

INDOVINA BANK LIMITED
(Incorporated in the Socialist Republic of Vietnam)

**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

January 2007

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STATEMENT OF THE BOARD OF MANAGEMENT

The Board of Management of Indovina Bank Limited ("the Bank") presents this report together with the Bank's audited financial statements for the year ended 31 December 2006.

THE BOARDS OF DIRECTORS AND MANAGEMENT

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

Board of Directors

| | |
|-----------------|---------------|
| Roger M. H. Lee | Chairman |
| Pham Huy Hung | Vice Chairman |
| Chen Tsu Pei | Member |
| Nguyen Van Du | Member |
| Yei-Fong Jan | Member |
| Phan Dao Vu | Member |

Board of Management

| | |
|--------------|--------------------------------|
| Yei-Fong Jan | General Director |
| Phan Dao Vu | First Deputy General Director |
| Chan Kun Lu | Second Deputy General Director |

BOARD OF MANAGEMENT'S STATEMENT OF RESPONSIBILITY

The Board of Management of the Bank is responsible for preparing the financial statements of each year, which give a true and fair view of the financial position of the Bank and of its results and cash flows for the year. In preparing those financial statements, the Board of Management 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 Bank will continue in business.

The Board of Management is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the financial position of the Bank and to ensure that the financial statements comply with Vietnamese Accounting Standards and Vietnamese Accounting System applicable to credit institutions per State Bank Governor's Decision No. 479/2004/QD-NHNN dated 29 April 2004 (as amended) and the reporting frameworks for the credit institutions per State Bank Governor's Decision No. 1145/2002/QD-NHNN dated 18 October 2002. The Board of Management is also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Management confirms that the Bank has complied with the above requirements in preparing the financial statements.

Yei-Fong Jan, on behalf of the Board of Management,



12 January 2007

No. 17 /VACOHCM-KT

AUDITORS' REPORT

To: The Boards of Directors and Management of Indovina Bank Limited

We have audited the accompanying balance sheet of Indovina Bank Limited ("the Bank") as at 31 December 2006, and the related statements of income and cash flows for the year then ended. As discussed in note 2 of the notes to the financial statements, 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 Management and Auditors

As stated in the Statement of the Board of Management on page 1, these financial statements are the responsibility of the Bank's Board of Management. 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 misstatement. 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 Bank as at 31 December 2006 and the results of its operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards and Vietnamese Accounting System applicable to credit institutions per State Bank Governor's Decision No. 479/2004/QD-NHNN dated 29 April 2004 (as amended) and the reporting frameworks for the credit institutions per State Bank Governor's Decision No. 1145/2002/QD-NHNN dated 18 October 2002.



Rowell Donald N. Tan
Audit Partner

CPA Certificate No. N.0241/KTV

For and on behalf of

VIETNAM AUDITING COMPANY
Member of Deloitte Touche Tohmatsu

12 January 2007

Ho Chi Minh City, S.R. Vietnam

Nguyen Viet Tuan

Nguyen Viet Tuan
Auditor

CPA Certificate No. 0407/KTV

BALANCE SHEET
As at 31 December 2006

| | Note | 31/12/2006 USD | 31/12/2005 USD |
|---|------|--------------------|--------------------|
| <u>Assets</u> | | | |
| Cash on hand and valuable documents | 5 | 4,894,840 | 3,149,803 |
| Deposits with the State Bank of Vietnam | 6 | 14,637,382 | 7,700,798 |
| Deposits with other credit institutions | 7 | 26,964,719 | 29,838,117 |
| Trading securities | 8 | 1,797,011 | 629,921 |
| Loans to customers | 9 | 273,844,615 | 186,685,525 |
| <i>Loan balances</i> | | 275,172,148 | 187,959,280 |
| <i>Less provision for loan losses</i> | | (1,327,533) | (1,273,755) |
| Available-for-sale debt securities | 10 | 9,751,942 | 9,878,331 |
| Tangible fixed assets | 11 | 1,383,132 | 965,004 |
| Intangible fixed assets | 12 | 1,348,842 | 442,993 |
| Office supplies | | 8,070 | 10,417 |
| Other assets | | 3,513,739 | 2,458,938 |
| <i>Construction in progress</i> | 13 | 1,532,351 | 1,363,751 |
| <i>Other receivables and prepayments</i> | 14 | 895,804 | 267,019 |
| <i>Accrued interest receivable</i> | | 1,211,129 | 881,133 |
| <i>Other provision</i> | | (125,545) | (52,965) |
| Total assets | | 338,144,292 | 241,759,847 |
| <u>Resources</u> | | | |
| Deposits from other credit institutions | 15 | 3,775,930 | 1,300,129 |
| Borrowings from other credit institutions | 16 | 16,039,463 | 40,488,977 |
| Deposits from customers | 17 | 265,051,659 | 161,178,417 |
| Other liabilities | | 6,834,087 | 5,683,327 |
| <i>Other payables</i> | 18 | 4,098,437 | 3,754,530 |
| <i>Accrued interest payable</i> | | 2,735,650 | 1,928,797 |
| Equity and reserves | | 46,443,153 | 33,108,997 |
| <i>Legal capital</i> | 19 | 35,000,000 | 25,000,000 |
| <i>Reserves</i> | 20 | 5,094,634 | 4,009,097 |
| <i>Retained earnings</i> | 19 | 6,348,519 | 4,099,900 |
| Total resources | | 338,144,292 | 241,759,847 |

The notes set out on pages 7 to 18 are an integral part of these financial statements

OFF BALANCE SHEET ACCOUNTS
As at 31 December 2006

| | 31/12/2006 | 31/12/2005 |
|-------------------------------|--------------------|--------------------|
| | <u>USD</u> | <u>USD</u> |
| Outstanding letters of credit | 36,491,762 | 14,755,230 |
| Guarantees | 8,230,441 | 1,445,830 |
| Undrawn loan commitments | 172,883,535 | 132,955,335 |
| | <u>217,605,738</u> | <u>149,156,395</u> |

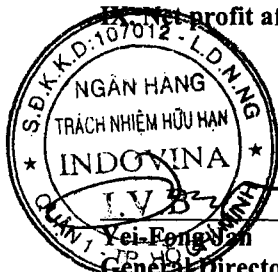


Thai Thi Thanh Thuy
Chief Accountant



INCOME STATEMENT
For the year ended 31 December 2006

| | Note | 2006 USD | 2005 USD |
|--|------|---------------------|--------------------|
| I. Interest and similar income | | | |
| 1. Interest income from loans | | 19,258,148 | 13,508,526 |
| 2. Interest income from placements with other credit institutions | | 1,418,181 | 1,270,893 |
| 3. Other income from credit activities | | 1,115,074 | 1,054,870 |
| 4. Dividend income | | 86,574 | 15,809 |
| Total interest and similar income | | 21,877,977 | 15,850,098 |
| II. Interest expenses | | | |
| 1. Interest expenses on deposits | | (8,789,460) | (6,190,768) |
| 2. Interest expenses on borrowings | | (1,920,809) | (2,069,170) |
| Total interest expenses | | (10,710,269) | (8,259,938) |
| III. Net interest and similar income | | 11,167,708 | 7,590,160 |
| IV. Other income | | | |
| 1. Income from guarantee activities | | 77,643 | 43,492 |
| 2. Income from payment service | | 1,709,307 | 1,564,461 |
| 3. Income from cashiering service | | 60,781 | 22,855 |
| 4. Gain arising from dealing in foreign currencies | | 561,892 | 399,060 |
| 5. Income from other services | | 52,662 | 152,313 |
| 6. Other income | | 681,539 | 462,423 |
| Total other income | | 3,143,824 | 2,644,604 |
| V. Other expenses | | | |
| 1. Other expenditure on funding activities | | (262) | - |
| 2. Expenditure on cashiering and payment service | | (97,255) | (86,857) |
| 3. Loss arising from dealing in foreign currencies | | (75,074) | (96,910) |
| 4. Expenditures on employment | | (2,019,925) | (1,445,137) |
| 5. Tax expense | | (79,215) | (71,539) |
| 6. General and administration expenses | | (1,283,326) | (890,038) |
| 7. Depreciation charges | | (343,383) | (223,146) |
| 8. Other expenditure on assets | | (514,038) | (342,240) |
| 9. Provision expenses | | (791,717) | (1,386,402) |
| 10. Insurance premium for customers' deposits and other insurance premiums | | (42,905) | (35,530) |
| 11. Other expenses | | (130,080) | (41,108) |
| Total other expenses | | (5,377,180) | (4,618,907) |
| VI. Net other expenses | | (2,233,356) | (1,974,303) |
| VII. Net profit before tax | | 8,934,352 | 5,615,857 |
| VIII. Corporate income tax | 21 | (1,786,870) | (1,123,171) |
| IX. Net profit after tax | | 7,147,482 | 4,492,686 |



Yei-Fong Yen
General Director
12 January 2007

Thai Thi Thanh Thuy
Chief Accountant

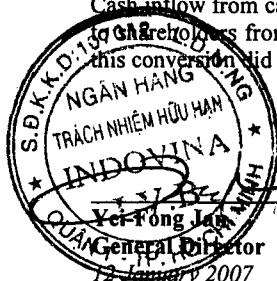
The notes set out on pages 7 to 18 are an integral part of these financial statements

CASH FLOW STATEMENT
For the year ended 31 December 2006

| | 2006 USD | 2005 USD |
|--|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net profit before tax | 8,934,352 | 5,615,857 |
| Adjustments for: | | |
| Disbursement of reserves for intended uses | (113,326) | (46,988) |
| Depreciation and amortization | 343,383 | 223,146 |
| Provision for loan losses, losses on guarantees and letter of credits | 126,358 | 1,013,249 |
| Recovery from losses on trading securities | - | (54,006) |
| Loss/(gain) on disposals of tangible fixed assets | 1,992 | (1,618) |
| Effects of foreign rate changes | 141,059 | 71,801 |
| Gain from sales of trading securities | (189,120) | - |
| Interest income from available-for-sale debt securities | (922,554) | (1,030,163) |
| Dividend income | (86,574) | (15,809) |
| Operating profit before changes in working assets and liabilities | 8,235,570 | 5,775,469 |
| Decrease in deposits with and loans to other credit institutions | - | 2,545,926 |
| Increase in loans to customers | (87,212,868) | (14,133,138) |
| (Increase)/Decrease in other assets | (500,894) | 108,810 |
| Increase/(Decrease) in deposits from other credit institutions | 2,475,801 | (3,210,972) |
| Increase in deposits from customers | 103,873,242 | 9,134,664 |
| (Decrease)/Increase in borrowings from other credit institutions | (24,449,514) | 10,046,922 |
| Increase in other liabilities | 2,099,808 | 606,040 |
| Corporate income tax paid | (1,235,918) | (1,174,403) |
| Net cash from operating activities | 3,285,227 | 9,699,318 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of tangible fixed assets and construction in progress | (1,837,952) | (1,656,541) |
| Receipt of interest income from available-for-sale debt securities | 467,014 | 594,391 |
| Dividend income received | 86,574 | 15,809 |
| Proceeds from sales of trading securities | 498,737 | 4,913,310 |
| Purchases of trading and available-for-sale securities | (1,491,377) | (4,422,048) |
| Net cash used in investing activities | (2,277,004) | (555,079) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Capital contribution | 6,650,000 | - |
| Dividend paid | (1,850,000) | (1,500,000) |
| Net cash from/(used in) financing activities | 4,800,000 | (1,500,000) |
| Net increase in cash and cash equivalents | 5,808,223 | 7,644,239 |
| Cash and cash equivalents at beginning of year | 40,688,718 | 33,044,479 |
| Cash and cash equivalents at end of year | 46,496,941 | 40,688,718 |
| Cash on hand and valuable documents | 4,894,840 | 3,149,803 |
| Deposits with the State Bank of Vietnam | 14,637,382 | 7,700,798 |
| Deposits with other credit institutions | 26,964,719 | 29,838,117 |
| | 46,496,941 | 40,688,718 |

Non - cash transaction

Cash inflow from capital contribution excludes an amount of USD 3,350,000, representing an amount of dividend declared in 2005 (USD 1,500,000) to 2006 (USD 1,850,000) that were converted as capital contribution. Since this conversion did not constitute movement of cash, it was not reflected in the above statement.




Thai Thi Thanh Thuy
Chief Accountant

The notes set out on pages 7 to 18 are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

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

1. GENERAL INFORMATION

Indovina Bank Limited ("the Bank") was incorporated in Vietnam as a joint venture bank for 20 years under the Banking License No. 08/NH-GP dated 29 October 1992 issued by the State Bank Governor, as amended.

The Bank's shareholders are Industrial and Commercial Bank of Vietnam, a bank incorporated in Vietnam, and Cathay United Bank, a bank incorporated in the Republic of China.

As at 31 December 2006, the Bank has 299 employees, including 8 expatriate managers.

2. ACCOUNTING CONVENTION AND PERIOD COVER

Accounting convention

The accompanying financial statements, expressed in United States Dollar (USD), are prepared under the historical cost convention and in accordance with Vietnamese Accounting Standards and Vietnamese Accounting System applicable to credit institutions per State Bank Governor's Decision No. 479/2004/QD-NHNN dated 29 April 2004 (as amended) and the reporting frameworks for the credit institutions per State Bank Governor's Decision No. 1145/2002/QD-NHNN dated 18 October 2002. The Bank's financial statements have been measured in USD as registered and approved by the Ministry of Finance in its letter dated 12 July 1999. The 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 Bank's business operations.

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

Fiscal year

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

3. ADOPTION OF NEW ACCOUNTING STANDARD AND STATE BANK REGULATION

In the current year, the Bank adopted Vietnamese Accounting Standard 18 - Provisions, Contingent Liabilities and Assets for the first time. It has also adopted the State Bank of Vietnam's new accounting regulations on financial instruments per its letter No. 7459/NHNN-KTTC dated 30 August 2006.

The application of this new standard and new accounting regulation did not have a significant effect on the amounts reported for the current or prior periods.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, which have been adopted by the Bank in the preparation of these financial statements, are as follows:

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

4.1 Use of estimates

The preparation of financial statements in conformity with Vietnamese Accounting Standards and Vietnamese Accounting System applicable to credit institutions per State Bank Governor's Decision No. 479/2004/QD-NHNN dated 29 April 2004 (as amended) and the reporting frameworks for the credit institutions per State Bank Governor's Decision No. 1145/2002/QD-NHNN dated 18 October 2002 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.

4.2 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.

4.3 Loans to customers and interest income

Loans are reported at their outstanding principal amounts and are adjusted for any write-offs and provision for loan losses.

Interest income is recorded on the accrual basis unless the loan is classified as an impaired loan. Loans are considered to be impaired whenever there is no longer reasonable assurance as to the ultimate collectibility of some portion of principal or interest. Loan where interest is due and has not been collected for a period of 90 days are automatically recognized as impaired, unless management determines there is no reasonable doubt as to the ultimate collectibility of principal and interest.

When a loan is classified as impaired, any interest income previously recognized but not yet collected is reversed.

4.4 Provision for loan losses, losses on guarantees and letter of credits

A provision for loan losses, losses on guarantees and letter of credits is made based on management's estimate of loan losses, losses on guarantees and letter of credits in accordance with the guidance specified under Decision No. 493/2005/QD-NNNH dated 22 April 2005 issued by State Bank of Vietnam. Specific allowances are recorded on a loan-by-loan basis at a certain rate specified under Decision No. 493/2005/QD-NNNH. General provision for loan losses, losses on guarantees and letters of credits is made at 0.395% of the Bank's calculated Net Exposure. Net Exposure is determined by adding the total amount of loans to customers (after deducting loans that have been fully provided for) with the total amount of guarantees and letters of credits at the balance sheet date.

The provision for loan losses, losses on guarantees and letter of credits is charged to the income statement which comprises amounts written off during the year, net of recoveries on amounts written off in prior years, and changes in provision.

4.5 Trading securities

Trading securities are stated at cost. A loss provision is made when market value is lower than cost. When market value recovers, unrealized gain from recovery is applied against previously set-up provision. Any increase in market value above cost is not recognized as income until it has been sold or realized.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

4.6 Available-for- sale debt securities

Available-for-sale debt securities are stated at amortized cost. Premiums or discounts from the purchases of available-for-sale debt securities are amortized to income statement over the investing period.

4.7 Tangible fixed assets and depreciation

Tangibles 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.

Tangible fixed assets are depreciated on a straight-line basis over their estimated useful lives from three to twenty years.

4.8 Intangible fixed assets and amortization

Intangible assets represent land use rights and computer software.

Land use rights are stated at cost less accumulated amortization. The Bank's land use rights pertain to pieces of land located in Ha Noi, Binh Duong and Dong Nai. Land use rights are amortized using the straight-line method over the period from the date of having the right to use the land up to the Bank investment license's expiration date.

Computer software is stated at cost less accumulated amortization. Computer software is amortized on a straight-line basis over their estimated useful lives from five to eight years.

4.9 Off balance sheet financial commitments

In the ordinary course of business, the Bank enters into various off-balance sheet financial commitments to extend credit, commitments under the form of commercial letters of credit, foreign currency swap contracts, and import and export guarantees. Such transactions are recorded in the financial statements when they are funded or when related fees are incurred or received.

4.10 Foreign currencies

Transactions arising in currencies other than USD are translated at the exchange rates ruling at the transaction date. Foreign exchange differences arising from these transactions are dealt with in the income statement.

Monetary assets and liabilities denominated in such currencies are retranslated at the rates of exchange prevailing on the balance sheet date. Exchange differences arising from the translation of these accounts are dealt with in the income statement. Unrealized exchange gains at the balance sheet date are not treated as part of distributable profit to shareholder.

4.11 Leasing

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rental charges applicable to such operating leases are charged to income statement as incurred over the lease term.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

4.12 Taxation

The charge for current tax is based on the results for the year as adjusted for items, which are deemed non-assessable or disallowed including losses carried forward, if any. It is calculated using the rate of 20% that has been enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the 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 Bank intends to settle its current tax assets and liabilities on a net basis.

No deferred tax assets or liabilities are recognized as there are no significant temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

The determination of corporate income tax due and deferred tax is based on the current interpretation of tax regulations. However, these regulations are subject to periodic variation and its ultimate determination depends on the results of tax authorities' examination.

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

5. CASH ON HAND AND VALUABLE DOCUMENTS

| | 31/12/2006 | 31/12/2005 |
|--------------------|------------------|------------------|
| | <u>USD</u> | <u>USD</u> |
| Cash on hand | 4,886,350 | 3,128,773 |
| Valuable documents | 8,490 | 21,030 |
| | <u>4,894,840</u> | <u>3,149,803</u> |

Valuable documents represent traveler's checks sent for collection at overseas banks.

6. DEPOSITS WITH THE STATE BANK OF VIETNAM

Deposits with the State Bank of Vietnam represent demand deposits and the compulsory reserves maintained in compliance with the provisions of the Law on credit institutions as follows:

| | 31/12/2006 | 31/12/2005 |
|---------------------|-------------------|------------------|
| | <u>USD</u> | <u>USD</u> |
| Demand deposits | 3,099,416 | - |
| Compulsory reserves | 11,537,966 | 7,700,798 |
| | <u>14,637,382</u> | <u>7,700,798</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

7. DEPOSITS WITH OTHER CREDIT INSTITUTIONS

| | 31/12/2006 USD | 31/12/2005 USD |
|------------------------------------|-------------------|-------------------|
| Due from domestic banks | | |
| Demand deposits | 10,970,008 | 5,396,703 |
| Time deposits (from 1 to 3 months) | 2,796,594 | 16,788,189 |
| | <u>13,766,602</u> | <u>22,184,892</u> |
| Due from overseas banks | | |
| Demand deposits | 13,198,117 | 7,653,225 |
| Time deposits | - | - |
| | <u>13,198,117</u> | <u>7,653,225</u> |
| | <u>26,964,719</u> | <u>29,838,117</u> |

8. TRADING SECURITIES

Trading securities which are stated at acquisition cost, represent 2,891,570 (2005: 1,000,000) shares of investment security bought from an investment fund at VND 10,000 per share. These securities have been designated by the Bank as investments held for trading, one with a market value of VND 35,800 (2005: VND 10,900) per share and the other one with unavailable market value as at 31 December 2006. These securities have a par value of VND 10,000.

9. LOANS TO CUSTOMERS

| | 31/12/2006 USD | 31/12/2005 USD |
|---|--------------------|--------------------|
| Short-term loans (within one year) | 178,117,251 | 116,393,611 |
| Medium-term loans (from one year to five years) | 65,819,685 | 43,774,529 |
| Long-term loans (over five years) | 31,050,945 | 27,170,259 |
| Overdue loans | 184,267 | 620,881 |
| | <u>275,172,148</u> | <u>187,959,280</u> |
| Less provision for loan losses | <u>(1,327,533)</u> | <u>(1,273,755)</u> |
| | <u>273,844,615</u> | <u>186,685,525</u> |

Loans are mainly secured by buildings, machinery and equipment, stocks, deposits and standby letters of credit. The loans in USD bear interest rates ranging from 5.30% to 11.88% per annum and the Vietnam Dong (VND) denominated loans bear interest rates ranging from 6.83% to 18.90% per annum.

The movements in the provision for loan losses during the year were as follows:

| | 2006 USD | 2005 USD |
|--|------------------|------------------|
| Beginning balance | 1,273,755 | 313,471 |
| Provision for loan losses for the year | 718,308 | 960,284 |
| | <u>1,992,063</u> | <u>1,273,755</u> |
| Less: provision reversed | <u>(664,530)</u> | - |
| | <u>1,327,533</u> | <u>1,273,755</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

10. AVAILABLE-FOR-SALE DEBT SECURITIES

Available-for-sale debt securities, represent government bonds with maturities between one and five years, earning interest rates of 8.00% to 8.52% per annum (2005: 8.30% to 8.52% per annum).

| | 31/12/2006 | | |
|------------------|-------------------|-------------------------------|------------------------------------|
| | <i>Book value</i> | <i>Maturity date</i> | <i>Effective interest rate (%)</i> |
| | <u>USD</u> | | <u>USD</u> |
| City bonds | 2,204,245 | 7/30/2009 | 8.52 |
| Education bonds | 6,215 | 5/8/2008 | 8.00 |
| Government bonds | 7,541,482 | From 5/6/2008 to 8/19/2010 | 8.00 - 8.60 |
| | <u>9,751,942</u> | | |

| | 31/12/2005 | | |
|------------------|-------------------|-------------------------------|------------------------------------|
| | <i>Book value</i> | <i>Maturity date</i> | <i>Effective interest rate (%)</i> |
| | <u>USD</u> | | <u>USD</u> |
| City bonds | 2,234,236 | 7/30/2009 | 8.52 |
| Education bonds | 6,299 | 5/8/2008 | 8.00 |
| Government bonds | 7,637,796 | From 5/6/2008 to 8/19/2010 | 8.00 - 8.60 |
| | <u>9,878,331</u> | | |

11. TANGIBLE FIXED ASSETS

| | <i>Buildings & leasehold improvements</i> | <i>Office equipment, furniture & fixtures</i> | <i>Motor vehicles</i> | <i>Total</i> |
|--|---|---|-----------------------|------------------|
| | <u>USD</u> | <u>USD</u> | <u>USD</u> | <u>USD</u> |
| COST | | | | |
| As at 1/1/2006 | 661,857 | 860,608 | 780,661 | 2,303,126 |
| Additions | 9,589 | 107,109 | 165,321 | 282,019 |
| Transfer from construction in progress | - | 393,191 | - | 393,191 |
| Disposal | - | (146,084) | (52,677) | (198,761) |
| As at 31/12/2006 | <u>671,446</u> | <u>1,214,824</u> | <u>893,305</u> | <u>2,779,575</u> |
| ACCUMULATED DEPRECIATION | | | | |
| As at 1/1/2006 | 159,343 | 657,297 | 521,482 | 1,338,122 |
| Charge for the year | 69,992 | 109,433 | 75,665 | 255,090 |
| Eliminated upon disposals | - | (144,091) | (52,678) | (196,769) |
| As at 31/12/2006 | <u>229,335</u> | <u>622,639</u> | <u>544,469</u> | <u>1,396,443</u> |
| NET BOOK VALUE | | | | |
| As at 31/12/2006 | <u>442,111</u> | <u>592,185</u> | <u>348,836</u> | <u>1,383,132</u> |
| As at 31/12/2005 | <u>502,514</u> | <u>203,311</u> | <u>259,179</u> | <u>965,004</u> |

The cost of the Bank's tangible fixed assets includes an amount of USD 780,411 in respect of fully depreciated assets which are still in use.



NOTES TO THE FINANCIAL STATEMENTS (continued)

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

12. INTANGIBLE FIXED ASSETS

| | Land use rights <u>USD</u> | Computer software <u>USD</u> | Total <u>USD</u> |
|--|----------------------------------|------------------------------------|---------------------|
| COST | | | |
| As at 1/1/2006 | 491,241 | 93,696 | 584,937 |
| Transfer from construction in progress | - | 994,142 | 994,142 |
| As at 31/12/2006 | <u>491,241</u> | <u>1,087,838</u> | <u>1,579,079</u> |
| ACCUMULATED AMORTIZATION | | | |
| As at 1/1/2006 | 57,196 | 84,748 | 141,944 |
| Charge for the year | 21,449 | 66,844 | 88,293 |
| As at 31/12/2006 | <u>78,645</u> | <u>151,592</u> | <u>230,237</u> |
| NET BOOK VALUE | | | |
| As at 31/12/2006 | <u>412,596</u> | <u>936,246</u> | <u>1,348,842</u> |
| As at 31/12/2005 | <u>434,045</u> | <u>8,948</u> | <u>442,993</u> |

The cost of the Bank's computer software includes an amount of USD 82,420 in respect of fully amortized software which is still in use.

13. CONSTRUCTION IN PROGRESS

| | 2006 <u>USD</u> | 2005 <u>USD</u> |
|-----------------------------------|--------------------|--------------------|
| As at 1 January | 1,363,751 | 19,073 |
| Additions | 1,555,933 | 1,344,678 |
| Transfer to tangible fixed assets | (393,191) | - |
| Transfer to intangible assets | (994,142) | - |
| As at 31 December | <u>1,532,351</u> | <u>1,363,751</u> |

14. OTHER RECEIVABLES AND PREPAYMENTS

| | 31/12/2006 <u>USD</u> | 31/12/2005 <u>USD</u> |
|-------------------|--------------------------|--------------------------|
| Prepaid expenses | 136,725 | 201,460 |
| Other receivables | <u>759,079</u> | <u>65,559</u> |
| | <u>895,804</u> | <u>267,019</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

15. DEPOSITS FROM OTHER CREDIT INSTITUTIONS

| | 31/12/2006 | 31/12/2005 |
|---|------------------|------------------|
| | <u>USD</u> | <u>USD</u> |
| <u>In Vietnam dong</u> | | |
| Demand deposits, interest rate of 0.18% per month (2005: 0.18%) | 1,510,496 | 494,121 |
| | <u>1,510,496</u> | <u>494,121</u> |
| <u>In other currencies</u> | | |
| Demand deposits, interest rate of 0.50% per annum (2005: 0.50%) | 2,265,434 | 806,008 |
| | <u>2,265,434</u> | <u>806,008</u> |
| | <u>3,775,930</u> | <u>1,300,129</u> |

16. BORROWINGS FROM OTHER CREDIT INSTITUTIONS

Amount represents unsecured borrowings from other credit institutions with maturity between one week and six months, bearing interest rates of 4.75% to 5.50% per annum (2005: 3.81% to 4.25%) for those denominated in USD and 6.00% to 7.70% per annum (2005: 4.00% to 8.04%) for those denominated in VND.

17. DEPOSITS FROM CUSTOMERS

| | 31/12/2006 | 31/12/2005 |
|---|--------------------|--------------------|
| | <u>USD</u> | <u>USD</u> |
| <u>In Vietnam dong</u> | | |
| Demand deposits, interest rate of 0.18% per month (2005: 0.18%) | 74,093,177 | 39,545,148 |
| Time deposits from 2 weeks to 3 months, interest rates ranging from 0.54% to 0.92% per month (2005: 0.54% to 0.65%) | 40,321,213 | 23,446,102 |
| Time deposits above 3 months to 1 year, interest rates ranging from 0.66% to 0.87% per month (2005: 0.69% to 0.73%) | 41,749,096 | 28,424,206 |
| Time deposits above 1 year, interest rates ranging from 0.70% to 0.90% per month (2005: 0.74% to 0.77%) | 9,037,181 | 13,031,369 |
| | <u>165,200,667</u> | <u>104,446,825</u> |
| <u>In other currencies</u> | | |
| Demand deposits, interest rates of 0.50% per annum (2005: 0.50%) | 48,172,432 | 31,053,997 |
| Time deposits from 2 weeks to 3 months, interest rates ranging from 1.20% to 4.80% per annum (2005: 1.20% to 3.00%) | 15,437,717 | 11,308,866 |
| Time deposits above 3 months to 1 year, interest rates ranging from 1.20% to 5.40% per annum (2005: 1.50% to 3.75%) | 35,236,615 | 12,842,951 |
| Time deposits above 1 year, interest rates ranging from 3.75% to 5.20% per annum (2005: 1.50% to 4.10%) | 1,004,228 | 1,525,778 |
| | <u>99,850,992</u> | <u>56,731,592</u> |
| | <u>265,051,659</u> | <u>161,178,417</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

18. OTHER PAYABLES

| | 31/12/2006 | 31/12/2005 |
|------------------------------|------------------|------------------|
| | <u>USD</u> | <u>USD</u> |
| Escrow fund | 2,492,872 | 1,016,208 |
| Dividend payable | - | 1,500,000 |
| Provision for severance pay | 394,294 | 394,293 |
| Corporate income tax payable | 551,104 | 367,265 |
| Other payables | 660,167 | 476,764 |
| | <u>4,098,437</u> | <u>3,754,530</u> |

19. CAPITAL AND CHANGES IN SHAREHOLDER'S EQUITY

| | Legal capital | Reserves | Retained earnings | Total |
|--|-------------------|------------------|-------------------|-------------------|
| | <u>USD</u> | <u>USD</u> | <u>USD</u> | <u>USD</u> |
| Balance as at 1/1/2005 | 25,000,000 | 3,357,658 | 3,305,641 | 31,663,299 |
| Net profit for the year | - | - | 4,492,686 | 4,492,686 |
| Appropriation to reserve | - | 698,427 | (698,427) | - |
| Disbursement of reserves for their intended uses | - | (46,988) | - | (46,988) |
| Declared dividend | - | - | (3,000,000) | (3,000,000) |
| Balance as at 1/1/2006 | 25,000,000 | 4,009,097 | 4,099,900 | 33,108,997 |
| Capital contribution | 10,000,000 | - | - | 10,000,000 |
| Net profit for the year | - | - | 7,147,482 | 7,147,482 |
| Appropriation to reserve | - | 1,198,863 | (1,198,863) | - |
| Disbursement of reserves for their intended uses | - | (113,326) | - | (113,326) |
| Declared dividend | - | - | (3,700,000) | (3,700,000) |
| Balance as at 31/12/2006 | 35,000,000 | 5,094,634 | 6,348,519 | 46,443,153 |

On its Board of Directors meeting dated 16 February 2006, the Bank's Board of Directors resolved to declare a dividend of USD 3,700,000 (2005: USD 3,000,000). This dividend will be distributed between the joint venture partners in proportion to their capital contribution of 50/50. To date, USD 1,850,000 of this declared dividend has been converted as shareholder's capital contribution and the remaining amount has been fully paid (2005: USD 1,500,000 of the declared dividend was converted as part of the shareholders' capital contribution of 2006).

The Bank's legal capital is USD 35,000,000. The structure of the Bank's fully contributed legal capital is as follows:

| | Per Investment License | | | Contributed capital | |
|---|------------------------|-------------------|------------|---------------------|-------------------|
| | 31/12/2006 | 31/12/2005 | % | 31/12/2006 | 31/12/2005 |
| | <u>USD</u> | <u>USD</u> | | <u>USD</u> | <u>USD</u> |
| Industrial and Commercial Bank of Vietnam | 17,500,000 | 12,500,000 | 50 | 17,500,000 | 12,500,000 |
| Cathay United Bank | 17,500,000 | 12,500,000 | 50 | 17,500,000 | 12,500,000 |
| | <u>35,000,000</u> | <u>25,000,000</u> | <u>100</u> | <u>35,000,000</u> | <u>25,000,000</u> |

On 23 October 2006, the Bank's legal capital had increased from USD 25,000,000 to USD 35,000,000 per State Bank of Vietnam Approval Letter No. 9024/NHNN-CNH.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

20. RESERVES

Non-distributable reserves and their balances are as follows:

| | Supplemental capital reserve USD | Financial reserve USD | Development reserve USD | Reward reserve | Total USD |
|---|--|-----------------------------|-------------------------------|-------------------|------------------|
| Balance as at 1/1/2005 | 1,137,843 | 2,219,815 | - | - | 3,357,658 |
| Appropriation to reserves | 224,634 | 426,805 | - | - | 651,439 |
| Balance as at 1/1/2006 | 1,362,477 | 2,646,620 | - | - | 4,009,097 |
| Appropriation to reserves | 357,374 | 679,011 | 80,000 | 82,478 | 1,198,863 |
| Disbursement of reserves for their intended uses | - | - | (37,860) | (75,466) | (113,326) |
| Balance as at 31/12/2006 | 1,719,851 | 3,325,631 | 42,140 | 7,012 | 5,094,634 |

Under the term of its registration, the Bank is required to create the following reserves:

- 5% of the annual net profit after tax as a supplemental capital reserve but the fund shall not exceed the allotted or registered capital.
- 10% of the annual net profit after tax (after providing the supplemental capital reserve and deducting accumulated losses carried forward and other non-deductible expenses), for a financial reserve fund. This fund should not exceed 25% of the allotted or registered capital.
- Development and reward reserve is established based on the discretion of the Bank's Board of Directors.

21. CORPORATE INCOME TAX

| | 2006 USD | 2005 USD |
|-------------------------------------|------------------|------------------|
| Profit before tax | 8,934,352 | 5,615,857 |
| Less: non-taxable income | - | - |
| Add: non-deductible expenses | - | - |
| Adjusted profit | 8,934,352 | 5,615,857 |
| Losses carried forward | - | - |
| Assessable income | 8,934,352 | 5,615,857 |
| Tax rate | 20% | 20% |
| Current tax due for the year | 1,786,870 | 1,123,171 |
| Deferred tax | - | - |
| | 1,786,870 | 1,123,171 |

22. CAPITAL COMMITMENTS

As at the balance sheet date, the Bank's capital commitments for installation of ATM System and construction of a new branch office in Ha Noi, Ho Chi Minh and Binh Duong amounted to USD 1,570,275 (2005: USD 1,120,614).

23. OPERATING LEASE ARRANGEMENTS

At the balance sheet date, the Bank had outstanding commitments under non-cancelable operating leases, which fall due as follows:

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

| | 31/12/2006 | 31/12/2005 |
|--|-------------------------|-----------------------|
| | <u>USD</u> | <u>USD</u> |
| Within one year | 240,905 | 190,503 |
| In the second to fifth years inclusive | 760,411 | 442,000 |
| After five years | - | 63,000 |
| | <u>1,001,316</u> | <u>695,503</u> |

Operating lease payments mainly represent rentals payable by the Bank for its Head Office, Hanoi Branch Office, Can Tho Branch Office and Dong Nai Branch Office. These leases are negotiated for a term of 7 years for the Head Office, 5 years for the Hanoi Branch, 10 years for the Can Tho Branch and 5 years for the Dong Nai Branch. The amount of rentals had been fixed for the entire duration.

24. RELATED PARTY TRANSACTIONS AND BALANCES

In the ordinary course of business, the Bank has deposits and other transactions with Industrial and Commercial Bank of Vietnam (ICBV), Cathay United Bank (CUB), CUB - Chulai Branch (CCB) and CUB Representative Office, related parties. These are made substantially on the same terms as with other individuals and businesses of comparable risks. These transactions and the related balances are shown under various accounts in the financial statements. The following are related parties' balances as at the balance sheet date and transactions between the Bank and its related parties during the year:

The related party transactions were as follows:

| | | | 2006 | 2005 |
|-----------------------------|------------------------------|--|------------------|----------------|
| | | | <u>USD</u> | <u>USD</u> |
| <u>Related parties</u> | <u>Relationship</u> | <u>Nature</u> | | |
| ICBV | Vietnamese shareholder | Borrowings | - | 23,705,670 |
| | | Interest income | 575 | 102 |
| | | Interest expense | 7,985 | 520,308 |
| | | Dividend declared and paid | 1,850,000 | 1,500,000 |
| | | Capital contribution | <u>5,000,000</u> | <u>-</u> |
| CUB | Foreign shareholder | Borrowings | - | 53,000,000 |
| | | Interest expense | 13,809 | 527,912 |
| | | Interest income | - | 8,657 |
| | | Rental income | 6,000 | 4,500 |
| | | Declared dividend | 1,850,000 | 1,500,000 |
| | | Capital contribution | 1,650,000 | - |
| | | Declared dividend converted to legal capital | <u>3,350,000</u> | <u>-</u> |
| CCB | Foreign shareholder's Branch | Borrowings | 92,726,427 | 17,428,061 |
| | | Loans to CCB | 12,790,050 | 2,022,884 |
| | | Interest expense | 802,664 | 132,080 |
| | | Interest income | <u>16,819</u> | <u>112</u> |
| CUB - Representative Office | Representative office of CUB | Interest expense | <u>565</u> | <u>-</u> |
| Board of Management | | Remuneration | <u>206,552</u> | <u>173,855</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

The related party balances were as follows:

| <u>Related parties</u> | <u>Relationship</u> | <u>Nature</u> | 31/12/2006 | 31/12/2005 |
|-----------------------------|------------------------------|--|------------|------------|
| | | | <u>USD</u> | <u>USD</u> |
| ICBV | Vietnamese shareholder | Deposit with ICBV | 50,735 | 7,722 |
| | | Deposit from ICBV | 1,947,893 | 90,805 |
| | | Borrowings | - | 4,409,449 |
| CUB | Foreign shareholder | Deposit with CUB | 582,071 | 809,270 |
| | | Borrowings | - | 2,000,000 |
| | | Dividend payable | - | 1,500,000 |
| CCB | Foreign shareholder's Branch | Loans to CCB | 1,194,345 | - |
| | | Deposit from CCB | 210,238 | 420,795 |
| | | Borrowings | 3,422,407 | 15,944,882 |
| CUB - Representative Office | Representative office of CUB | Deposit from CUB Representative Office | 57,362 | 351,145 |

25. COMPARATIVE FIGURES

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

