

For the period from 1 January 2009 to 30 June 2009

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**
**FORM B 09-DN**
*These notes are an integral part of and should be read in conjunction with the accompanying financial statements*
**16. BUSINESS SEGMENTS (Continued)**
**Income statement for the period 1 January 2009 to 30 June 2009**

	Casino	Villas	Park	Four Points by Sheraton Hotel	Off-set	Total
	VND	VND	VND	VND	VND	VND
Net sales	44,408,909,043	20,710,751,121	8,550,499,845	-	-	73,670,160,009
Cost of goods sold	14,781,693,666	9,161,079,093	4,436,888,301	-	-	28,379,661,060
<b>Gross profit</b>	<b>29,627,215,377</b>	<b>11,549,672,028</b>	<b>4,113,611,544</b>	<b>-</b>	<b>-</b>	<b>45,290,498,949</b>
Unallocated expenses						28,010,712,921
<b>Operating profit</b>						<b>17,279,786,028</b>
Investment revenues						-
Other losses						(566,603,166)
Loss from financial activities						(492,772,851)
<b>Profit before tax</b>						<b>16,220,410,011</b>
Current tax expense						4,815,330,120
<b>Profit for the period</b>						<b>11,405,079,891</b>
% Total net sales	<b>60%</b>	<b>28%</b>	<b>12%</b>	<b>0%</b>		<b>100%</b>

**Balance sheet as at 31 December 2008**

	Casino	Villas	Park	Four Points by Sheraton Hotel	Off-set	Total
	VND	VND	VND	VND	VND	VND
<b>Assets</b>						
Segment assets	336,732,326,763	124,557,532,680	147,962,330,466	318,248,940,576	(93,530,673,066)	833,970,457,419
Unallocated assets						109,858,268,862
<b>Consolidated total assets</b>						<b>943,828,726,281</b>
<b>Liabilities</b>						
Segment liabilities	128,152,463,361	31,220,125,782	29,953,913,214	61,816,890,078	(93,530,673,066)	157,612,719,369
Unallocated liabilities						14,242,344,840
<b>Consolidated total liabilities</b>						<b>171,855,064,209</b>

**Income statement for the period from 1 January 2008 to 30 June 2008**

	Casino	Villas	Park	Four Points by Sheraton Hotel	Off-set	Total
	VND	VND	VND	VND	VND	VND
Net sales	47,427,250,188	31,084,797,620	6,531,815,448	-	-	85,043,863,256
Cost of goods sold	10,250,322,370	11,499,144,078	4,303,663,998	-	-	26,053,130,446
<b>Gross profit</b>	<b>37,176,927,818</b>	<b>19,585,653,542</b>	<b>2,228,151,450</b>	<b>-</b>	<b>-</b>	<b>58,990,732,810</b>
Unallocated expenses						34,928,001,756
<b>Operating profit</b>						<b>24,062,731,054</b>
Investment revenues						-
Other losses						(6,318,900,446)
Loss from financial activities						(1,432,473,902)
<b>Profit before tax</b>						<b>16,311,356,706</b>
Current tax expense						2,534,321,010
<b>Profit for the period</b>						<b>13,777,035,696</b>
% /Total net sales	<b>56%</b>	<b>36%</b>	<b>8%</b>	<b>0%</b>		<b>100%</b>

Supplementary information - see auditors' report on pages 3 and 4

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

For the period from 1 January 2009 to 30 June 2009

**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. LOSS FROM OTHER ACTIVITIES**

	<b>For the period from 01/01/2009 to 30/06/2009</b>	<b>For the period from 01/01/2008 to 30/06/2008</b>
	<b>VND</b>	<b>VND</b>
Gain from difference between tax payable and fixed tax payable (*)	-	1,356,047,110
Proceeds from disposals of	154,340,112	75,535,036
Others	767,038,485	1,985,858,042
<b>Other income</b>	<b>921,378,597</b>	<b>3,417,440,188</b>
Net book value of fixed assets disposed	221,406,180	572,490,838
Loss from difference between tax payable and fixed tax payable (*)	-	5,140,593,518
Others	1,266,575,583	4,023,256,278
<b>Other expenses</b>	<b>1,487,981,763</b>	<b>9,736,340,634</b>
<b>Net loss from other activities</b>	<b>(566,603,166)</b>	<b>(6,318,900,446)</b>

(\*) Variances between the current tax payable and the fixed tax payable for the period from 1 January 2008 to 30 June 2008 as per Decision No. 4097/QD-BTC dated 11 November 2005 issued by the Ministry of Finance.

**18. CORPORATE INCOME TAX**

	<b>For the period from 01/01/2009 to 30/06/2009</b>
	<b>VND</b>
<b>Income tax payable for the current period</b>	
Profit before tax	16,220,410,011
<b>Adjustments:</b>	
Less: Non-taxable incomes	(558,787,833)
Add: Non-deductible expenses	3,599,698,302
<b>Taxable income</b>	19,261,320,480
Effective tax rate	25%
<b>Income tax expense</b>	<b>4,815,330,120</b>

**19. EARNINGS PER SHARE**

	<b>For the period from 01/01/2009 to 30/06/2009</b>	<b>For the period from 01/01/2008 to 30/06/2008</b>
	<b>VND</b>	<b>VND</b>
Accounting profit after tax	11,405,079,891	13,777,035,696
Earnings distributed to common shareholders	11,405,079,891	13,777,035,696
Weighted average number of ordinary shares in circulation of the period	52,038,164	41,031,976
<b>Earnings per share</b>	<b>219</b>	<b>336</b>

Supplementary information - see auditors' report on pages 3 and 4

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**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*

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

As presented in Note 1 of the Notes to financial statements, on 30 October 2008, the Company was granted with the first amended Investment Certificate No. 221.032.000.118 by the People's Committee of Quang Ninh that approved the increase of the Company's chartered capital. Accordingly, the face value per share, chartered capital, and the total number of shares of the Company are changed as follows:

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

As presented in Note 15 of the Notes to the financial statements, on 10 June 2009, the Company fixed the core list of shareholders to distribute bonus shares. The number of shares actually distributed was 5,143,294.

**20. COMMITMENTS**

*Purchase commitments*

Up to 30 June 2009, the contracts for construction and installation, purchases of machinery and equipment, which were signed but yet to be implemented, valued at VND 21,253 million in total (31 December 2008: VND 153,741 million).

*Land- lease commitment*

Under the Investment Certificate No. 221.032.000.118 dated 1 July 2008 by the People's Committee of Quang Ninh Province, the Company is obliged 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 13 August 1994. The rental amount will be determined based on the prevailing market rental value at the time of the lease as announced by the People's Committee of Quang Ninh Province.

**21. 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 01/01/2009 to 30/06/2009</b>	<b>For the period from 01/01/2008 to 30/06/2008</b>
	<b>VND</b>	<b>VND</b>
Amounts collected from gaming guests and advanced for purchasing contracts of hotel fixtures by Mr. Nguyen Chinh Nghia	-	990,840,000
Mr. Wei Ji Miu borrowed cash, chip at casino	-	26,092,120,000
Mr. Wei Ji Miu repaid cash, chip to casino	-	9,825,830,000
Revenue from Wei Ji Miu group guests	410,771,190	6,175,575,440
Revenue from Mei Lai group guests	304,289,397	300,174,978
Revenue from Kai Chieh International Investment Ltd.	283,369,395	-

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## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

## 21. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

	<u>30/06/2009</u>	<u>31/12/2008</u>
	VND	VND
<b>Receivables</b>		
Mr. Wei Ji Miu	-	1,281,678,615
Mei Lai Company (Taiwan)	5,780,973	173,199,354
Lang Son International J.V.	306,391,569	297,759,603
Kai Chieh International Investment Ltd.	67,015,209	-
Than Than Duc Lac Co., Ltd.	8,985,090,000	8,997,810,000
	<u>30/06/2009</u>	<u>31/12/2008</u>
	VND	VND
<b>Payables</b>		
Board of Management	303,441,747	1,117,697,772

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

	<b>For the period from 01/01/2009 to 30/06/2009</b>	<b>For the period from 01/01/2008 to 30/06/2008</b>
	VND	VND
Directors' remuneration	643,942,752	724,849,002

## 22. SUBSEQUENT EVENTS

On 1 July 2009, the Board of Management approved for issuance of new credit policy for the Royal International Gaming Club with effect from 1 July 2009.

On 15 July 2009, Ho Chi Minh City Stock Exchange approved in principle the additional listing of 1,415,050 shares in connection to the issuance of 5,143,294 bonus shares of the Company.

On 15 August 2009, the Board of Management approved fund raising plan by issuing shares for the purpose of investing in Four Points by Sheraton Hotel, park infrastructure improvement and increasing working capital with the total issuance value of VND 226 billion or USD 12.5 million equivalent.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)****FORM B 09-DN***These notes are an integral part of and should be read in conjunction with the accompanying financial statements***23. CONTINGENT LIABILITIES**

In accordance with Circular No. 84/2008/TT-BTC dated 30 September 2008 with effect from 1 January 2009, personal income tax was imposed on wins from casino with amount greater than VND 10,000,000 at the rate of 10%. However, as the Company had not received guidance from the local tax authority on calculation method of personal income tax in accordance with Circular 84/2008/TT-BTC and Circular No. 164/2009/TT-BTC providing detailed guidance on personal income tax on the winnings of prize based games was not issued until 18 August 2009 and came into effect after 45 days therefrom, the Company will start to withhold and pay personal income tax from the effective date of the Circular No. 164/2009/TT-BTC. The determination of the tax payable for the period from 1 January 2009 to 30 June 2009 depends on the final decision of the tax authority. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**24. COMPARATIVE FIGURES**

Certain reclassifications have been made to the prior period's figures to enhance their comparability with the current period's presentation.

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