

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

AUDITED FINANCIAL STATEMENTS
For the year ended 31 December 2007

Quang Ninh Province, March 2008

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ROYAL INTERNATIONAL CORPORATION

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

STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors of Royal International Corporation (“the Company”) presents this report together with the Company’s audited financial statements for the year ended 31 December 2007.

THE BOARDS OF MANAGEMENT AND DIRECTORS

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

Board of Management

Mr. Nguyen Chinh Nghia	Chairman
Mr. Ly Mon	Member
Ms Ngo Thu Mat	Member
Mr. Nghiem Cong Hao	Member
Mr. Quach Phi Long	Member
Mr. Ha Quang Long	Member
Mr. Do Tri Vy	Member - Appointed on 22 May 2007
Mr. Ta Tuan Nho	Member - Resigned on 22 May 2007

Board of Directors

Mr. Nghiem Cong Hao	General Executive
Mr. Do Tri Vy	General Director
Mr. Ha Quang Long	First Deputy General Director
Ms Nguyen Linh Chi	Chief Accountant

BOARD OF DIRECTORS’ STATEMENT OF RESPONSIBILITY

The Board of Directors of the Company is responsible for preparing the financial statements of each year, which give a true and fair view of the financial position of the Company and of its results and cash flows for the year ended 31 December 2007. 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; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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,

Do Tri Vy
General Director

17 March 2008

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 31 December 2007, and the related statements of income and cash flows for the year then ended. The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam.

Respective Responsibilities of the Board of Directors and Auditors

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

Basis of Opinion

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of, in all material respects, the financial position of the Company as at 31 December 2007 and the results of its operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing accounting regulations in Vietnam.

Without qualifying our opinion, we would draw readers' attention to the following point: 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 expense of the Four Points - Sheraton Hotel as at 31 December 2007 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 during the year they incurred. However, in accordance with the Official Letter No. 392/TC-TCDN dated 10 January 2003 by the Ministry of Finance, these pre-operating expenses are to be allocated into general and administration expenses over three years from the date that the related construction work is completed and put into use. The balance of pre-operating expenses as at 31 December 2007 amounted to USD 2,527,008 (as at 31 December 2006 was USD 2,382,954).

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

Truong Anh Hung
Deputy General Director
CPA Certificate No. D.0022/KTV

For and on behalf of
DELOITTE VIETNAM COMPANY LTD.

17 March 2008
Hanoi, S.R. Vietnam

Tran Duy Cuong
Auditor
CPA Certificate No. 0797/KTV

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

For the year ended 31 December 2007

BALANCE SHEET
*As at 31 December 2007***FORM B 01-DN**

Unit: USD

ASSETS	Codes	Notes	31/12/2007	31/12/2006
A. CURRENT ASSETS	100		17,265,552	12,634,247
(100=110+130+140+150)				
I. Cash and cash equivalents	110	4	1,197,035	2,955,926
1. Cash	111		1,197,035	2,955,926
II. Short-term receivables	130		14,767,113	8,533,038
1. Trade accounts receivable	131	5	10,770,233	7,159,400
2. Advances to suppliers	132		3,898,847	1,322,158
3. Other receivables	135		110,880	51,480
4. Provision of doubtful debts	139		(12,847)	-
III Inventories	140	6	1,152,951	1,033,359
1. Inventories	141		1,171,685	1,052,093
2. Provision for devaluation in inventories	149		(18,734)	(18,734)
IV. Other current assets	150		148,453	111,924
1. Short-term prepayments	151		70,840	3,779
2. VAT deductible	152		18,696	93,556
3. Other current assets	158		58,917	14,589
B. NON-CURRENT ASSETS	200		31,387,355	25,846,329
(200 = 220+250+260)				
I. Fixed assets	220		28,250,482	23,155,484
1. Tangible fixed assets	221	7	12,833,083	11,770,746
- Cost	222		17,082,471	15,408,512
- Accumulated depreciation	223		(4,249,388)	(3,637,766)
2. Intangible fixed assets	227	8	3,369,725	3,617,142
- Cost	228		4,690,240	4,682,500
- Accumulated amortisation	229		(1,320,515)	(1,065,358)
3. Construction in progress	230	9	12,047,674	7,767,596
II. Long-term investments	250	10	419,411	-
1. Other long-term financial investments	258		419,411	-
III Other non-current assets	260		2,717,462	2,690,845
1. Long-term prepayments	261	11	2,717,462	2,690,845
TOTAL ASSETS (270 = 100 + 200)	270		48,652,907	38,480,576

The notes set out on pages 8 to 23 are an integral part of these financial statements

BALANCE SHEET (Continued)

As at 31 December 2007

FORM B 01-DN

Unit: USD

RESOURCES	Codes	Notes	31/12/2007	31/12/2006
A. LIABILITIES (300=310+330)	300		6,095,999	13,530,184
I. Current liabilities	310		5,329,194	8,652,163
1. Short-term borrowings and liabilities	311	12	1,949,754	2,258,722
2. Trade accounts payable	312		1,431,809	750,441
3. Advance from customers	313		3,292	14,867
4. Taxes and amounts payable to the State budget	314	13	812,140	1,971,749
5. Payables to employees	315		356,659	323,203
6. Accrued expenses	316		-	82,361
7. Other current payables	319		775,540	3,250,820
II. Long-term liabilities	330		766,805	4,878,021
1. Long-term loans and liabilities	334	14	23,506	4,713,660
2. Provision for severance allowance	336		251,529	164,361
3. Other long-term liabilities	338		491,770	-
B. RESOURCES (400=410)	400		42,556,908	24,950,392
I. Owner's equity	410	15	42,556,908	24,950,392
1. Chartered capital	411		25,838,989	21,000,000
2. Share premium	412		12,886,462	-
3. Financial reserve fund	418		197,520	-
4. Retained earnings	420		3,633,937	3,950,392
TOTAL RESOURCES (440 = 300+ 400)	440		48,652,907	38,480,576

Do Tri Vy
General Director

17 March 2008

Nguyen Linh Chi
Chief Accountant

INCOME STATEMENT

For the year ended 31 December 2007

FORM B 02-DN

Unit: USD

ITEMS	Code	Notes	2007	2006
1. Gross sales of merchandise and services	01		11,812,764	10,972,453
2. Less deductions	02		1,924,694	1,575,660
<i>Special consumption tax</i>	08		1,924,694	1,575,660
3. Net sales of merchandise and services (10=01-02)	10	16	9,888,070	9,396,793
4. Cost of goods sold	11	16	2,563,289	2,078,747
5. Gross profit from sales of merchandise and service	20		7,324,781	7,318,046
6. Financial income	21		464,670	240,600
7. Financial expenses	22		410,600	495,104
- Including: <i>Interest expenses</i>	23		188,728	431,432
<i>Others</i>			221,872	63,672
8. Selling expenses	24		2,279,912	2,435,435
9. General and administration expenses	25		1,983,614	1,543,623
10. Operating profit (30 = 20+(21-22)-(24+25))	30		3,115,325	3,084,484
11. Other income	31	17	794,590	648,425
12. Other expenses	32	17	406,731	720,275
13. Profit (Loss) from other activities (40=31-32)	40		387,859	(71,850)
14. Accounting profit before tax (50=30+40)	50		3,503,184	3,012,634
15. Current tax expense	51		55,187	25,434
16. Net profit after tax (60=50-51)	60		3,447,997	2,987,200
17. Basic earnings per share	70	18	0.15	0.14

Do Tri Vy
General Director

17 March 2008

Nguyen Linh Chi
Chief Accountant

The notes set out on pages 8 to 23 are an integral part of these financial statements

CASH FLOW STATEMENT

For the year ended 31 December 2007

FORM B 03-DN

Unit: USD

ITEMS	Codes	2007	2006
I. CASH FLOWS FROM OPERATING ACTIVITIES			
<i>1. Profit before tax</i>	01	3,503,184	3,012,634
<i>2. Adjustments for:</i>			
Depreciation and amortisation	02	1,025,265	991,930
Provisions for bad-debt and severance allowance	03	100,613	106,312
Unrealized foreign exchange difference	04	138,520	(71,621)
Loss from disposal fixed asset	05	156,142	506,362
Interest expense	06	188,728	431,432
<i>3. Operating profit before movements in working capital</i>	08	5,112,452	4,977,049
Decrease/(Increase) in receivables	09	(3,644,205)	(1,101,392)
(Increase) in inventories	10	(119,592)	(569,605)
(Decrease)/Increase in accounts payable (not including accrued interest and corporate income tax payable)	11	(3,509,234)	895,481
(Increase)/Decrease in prepaid expenses	12	(72,824)	336,253
Interest paid	13	(452,144)	(629,906)
Corporate income tax paid	14	(53,029)	-
<i>Net cash used in operating activities</i>	20	(2,738,576)	3,907,880
II. CASH FLOWS FROM INVESTING ACTIVITIES			
1. Acquisition of fixed assets and other long-term assets	21	(7,630,039)	(3,997,916)
2. Proceeds from sales of fixed assets	22	10,900	4,000
3. Cash for other investments	25	(419,411)	-
<i>Net cash used in investing activities</i>	30	(8,038,550)	(3,993,916)
III. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Proceeds from issuing shares	31	14,224,810	405,150
2. Proceeds from borrowings	33	3,842,437	4,985,315
3. Repayment of borrowings	34	(8,848,796)	(3,334,161)
4. Dividends paid	36	(69)	-
5. Payment to the Board of Management	37	(59,255)	-
6. Other adjustment	38	(947)	-
<i>Net cash from financing activities</i>	40	9,158,180	2,056,304
Net increase in cash and cash equivalents	50	(1,618,946)	1,970,268
Cash and cash equivalents at beginning of the year	60	2,955,926	1,014,224
Effect of changes in foreign exchange rates	61	(139,945)	(28,566)
Cash and cash equivalents at the end of the year	70	1,197,035	2,955,926

Supplemental non-cash disclosures

Cash outflows for purchases of fixed assets and construction in progress during the period exclude an amount of USD 1,102,144 (2006: USD 667,898) representing an addition in fixed assets during the period that has not been paid yet and included an amount of USD 3,898,847 (2006: USD 1,322,158) prepayment to suppliers for purchasing of fixed assets and other long-term assets. Consequently, changes in accounts payable and receivable have been adjusted by the same amounts.

Do Tri Vy
General Director

17 March 2008

Nguyen Linh Chi
Chief Accountant

The notes set out on pages 8 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 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 shareholding companies by the Government of Vietnam and Inter-sector 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 14 March 2006, the MPI issued Investment License No. 953 CPH/GPDC1 approving the change of the currency of the Company's share face value. Accordingly, the share face value, chartered capital, and the total number of shares are changed as follows:

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

The number of employees as at 31 December 2007 was 1,299 (2006: 1,368).

Operating industry and principal activities

The principal activities of the Company are to build and operate a 5-star hotel, a place for amusement, an international gaming club and provide other entertainment services in Bai Chay Ward, Ha Long City, Quang Ninh Province.

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 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.

Nevertheless, the consolidated financial statements have been translated from those issued in Vietnam, from the Vietnamese language into the English language.

Accounting period

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)**FORM B 09-DN***These notes are an integral part of and should be read in conjunction with the accompanying financial statements***3. 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 clients 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 clients are provided credit in the form of cash or casino chips to play at the Royal International Gaming Club. Repayments by these clients are made in the form of casino chips or cash.

Receivables and provision for doubtful debts

A provision for doubtful debts is made for doubtful debts 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.

For loans to Casino gaming clients, the Company did not estimate provision due to the Chairman of the Board of Management committed to pay on behalf of clients if they not repay the loans.

Inventories

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

Inventory categories

Food
Beverage
Artwork
Other materials

Costing method

First in, first out
Weighted average
Specific identified cost
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.

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 their 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 sand 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 Softwares 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 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 work based on the ratio 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 Points- Sheraton Hotel into general and administration expenses, since the hotel was not come to operation at the balance sheet date.
 - + Pre-operating expenses of construction work which have already been completed and put into operation are deferred over three (03) years, from the completion 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.

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)****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 upon 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 customers.

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 rates 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.

Borrowing costs

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

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

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 Decision No. 4097/QD-BTC dated 11 November 2005, issued by the Ministry of Finance. Income tax for the Company has been fixed at agreed amounts for the years from 2005 to 2008. The agreed income tax for the year 2007 was set at USD 55,187.

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.

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

For the year ended 31 December 2007

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)****Taxation (Continued)**

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.

4. CASH AND CASH EQUIVALENTS

	<u>31/12/2007</u>	<u>31/12/2006</u>
	USD	USD
Cash on hand	846,754	2,865,303
Cash in bank	347,290	74,486
Cash in transit	2,991	16,137
	<u>1,197,035</u>	<u>2,955,926</u>

5. TRADE RECEIVABLES

	<u>31/12/2007</u>	<u>31/12/2006</u>
	USD	USD
Receivables of Royal International Gaming Club (*)	10,362,752	6,981,161
Other operating receivables	407,481	178,239
	<u>10,770,233</u>	<u>7,159,400</u>

(*) *These are receivables from the casino's gaming clients. Casino gaming clients are provided credit in the form of cash or casino chips to play at the Royal International Gaming Club. Repayments by these clients are made in the form of casino chips or cash. All credits provided are guaranteed by the Chairman of the Board of Management.*

6. INVENTORIES

	<u>31/12/2007</u>	<u>31/12/2006</u>
	USD	USD
Goods in transit	-	174,636
Raw materials	919,976	628,985
Merchandise	251,709	248,472
	<u>1,171,685</u>	<u>1,052,093</u>
Provision for devaluation in inventory	(18,734)	(18,734)
Net realizable value	<u>1,152,951</u>	<u>1,033,359</u>

ROYAL INTERNATIONAL CORPORATION

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

Financial Statements

For the year ended 31 December 2007

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
COST						
As at 01/01/2007	11,397,894	2,493,148	705,809	694,069	117,592	15,408,512
Additions	56,924	86,855	49,891	137,211	40,927	371,808
Increase from CIP	1,523,670	-	-	-	130,882	1,654,552
Disposals	197,434	35,911	55,767	57,376	5,913	352,401
As at 31/12/2007	<u>12,781,054</u>	<u>2,544,092</u>	<u>699,933</u>	<u>773,904</u>	<u>283,488</u>	<u>17,082,471</u>
ACCUMULATED AMORTISATION						
As at 01/01/2007	1,718,115	1,087,539	449,121	292,575	90,416	3,637,766
Charge for the period	302,312	244,220	131,359	78,309	34,762	790,962
Disposals	46,607	17,146	53,524	57,376	4,687	179,340
As at 31/12/2007	<u>1,973,820</u>	<u>1,314,613</u>	<u>526,956</u>	<u>313,508</u>	<u>120,491</u>	<u>4,249,388</u>
NET BOOK VALUE						
As at 31/12/2006	<u>9,679,779</u>	<u>1,405,609</u>	<u>256,688</u>	<u>401,494</u>	<u>27,176</u>	<u>11,770,746</u>
As at 31/12/2007	<u>10,807,234</u>	<u>1,229,479</u>	<u>172,977</u>	<u>460,396</u>	<u>162,997</u>	<u>12,833,083</u>

Among the building and structures, machinery and equipments which are not temporary in use had the carrying amount of USD 452,936.

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

The cost of the Company's motor vehicles, machinery and office equipment includes USD 212,504 of equipment which has been fully depreciated assets but which is still in use.

8. INTANGIBLE FIXED ASSETS

Unit: USD

	Land Use Right	Accounting Software	Total
COST			
As at 01/01/2007	4,650,000	32,500	4,682,500
Additions	-	7,740	7,740
As at 31/12/2007	<u>4,650,000</u>	<u>40,240</u>	<u>4,690,240</u>
ACCUMULATED AMORTIZATION			
As at 01/01/2007	1,064,004	1,354	1,065,358
Charge for the period	251,649	3,508	255,157
As at 31/12/2007	<u>1,315,653</u>	<u>4,862</u>	<u>1,320,515</u>
NET BOOK VALUE			
As at 31/12/2006	<u>3,585,996</u>	<u>31,146</u>	<u>3,617,142</u>
As at 31/12/2007	<u>3,334,347</u>	<u>35,378</u>	<u>3,369,725</u>

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

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9. CONSTRUCTION IN PROGRESS

	<u>2007</u>	<u>2006</u>
	USD	USD
As at the beginning of the period	7,767,596	3,330,407
Additions	6,315,404	4,965,086
Transferred to tangible fixed assets	(1,654,552)	(489,254)
Other decrease	(380,774)	(38,643)
As at the end of the period	<u>12,047,674</u>	<u>7,767,596</u>

10. LONG-TERM INVESTMENTS

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 as at 6 July 2007.

11. LONG-TERM PREPAYMENTS

	<u>31/12/2007</u>	<u>31/12/2006</u>
	USD	USD
Tool and supplies	190,454	307,891
Pre-operating expense		
- the Four Points Sheraton- Hotel (*)	2,527,008	2,382,954
As at the end of the period	<u>2,717,462</u>	<u>2,690,845</u>

(*) *In accordance with Official Letter No.392/TC-TCDN dated 10 January 2003 by the Ministry of Finance, pre-operating expenses of the Four Points - Sheraton Hotel are not allocated to expenses until the hotel commences operation. As at 31 December 2007, this hotel had not come to operation.*

12. SHORT-TERM BORROWINGS AND LIABILITIES

	<u>31/12/2007</u>	<u>31/12/2006</u>
	USD	USD
Short-term borrowings	1,939,564	1,862,476
Loan from Incombank Thanh Xuan Branch represents a short-term credit facility in the form of a letter of credit. This facility can be drawn in Vietnamese Dong up to a maximum amount of VND 30,000,000,000 and will expire on 31 March 2008. This facility bears interest at 0.95%. Interest shall be paid on monthly basic. The loan is mortgaged with the land use right of the Company.	1,939,564	1,862,476
Current portion of long-term loans	10,190	396,246
	<u>1,949,754</u>	<u>2,258,722</u>

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

	<u>31/12/2007</u>	<u>31/12/2006</u>
	USD	USD
VAT	111,488	575,535
Special consumption tax	604,305	1,295,672
Corporate income tax	27,592	25,434
Others	68,755	75,108
	<u>812,140</u>	<u>1,971,749</u>

14. LONG-TERM LOANS AND LIABILITIES

	<u>31/12/2007</u>	<u>31/12/2006</u>
	USD	USD

1. Long-term loans from Incombank- Thanh Xuan Branch

Contract No. 01/HDTD dated 28 December 2001 is for construction of villas and entertainment projects at Khe Doi, Bai Chay Ward, Ha Long city, Quang Ninh province with a credit line of VND 46.5 billion at annual interest rate of 7.2% (0.6% per month) for a term of 120 months and a grace period of 12 months from the first withdraw. The principal of the loan is payable in the amount of VND 2.7 billion every 6 months. The loan is mortgaged with the land use right, associated properties and assets acquired out of the loan. This loan was fully repaid in May 2007.

-	1,845,752
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Contract No. 08/2005/HDTDDH dated 6 October 2005 is for construction of the 5-star hotel with the credit line of VND 90,000,000,000 for 88 months with grace period of 1 year from the first withdraw. The loan bears an interest rate of 11.4% (0.95% per month), in 12 months after signing the contract. Subsequently, the interest rate will be determined every 6 months. According to Addendum to Contract No. 08 dated 17 October 2006, the grace period is 17 months from the first withdraw and the loan payable period is 71 months. The grace period shall end on 31 March 2007. The principal of the loan is payable every 3 months as of the expiry of the grace period. This loan is mortgaged with assets acquired out of the loan with approximate value of VND 187,230,000,000. This loan was fully repaid in May 2007.

-	3,203,499
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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 loans from Incombank-Thanh Xuan Branch

Contract No. 02/HDTD dated 6 September 2002 is for settlement of the purchase of 2 brand-new Japanese Coaster vehicles with the credit line of VND 1,184,835,996 at the annual interest rate of 7.8% (0.65% per month) for 60 months with grace period of 1 month from the first withdrawal. Payment of the loan principal is VND 59,250,000 for each quarter. The loan is mortgaged with assets acquired out of the loan. This loan was fully repaid in May 2007. - 14,729

Contract No. 05/HDTD dated 9 June 2003 is for settlement for the purchase of 2 Mercedes vehicles and other associated expenses with the credit line of VND 1 billion for 54 months with a grace period of 2 months from the first withdrawal, the loan payable period is 52 months. The grace period interest is at 0.8% per month. After the grace period, the rate equals that for loans of 12 months maturity with later payment of interest of Incombank- Thanh Xuan Branch plus a service charge of 2.4% per year and interest rate being assessed every 6 months. The principal payment is VND 53,500,000 for each quarter. The loan is mortgaged by assets acquired out of the loan. This loan was fully repaid in May 2007. - 13,299

Contract No. 07/2005/HDTD dated 24 June 2005 is for a loan to settle the purchase of 2 Toyota vehicles with the credit line of VND 1,200,000,000 for 27 months with grace period of 1 month from the first withdrawal. And the loan payable period is 26 months at the interest of 0.95% per month. Interest is paid monthly. Payable principle is VND135,000,000 for each quarter. The loan is mortgaged by the land use right and all assets owned by the Company plus assets acquired from this loan. This loan was fully repaid in May 2007. - 32,627

3. Medium loans from Vietnam Maritime Stock Bank - Bai Chay Branch

Contract No. 0074/07/BC date 25 Oct 2007 is for a loan to purchase high speed vessel. Total loan amount was USD 33,696 for 36 months with grace period of 06 months. The loan payable period at the interest of 6,7% per year. Over due interest rate was 150% of paid interest. This interest was change based on the fluctuation of interest in the market and regulation of Bank. Principle was paid quarterly, interest was paid monthly from 26th to at the end of month. The loan is mortgaged by this high speed vessel. 33,696 -

33,696	5,109,906
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NOTES TO THE FINANCIAL STATEMENTS (Continued)**FORM B 09-DN**

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14. LONG-TERM LOANS AND LIABILITIES (Continued)

Medium and long-term loans are repayable as follows:

	<u>31/12/2007</u>	<u>31/12/2006</u>
	USD	USD
On demand or within one year	10,190	396,246
In the second year	13,586	3,539,090
In the third to fifth year inclusive	9,920	1,006,774
After five years	-	167,796
Less: Amount due to settlement within 12 months (shown under current liabilities)	(10,190)	(396,246)
Amount due for settlement after 12 months	<u>23,506</u>	<u>4,713,660</u>

15. OWNER'S EQUITY**Movements in Owner's equity**

	<u>Chartered Capital</u>	<u>Share premium</u>	<u>Financial Reserve Fund</u>	<u>Retained Earnings</u>	<u>Total</u>
	USD	USD	USD	USD	USD
Balance at 01/01/2006	21,000,000	-		963,192	21,963,192
Profit for the period	-	-		2,987,200	2,987,200
Balance at 01/01/2007	21,000,000	-	-	3,950,392	24,950,392
Capital increased through share issuance	1,338,348	12,886,462	-	-	14,224,810
Profit for the period	-	-	-	3,447,997	3,447,997
Dividend declared	3,500,641	-	-	(3,500,710)	(69)
Distribution for funds			197,520	(197,520)	-
Payment for The Board of	-	-	-	(59,255)	(59,255)
Other adjustments	-	-	-	(6,967)	(6,967)
Balance at 31/12/2007	<u>25,838,989</u>	<u>12,886,462</u>	<u>197,520</u>	<u>3,633,937</u>	<u>42,556,908</u>

Contributed Chartered Capital

Chartered capital and the number of shares as follows:

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

On 14 March 2006, the MPI issued Investment License No. 953 CPH/GPDC1 approving the change of the currency of the Company's share face value. Accordingly, the share face value, chartered capital, and the total number of shares are changed as follows:

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

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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. OWNER'S EQUITY****Contributed Chartered Capital (Continued)**

In 2006 and beginning of 2007, the Company made additional issuances equal to 6.5% of its chartered capital as follows:

No.	Issuance	Increased chartered capital		Share premium	
		'000 VND	USD equivalent	'000 VND	USD equivalent
1	Issue shares through individual offers	427,190	26,483	3,844,710	238,343
2	Issue shares through strategic partners offers	19,161,700	1,187,880	172,455,300	10,690,924
3	Issue shares through Initial Public Offering auction	2,000,000	123,985	31,571,514	1,957,195
	Total	21,588,890	1,338,348	207,871,524	12,886,462

On 2 July 2007, the People's Committee of Quang Ninh Province granted the amended Investment License No. 953/GCND2/22/1 to the Company. Accordingly, the Company's chartered capital is VND 353,724,890,000 and the representative of state capital ownership is transferred from Ha Long Tourism Company (under the People's Committee of Quang Ninh Province) to the State Capital Investment Corporation.

The management decided to use the average inter-bank exchange rate on 30 June 2007 to convert the amount in VND obtained from the issuance to the functional currency (USD) in the financial statements since such recognition, according to the management, do not have a material effect on the presentation of the Company's financial statements.

According to Resolution of Annual Shareholders Meeting for the year 2006 dated 22 May 2007, the dividend for shareholder in 2006 is paid in form of new ordinary share equivalent to 16% contributed capital. Shareholder listed is fixed on 28 August 2007 for right to receipt 2006 dividend, this day is used to increase legal capital of the Company. On 28 January 2008, the Company get the amended Investment License No. 953/GCND3/22/1.

The capital contributions by shareholders as at 31 December 2007 were as follows:

Shareholders	Per the Investment License '000 VND	Contributed capital as at					
		31/12/2007			31/12/2006		
		USD	'000 VND equivalent	Percentage	USD	'000 VND equivalent	Percentage
Mr. Nguyen Chinh Nghia	253,762,300	15,996,693	253,762,300	62%	17,582,250	278,080,866	83%
State Capital Investment Corporation	56,924,780	3,588,411	56,924,780	14%	3,102,750	49,073,090	15%
Other shareholders	99,632,680	6,253,885	99,632,680	24%	315,000	4,982,044	2%
Total	410,319,760	25,838,989	410,319,760	100%	21,000,000	332,136,000	100%

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

16. BUSINESS SEGMENTS

The Company has divided management control by business segment. The structure of the Company included 4 segments as follow:

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

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

Balance sheet as at 31/12/2007

	Royal Casino	Royal Villas	Royal Park	Four Points- Sheraton Hotel	Total
	USD	USD	USD	USD	USD
Assets					
Fixed assets	3,069,332	6,163,981	5,732,207	1,237,288	16,202,808
Trade accounts receivables	10,362,752	388,851	18,630	-	10,770,233
Unallocated assets					21,679,866
Consolidated total assets					48,652,907
Liabilities					
Unallocated liabilities					6,095,999
Consolidated total liabilities					6,095,999

Income statement for the 2007

	Royal Casino	Royal Villas	Royal Park	Four Points- Sheraton Hotel	Total
	USD	USD	USD	USD	USD
Net sales	6,570,254	2,589,868	727,948		9,888,070
Cost of goods sold	(1,103,266)	(1,124,311)	(335,712)	-	(2,563,289)
Segment result	5,466,988	1,465,557	392,236	-	7,324,781
Operating expense					(4,263,526)
Financial income					464,670
Financial expense					(410,600)
Operating profit					3,115,325
Other profit/(losses)					387,859
Profit before tax					3,503,184
Current Income tax expense					55,187
Profit for the period					3,447,997
% /Total net sales	66.4%	26.2%	7.4%	0%	100%

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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***16. BUSINESS SEGMENTS (Continued)****Balance sheet as at 31/12/2006**

	Royal Casino	Royal Villas	Royal Park	Four Points- Sheraton Hotel	Total
	USD	USD	USD	USD	USD
Assets					
Fixed assets	3,377,819	6,264,863	4,529,728	1,215,478	15,387,888
Trade accounts receivable	6,981,161	164,793	13,446	-	7,159,400
Unallocated assets					15,933,288
Consolidated total assets					38,480,576
Liabilities					
Unallocated liabilities					13,530,184
Consolidated total liabilities					13,530,184

Income statement for 2006

	Royal Casino	Royal Villas	Royal Park	Four Points- Sheraton Hotel	Total
	USD	USD	USD	USD	USD
Net sales	6,279,083	2,773,970	343,740	-	9,396,793
Cost of goods sold	(636,998)	(1,071,560)	(370,189)	-	(2,078,747)
Segment result	5,642,085	1,702,410	(26,449)	-	7,318,046
Operating expense					(3,979,058)
Financial income					240,600
Financial expense					(495,104)
Operating profit					3,084,484
Other profit/(losses)					(71,850)
Profit before tax					3,012,634
Current income tax expense					25,434
Profit for the period					2,987,200
% /Total net sales	66.8%	29.5%	3.7%	0%	100%

17. PROFIT (LOSS) FROM OTHER ACTIVITIES

	2007	2006
	USD	USD
Gain from difference between tax payable and fixed tax payable (*)	665,964	542,827
Proceeds from disposals of fixed assets	10,900	4,000
Others	117,726	101,598
Other income	794,590	648,425
Net book value of fixed assets disposed	167,042	471,719
Others	239,689	248,556
Other expenses	406,731	720,275
Net profit/(loss) from other activities	387,859	(71,850)

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. PROFIT (LOSS) FROM OTHER ACTIVITIES (Continued)

(*) Variances between the current tax payable and the fixed tax payable for the year ended 31 December 2007 as per Decision No. 4097/QD-BTC dated 11 November 2005 issued by the Ministry of Finance. Detail as follow:

	Special Consumption Tax	Value Added Tax	Total
	USD	USD	USD
Tax payable	1,924,792	849,050	2,773,842
Fixed tax	1,451,152	656,726	2,107,878
Variances	473,640	192,324	665,964

18. EARNINGS PER SHARE

	2007 USD	2006 USD
Accounting profit after tax	3,447,997	2,987,200
Earnings distributed to common shareholders	3,447,997	2,987,200
Weighted average number of ordinary shares in circulation of the period	22,296,326	21,000,000
Earnings per share	0.15	0.14

As presented in Note 15, on 15 June 2005, the MPI approved Investment License No.953 CPH/GP to change Royal International Joint Venture Company into foreign invested joint stock company with the face value, chartered capital, and the number of shares as follows:

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

On 14 March 2006, the MPI issued Investment License No. 953 CPH/GPDC1 approving the change of the currency of the Company's share face value. Accordingly, the share face value, chartered capital, and the total number of shares are changed as follows:

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

The financial statements are presented in US Dollars. Therefore, for the purpose of calculating earnings per share, the management decided to value the face value of USD 1/share to determine the average number of common shares in circulation during the year 2006 and 2007.

19. COMMITMENTS

Purchase commitments

Up to 31 December 2007, the contracts for construction and installation, purchase machinery and equipment, which were signed but yet to be implemented, valued at approximately USD 6.799.909 in total.

Land lease commitment

Under the amended Investment Licence No. 953 CPH/GP dated 15 June 2005 by the Ministry of Planning and Investment (MPI), the Company is obliged to pay rentals for land, sand and water surface to the Government of Vietnam effective from the eighth (8th) month of the twenty-seventh (27th) year of the first Investment Licence date of 13 August 1994. The rental amount will be determined based on the prevailing market rental value at the time of the lease commencement.

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The Company has commitments for paying tax for the year 2008 at the fixed amount of USD 2,667,754 for value added tax, special consumption tax and corporate income tax as stated in Decision No. 4097/QD-BTC dated 11 November 2005 by the Ministry of Finance.

20. RELATED PARTY TRANSACTIONS AND BALANCES

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

	<u>2007</u>	<u>2006</u>
	USD	USD
Amount collected by Mr. Nguyen Chinh Nghia in Taiwan from Long Bay agency	1,607,359	-
Amount collected by Mr. Nguyen Chinh Nghia in Taiwan from casino customers	-	959,802
Amount collected by Mr. Nguyen Chinh Nghia in Taiwan from Jing Hwa agent	-	20,000
Amount collected by Mr. Nguyen Chinh Nghia in Taiwan from Mr. Lee Cheng Tao	1,042,641	-
Amount collected by Mr. Nguyen Chinh Nghia in Taiwan from Mr. Wei Chiu Mou	1,275,000	
Amount collected by Mr. Nguyen Chinh Nghia in Taiwan which previously advanced to Than Than Duc Lac Co., Ltd in connection with the cancelled contract for purchasing hotel fixtures.	-	479,975
Amount paid by Mr. Nguyen Chinh Nghia for surplus advance for purchase equipment in 2006.	18,317	-
Amount received by Mr. Nguyen Chinh Nghia from the Company for paying design fee to Mr. Ta Quang Anh	-	46,586
Amounts collected from gaming customers and payment/advanced for contracts for purchasing hotel fixtures by Mr. Nguyen Chinh Nghia	3,634,596	946,683
Mylai Company (Taiwan) - reimbursement of expenses by a related company	39,200	-

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

	<u>31/12/2007</u>	<u>31/12/2006</u>
	USD	USD
Receivables		
Mr. Nguyen Chinh Nghia	275,000	18,316
Mylai Company (Taiwan)	6,747	2,484
Payables		
Ha Long Tourism Company	-	989

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20. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

	<u>2007</u>	<u>2006</u>
	USD	USD
Directors' remuneration	45,438	34,514

21. SUBSEQUENT EVENTS

On 3 January 2008, Resolution on Shareholders Meeting has inform the approval of shareholders for method of issuing and using capital gain from 2,200,000 new shares with face value of VND 10,000/share by distributed for strategy investor. Cash receipt is estimated about VND 160 billion and will be used for following works:

- Increase working capital : VND 51 billion
- Finance for expanding casino : VND 42 billion
- Finance for expanding the Four Points Sheraton Hotel : VND 46 billion
- Finance for expanding the Royal Park : VND 21 billion

22. COMPARATIVE FIGURES

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