



INDOVINA BANK LIMITED

(Incorporated in the Social Republic of Vietnam)

**AUDITED FINANCIAL
STATEMENTS**

For the year ended 31 December 2007

INDOVINA BANK LIMITED

(Incorporated in the Social Republic of Vietnam)

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STATEMENTS**

For the year ended 31 December 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 2007.

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 (resigned on 10 February 2007)
Le Van Phu	Member (appointed on 10 February 2007)

Board of Management

Yei-Fong Jan	General Director
Phan Dao Vu	First Deputy General Director (resigned on 10 February 2007)
Le Van Phu	First Deputy General Director (appointed on 10 February 2007)
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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business; and
- design and implement an effective internal control system for the purpose of properly preparing the financial statements so as to minimize errors and frauds.

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); the reporting frameworks for the credit institutions per State Bank Governor's Decision No. 16/2007/QD-NHNN dated 18 April 2007 and prevailing regulations applicable to credit institutions in Vietnam. 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.

For and on behalf of the Board of Management,

Yei-Fong Jan
General Director
11 January 2008

Le Van Phu
First Deputy General Director

No. 325 /Deloitte-AUDHCM-RE

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 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 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 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 Bank 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 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); the reporting frameworks for the credit institutions per State Bank Governor's Decision No. 16/2007/QD-NHNN dated 18 April 2007 and prevailing regulations applicable to credit institutions in Vietnam.



Võ Thái Hòa
Audit Partner

CPA Certificate No. 0138/KTV

For and on behalf of

DELOITTE VIETNAM COMPANY LIMITED

11 January 2008

Ho Chi Minh City, S.R. Vietnam

Pham Van Tan
Auditor

CPA Certificate No. 0401/KTV

BALANCE SHEET
As at 31 December 2007

	Notes	31/12/2007 USD	31/12/2006 USD
<u>Assets</u>			
Cash on hand and valuable documents	5	6,903,982	4,894,840
Deposits with the State Bank of Vietnam	6	52,139,985	14,637,382
Deposits with other credit institutions	7	111,116,467	26,964,719
Trading securities	8	5,053,087	1,797,011
Loans to customers	9	345,389,631	273,844,615
<i>Loan balances</i>		<i>347,235,136</i>	<i>275,172,148</i>
<i>Less provision for loan losses</i>		<i>(1,845,505)</i>	<i>(1,327,533)</i>
Available-for-sale debt securities	10	9,738,023	9,751,942
Tangible fixed assets	11	5,311,457	1,383,132
Intangible assets	12	1,471,521	1,348,842
Other assets		2,679,935	3,521,809
<i>Construction in progress</i>	13	<i>124,838</i>	<i>1,532,351</i>
<i>Other receivables and prepayments</i>	14	<i>483,313</i>	<i>903,874</i>
<i>Accrued interest receivable</i>		<i>2,347,434</i>	<i>1,211,129</i>
<i>Other provision</i>		<i>(275,650)</i>	<i>(125,545)</i>
Total assets		<u>539,804,088</u>	<u>338,144,292</u>
<u>Resources</u>			
Borrowings from the State Bank of Vietnam	15	930,868	994,345
Deposits from other credit institutions	16	3,579,081	3,775,930
Borrowings from other credit institutions	17	1,861,735	15,045,118
Deposits from customers	18	388,367,878	229,163,856
Certificates of deposits	19	10,285,127	35,887,803
Other liabilities		69,001,993	6,834,087
<i>Other payables</i>	20	<i>65,082,378</i>	<i>4,098,437</i>
<i>Accrued interest payable</i>		<i>3,919,615</i>	<i>2,735,650</i>
Equity and reserves		65,777,406	46,443,153
<i>Legal capital</i>	21	<i>50,000,000</i>	<i>35,000,000</i>
<i>Reserves</i>	22	<i>6,725,915</i>	<i>5,094,634</i>
<i>Retained earnings</i>	21	<i>9,051,491</i>	<i>6,348,519</i>
Total resources		<u>539,804,088</u>	<u>338,144,292</u>


The notes set out on pages 8 to 22 are an integral part of these financial statements

OFF BALANCE SHEET ACCOUNTS
 As at 31 December 2007

	31/12/2007	31/12/2006
	<u>USD</u>	<u>USD</u>
Outstanding letters of credit	45,270,433	36,491,762
Guarantees	4,822,374	8,230,441
	<u>50,092,807</u>	<u>44,722,203</u>



Yei-Fong Jan
General Director
 11 January 2008


Le Van Phu
First Deputy General Director


Tran Le Thuy
Chief Accountant



INCOME STATEMENT
For the year ended 31 December 2007

	Notes	2007 USD	2006 USD
1. Interest and similar income	23	32,676,228	20,679,729
2. Interest expense and similar charges	24	(16,740,219)	(10,710,531)
I. Net interest and similar income		15,936,009	9,969,198
1. Fee and commission income		2,076,833	1,900,394
2. Fee and commission expense		(132,326)	(97,255)
II. Net fee and commission income		1,944,507	1,803,139
III. Net gain from dealing in foreign currencies	25	386,019	486,818
IV. Net gain from trading of held-for-sale securities		813,199	189,120
V. Net gain from trading of available-for-sale securities		816,326	922,554
1. Other operating income		105,753	681,539
2. Other operating expenses		(200,677)	(90,742)
VI. (Loss)/gain from other activities		(94,924)	590,797
VII. Dividend income		161,083	86,574
VIII. General and administrative expenditures		(5,991,553)	(4,322,131)
IX. Net income before provision for credit losses		13,970,666	9,726,069
X. Provision for credit losses		(891,760)	(791,717)
XI. Profit before tax		13,078,906	8,934,352
XII. Corporate income tax	26	(2,615,781)	(1,786,870)
XIII. Profit after tax		10,463,125	7,147,482



Yei-Fong Jan
General Director
11 January 2008

Le Van Phu
First Deputy General Director

Tran Le Thuy
Chief Accountant

CASH FLOW STATEMENT
For the year ended 31 December 2007

	2007 USD	2006 USD
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before tax	13,078,906	8,934,352
<i>Adjustments for:</i>		
Depreciation and amortization	675,459	343,383
Provision for loan losses, losses on guarantees and letters of credit	668,077	126,358
(Gain)/Loss on disposals of tangible fixed assets	(23,269)	1,992
Effects of foreign exchange rate	13,919	141,009
Operating profit before changes in operating assets and liabilities	14,413,092	9,547,094
Increase in deposits with and loans to other credit institutions	(3,102,892)	-
Increase in trading securities	(3,256,076)	(1,181,710)
Increase in loans to customers	(72,062,988)	(87,212,868)
Increase in accrued interest income	(1,136,305)	(329,996)
Decrease/(Increase) in other assets	571,462	(626,438)
Decrease in borrowings from the State Bank of Vietnam	(63,477)	(4,926,915)
Decrease in deposits and borrowings from other credit institutions	(13,380,232)	(17,046,798)
Increase in deposits from customers	159,204,022	67,985,439
(Decrease)/Increase in issuing certificate of deposits	(25,602,676)	35,887,803
Increase in accrued interest expenses	1,183,966	806,853
Increase in other liabilities	59,288,328	1,292,955
Net cash from operating activities before corporate income tax	116,056,224	4,195,419
Corporate income tax paid	(1,202,783)	(1,235,918)
Disbursement of reserves for intended uses	(128,872)	(113,326)
Net cash from operating activities	114,724,569	2,846,175
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets and construction in progress	(3,189,023)	(1,837,952)
Proceeds from disposal fixed assets	25,055	-
Net cash used in investing activities	(3,163,968)	(1,837,952)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contribution	12,000,000	6,650,000
Dividend paid	(3,000,000)	(1,850,000)
Net cash from financing activities	9,000,000	4,800,000
Net increase in cash and cash equivalents	120,560,601	5,808,223
Cash and cash equivalents at beginning of year	46,496,941	40,688,718
Cash and cash equivalents at end of year	167,057,542	46,496,941
Cash on hand and valuable documents	6,903,982	4,894,840
Deposits with the State Bank of Vietnam	52,139,985	14,637,382
Deposits with other credit institutions (with terms of 3 months or less)	108,013,575	26,964,719
	167,057,542	46,496,941

Non - cash transaction

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

Cash outflows for purchases of fixed assets during the year excludes amounts of USD 282,614 (2006: Nil), representing additions to fixed assets that have not yet been paid. Consequently, changes in accounts payable and have been adjusted by the same amounts.

Le Van Phu
First Deputy General Director

Tran Le Thuy
Chief Accountant

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

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 2007, the Bank has 385 employees, including 8 expatriate managers (2006: 270 employees, including 7 expatriate managers).

2. ACCOUNTING CONVENTION AND FISCAL YEAR

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); the reporting frameworks for the credit institutions per State Bank Governor's Decision No. 16/2007/QD-NHNN dated 18 April 2007 and prevailing regulations applicable to credit institutions in Vietnam. 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.

Fiscal year

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

3. ADOPTION OF NEW STATE BANK REGULATION

In the current year, the Bank adopted new reporting frameworks for credit institutions per State Bank Governor's Decision No. 16/2007/QD-NHNN dated 18 April 2007 for the first time. The application of these new reporting frameworks 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:

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 credit institutions per State Bank Governor's Decision No. 16/2007/QD-NHNN dated 18 April 2007 and prevailing regulations applicable to credit institutions in Vietnam requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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 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.

4.4 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.

4.5 Provision for loan losses, losses on guarantees and letters of credit

A provision for loan losses, losses on guarantees and letters of credit is made based on management's estimate of loan losses, losses on guarantees and letters of credit in accordance with the guidance specified under Decision No. 493/2005/QĐ-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/QĐ-NNNH. General provision for loan losses, losses on guarantees and letters of credit is made at 0.515% (2006: 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 credit at the balance sheet date.

The provision for loan losses, losses on guarantees and letters of credit 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.

4.6 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 Foreign exchange derivatives

The Bank enters into foreign currency forward contracts with its customers. Foreign currency forward contracts represent individually negotiated commitments to purchase foreign and domestic currency, including undelivered spot transactions. The difference between the spot rate and the forward rate is recognized immediately as unrealized income and amortized to the income statement over the duration of the agreement. As at the end of the period, the forward contract is revaluated using the prevailing rate then and the difference will be recorded either as other asset or liability in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

4.8 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 using the straight-line method over their estimated useful lives from three to twenty years.

4.9 Intangible assets and amortization

Intangible fixed 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 on a straight-line basis 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.

4.10 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.

4.11 Foreign currencies

Transactions arising in foreign currencies are translated at the exchange rates ruling at the transaction date. 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.

4.12 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.

4.13 Provisions

Provisions are recognized when the Bank has a present obligation as a result of a past event, and it is probable that the Bank 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.

4.14 Taxation

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

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

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 is accounted for using balance sheet liability method. Deferred tax liabilities are generally



NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

recognized for all temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

The determination of the tax currently payable and deferred tax is based on the current interpretation of tax regulations. However, these regulations are subject to periodic variation and their ultimate determination depends on the results of the tax authorities' examinations.

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

5. CASH ON HAND AND VALUABLE DOCUMENTS

	31/12/2007	31/12/2006
	<u>USD</u>	<u>USD</u>
Cash on hand in Vietnam Dong	5,218,405	3,492,925
Cash on hand in other currencies	1,678,877	1,393,425
Valuable documents	6,700	8,490
	<u>6,903,982</u>	<u>4,894,840</u>

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

6. DEPOSITS WITH THE STATE BANK OF VIETNAM

	31/12/2007	31/12/2006
	<u>USD</u>	<u>USD</u>
Demand deposits	16,042,194	3,099,416
Compulsory reserves	36,097,791	11,537,966
	<u>52,139,985</u>	<u>14,637,382</u>

Deposits with the State Bank of Vietnam as at 31 December 2007 and 31 December 2006 includes reserves maintained in compliance with the provisions of Decision No. 1141/QĐ-NHNN dated 28 May 2007 and Decision No. 796/2004/QĐ-NHNN dated 25 June 2004, respectively, issued by the State Bank of Vietnam.

The balance is adjusted once per month and is calculated as 10% (2006: 5%) of the average customer deposits in Vietnam Dong with demand deposits and term deposits less than one year and 4% (2006: 2%) of the average customer deposits Vietnam Dong with terms from one year to less than two years, excluding term deposits with terms of two years or more, in the preceding 30 days. For foreign currency deposits excluding term deposits with terms of more than two years, a compulsory reserve in United States Dollars is also required to be deposited, calculated by the same method at the rate of 10% (2006: 8%) for demand and term deposits with terms less than one year and 4% (2006: 2%) for term deposits with terms from one year to less than two years.

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

	31/12/2007	31/12/2006
	<u>USD</u>	<u>USD</u>
Demand deposit		
In Vietnam Dong	2,490,315	1,051,973
In other currencies	<u>8,822,652</u>	<u>19,635,945</u>
	11,312,967	20,687,918
Time deposit		
In Vietnam Dong (from 1 to 3 months)	54,300,608	6,276,801
In other currencies (from 1 to 3 months)	42,400,000	-
In other currencies (over 3 months)	<u>3,102,892</u>	<u>-</u>
	99,803,500	6,276,801
	<u>111,116,467</u>	<u>26,964,719</u>

8. TRADING SECURITIES

Trading securities, which are stated at acquisition cost, represent 5,755,140 (2006: 2,891,570) shares of investment security bought from an investment fund. These securities have been designated by the Bank as investments held for trading, one with a market value of VND 27,500 (2006: VND 35,800) per share and the other one with unavailable market value as at 31 December 2007. These securities have a par value of VND 10,000.

9. LOANS TO CUSTOMERS

Loans to customers are mainly secured by buildings, machinery and equipment, stocks, deposits and standby letters of credit. Loans to customers denominated in USD bear interest rates ranging from 5.30% to 8.36% per annum and those denominated in Vietnam Dong (VND) bear interest rates ranging from 7.92% to 15.00% per annum. Loans to customers were analyzed as follows:

9.1 Analysis by type

	31/12/2007	31/12/2006
	<u>USD</u>	<u>USD</u>
Short-term loans (within one year)	180,773,102	178,197,470
Medium-term loans (from one year to five years)	89,967,392	65,923,733
Long-term loans (over five years)	<u>76,494,642</u>	<u>31,050,945</u>
	<u>347,235,136</u>	<u>275,172,148</u>

9.2 Analysis by currency

	31/12/2007	31/12/2006
	<u>USD</u>	<u>USD</u>
Loans denominated in Vietnam Dong	169,419,880	142,120,616
Loans denominated in foreign currencies	<u>177,815,256</u>	<u>133,051,532</u>
	<u>347,235,136</u>	<u>275,172,148</u>

INDOVINA BANK LIMITED39 Ham Nghi Street, District 1
Ho Chi Minh City, S.R. Vietnam**Financial Statements**

For the year ended 31 December 2007

NOTES TO THE FINANCIAL STATEMENTS (Continued)*These notes are an integral part of and should be read in conjunction with the financial statements***9.3 Analysis by economic sectors**

	31/12/2007 USD	31/12/2006 USD
State owned enterprises	61,541,000	37,749,000
Private enterprises	119,586,000	77,603,000
Joint ventures and foreign direct invested enterprises	126,383,000	114,101,000
Others	39,725,136	45,719,148
	347,235,136	275,172,148

9.4 Analysis by loan group

	31/12/2007 USD	31/12/2006 USD
Current	345,589,000	272,403,000
Special mention	1,564,000	1,358,000
Substandard	7,000	1,227,000
Doubtful	39,000	-
Loss	36,136	184,148
	347,235,136	275,172,148

9.5 Provision for credit losses

	31/12/2007 USD	31/12/2006 USD
Specific provision for loans to customers	82,228	238,785
General provision for loans to customers	1,763,277	1,088,748
	1,845,505	1,327,533

a. Specific provision for loans to customers

	2007 USD	2006 USD
As at 1 January	238,785	810,926
Provision for loan losses for the year	67,127	92,389
Less: recoveries	(72,776)	(664,530)
Written off	(150,908)	-
As at 31 December	82,228	238,785

The specific provision for credit losses as at 31 December 2007 was calculated based on net credit exposure of each customer which is equal to the loans and advances balances less the value of collateral, using set rates applied to each loan group in accordance with Decision 493/2005/QDNHNN dated 22 April 2005 issued by the SBV.

Loans are written off at the discretion of the Bank's Risk Management Committee when they consider that all reasonable efforts for recovery of doubtful loans, including legal actions, have been exhausted.

INDOVINA BANK LIMITED39 Ham Nghi Street, District 1
Ho Chi Minh City, S.R. Vietnam**Financial Statements**

For the year ended 31 December 2007

NOTES TO THE FINANCIAL STATEMENTS (Continued)*These notes are an integral part of and should be read in conjunction with the financial statements***b. General provision for loans to customers**

	2007	2006
	<u>USD</u>	<u>USD</u>
As at 1 January	1,088,748	462,829
Provision for loan losses for the year	674,529	625,919
As at 31 December	<u>1,763,277</u>	<u>1,088,748</u>

General provision for loans to customers as at 31 December 2007 was calculated at a rate of 0.515% (2006: 0.395%) of the total loans to customers as at 31 December 2007, excluding the total balance of loans to customers classified as loss in accordance with the Decision 493/2005/QĐ-NHNN.

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 8.60% per annum (2006: 8.00% to 8.60% per annum).

	31/12/2007		
	<i>Book value</i>	<i>Maturity date</i>	<i>Effective interest rate (%)</i>
	<u>USD</u>		
City bonds	2,201,098	30/7/2009	8.52
Education bonds	9,309	From 8/5/2008 to 6/5/2010	8.00
Government bonds	7,527,616	From 7/6/2008 to 19/8/2010	8.30 - 8.60
	<u>9,738,023</u>		

	31/12/2006		
	<i>Book value</i>	<i>Maturity date</i>	<i>Effective interest rate (%)</i>
	<u>USD</u>		
City bonds	2,204,245	30/7/2009	8.52
Education bonds	9,322	From 8/5/2008 to 6/5/2010	8.00
Government bonds	7,538,375	From 7/6/2008 to 19/8/2010	8.30 - 8.60
	<u>9,751,942</u>		

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INDOVINA BANK LIMITED

39 Ham Nghi Street, District 1

Ho Chi Minh City, S.R. Vietnam

Financial Statements

For the year ended 31 December 2007

NOTES TO THE FINANCIAL STATEMENTS (Continued)*These notes are an integral part of and should be read in conjunction with the financial statements***11. TANGIBLE FIXED ASSETS**

	Buildings & leasehold improvements USD	Office equipment, furniture & fixtures USD	Motor vehicles USD	Total USD
COST				
As at 1/1/2007	671,446	1,214,824	893,305	2,779,575
Additions	1,435,869	1,244,007	277,752	2,957,628
Transfer from construction in progress	831,210	653,836	-	1,485,046
Disposals	(29,368)	(53,666)	(134,964)	(217,998)
As at 31/12/2007	2,909,157	3,059,001	1,036,093	7,004,251
ACCUMULATED DEPRECIATION				
As at 1/1/2007	229,335	622,639	544,469	1,396,443
Charge for the year	103,490	304,800	104,273	512,563
Eliminated upon disposals	(29,368)	(51,880)	(134,964)	(216,212)
As at 31/12/2007	303,457	875,559	513,778	1,692,794
NET BOOK VALUE				
As at 31/12/2007	<u>2,605,700</u>	<u>2,183,442</u>	<u>522,315</u>	<u>5,311,457</u>
As at 31/12/2006	<u>442,111</u>	<u>592,185</u>	<u>348,836</u>	<u>1,383,132</u>

The cost of the Bank's tangible fixed assets includes an amount of USD 616,842 (2006: USD 780,411) in respect of fully depreciated assets which are still in use.

12. INTANGIBLE ASSETS

	Land use rights USD	Computer software USD	Total USD
COST			
As at 1/1/2007	491,241	1,087,838	1,579,079
Addition	-	172,502	172,502
Transfer from construction in progress	113,073	-	113,073
As at 31/12/2007	604,314	1,260,340	1,864,654
ACCUMULATED AMORTIZATION			
As at 1/1/2007	78,645	151,592	230,237
Charge for the year	21,450	141,446	162,896
As at 31/12/2007	100,095	293,038	393,133
NET BOOK VALUE			
As at 31/12/2007	<u>504,219</u>	<u>967,302</u>	<u>1,471,521</u>
As at 31/12/2006	<u>412,596</u>	<u>936,246</u>	<u>1,348,842</u>

The cost of the Bank's computer software includes an amount of USD 82,420 (2006: USD 82,420) in respect of fully amortized software which is 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

13. CONSTRUCTION IN PROGRESS

	2007	2006
	<u>USD</u>	<u>USD</u>
As at 1 January	1,532,351	1,363,751
Additions	341,507	1,555,933
Transfer to tangible fixed assets	(1,485,046)	(393,191)
Transfer to intangible fixed assets	(113,073)	(994,142)
Transfer to prepayment	(150,901)	-
As at 31 December	<u>124,838</u>	<u>1,532,351</u>

14. OTHER RECEIVABLES AND PREPAYMENTS

	31/12/2007	31/12/2006
	<u>USD</u>	<u>USD</u>
Prepaid expenses	293,992	136,725
Other receivables	189,321	767,149
	<u>483,313</u>	<u>903,874</u>

15. BORROWINGS FROM THE STATE BANK OF VIETNAM

	31/12/2007	31/12/2006
	<u>USD</u>	<u>USD</u>
Borrowings in Vietnam Dong, interest rate 4.50% per annum with maturity date of 3 months (2006: 4.50%, 3 months)	930,868	994,345
	<u>930,868</u>	<u>994,345</u>

16. DEPOSITS FROM OTHER CREDIT INSTITUTIONS

	31/12/2007	31/12/2006
	<u>USD</u>	<u>USD</u>
In Vietnam Dong, interest rate of 0.18% per month (2006: 0.18%)	3,370,780	1,510,496
In other currencies, interest rate of 0.50% per annum (2006: 0.50%)	208,301	2,265,434
	<u>3,579,081</u>	<u>3,775,930</u>

17. BORROWINGS FROM OTHER CREDIT INSTITUTIONS

	31/12/2007	31/12/2006
	<u>USD</u>	<u>USD</u>
In Vietnam Dong	1,861,735	14,045,118
In other currencies	-	1,000,000
	<u>1,861,735</u>	<u>15,045,118</u>

Amount represents unsecured borrowings from other credit institutions with maturity between one week and six months, bearing interest rates of 4.92% to 6.07% per annum (2006: 4.75% to 5.50%) for those denominated in USD and 6.00% to 7.00% per annum (2006: 6.00% to 7.70%) for those denominated in VND. All borrowings from other credit institutions are unsecured.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

18. DEPOSITS FROM CUSTOMERS

	31/12/2007	31/12/2006
	<u>USD</u>	<u>USD</u>
<u>In Vietnam Dong</u>		
Demand deposit	94,898,137	73,498,733
Time deposit	197,350,166	91,107,489
Margin deposit	645,725	594,445
Deposits for specific purposes	923,626	-
Capital deposit	389,446	-
	294,207,100	165,200,667
<u>In other currencies</u>		
Demand deposit	38,127,616	38,272,538
Time deposit	49,373,294	15,790,757
Margin deposit	3,502,045	2,041,080
Deposits for specific purposes	3,157,823	7,858,814
	94,160,778	63,963,189
	388,367,878	229,163,856

19. CERTIFICATES OF DEPOSITS

	31/12/2007	31/12/2006
	<u>USD</u>	<u>USD</u>
Short-term certificates of deposits denominated in foreign currencies	10,285,127	35,887,803
	10,285,127	35,887,803

20. OTHER PAYABLES

	31/12/2007	31/12/2006
	<u>USD</u>	<u>USD</u>
Escrow fund	60,936,738	2,492,872
Provision for severance pay	417,412	394,294
Corporate income tax payable	1,415,320	551,104
Other payables	2,312,908	660,167
	65,082,378	4,098,437

Escrow fund as at 31 December 2007 includes an amount of USD 60,000,000 from Cathay Life Insurance Company Limited, a foreigner shareholder's affiliate (see note 29). This escrow amount born an interest of 4% per annum and was fully repaid on 14 January 2008.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

21. CAPITAL AND CHANGES IN SHAREHOLDER'S EQUITY

	Legal capital USD	Reserves USD	Retained earnings USD	Total USD
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
Capital contribution	15,000,000	-	-	15,000,000
Net profit for the year	-	-	10,463,125	10,463,125
Appropriation to reserve	-	1,760,153	(1,760,153)	-
Disbursement of reserves for their intended uses	-	(128,872)	-	(128,872)
Declared dividend	-	-	(6,000,000)	(6,000,000)
Balance as at 31/12/2007	50,000,000	6,725,915	9,051,491	65,777,406

On its Board of Directors meeting dated 19 January 2007, the Bank's Board of Directors resolved to declare a dividend of USD 6,000,000 (2006: USD 3,700,000). This dividend will be distributed between the joint venture partners in proportion to their capital contribution of 50/50. To date, USD 3,000,000 (2006: USD 1,850,000 of the declared dividend of 2006) was also converted as part of the shareholders' capital contribution of 2006) of this declared dividend has been converted as shareholders' capital contribution and the remaining amount has been fully paid.

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 31/12/2007 USD	License 31/12/2006 USD	%	Contributed capital 31/12/2007 USD	31/12/2006 USD
Industrial and Commercial Bank of Vietnam	25,000,000	17,500,000	50	25,000,000	17,500,000
Cathay United Bank	25,000,000	17,500,000	50	25,000,000	17,500,000
	50,000,000	35,000,000	100	50,000,000	35,000,000

On 21 September 2007, the Bank's legal capital had increased from USD 35,000,000 to USD 50,000,000 per State Bank of Vietnam Approval Letter No. 10203/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

22. RESERVES

Non-distributable reserves and their balances are as follows:

	Supplemental capital reserve USD	Financial reserve USD	Development reserve USD	Reward reserve USD	Total USD
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
Appropriation to reserves	523,156	993,997	67,240	175,760	1,760,153
Disbursement of reserves for their intended uses	-	-	-	(128,872)	(128,872)
Balance as at 31/12/2007	2,243,007	4,319,628	109,380	53,900	6,725,915

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.

23. INTEREST AND SIMILAR INCOME

	2007 USD	2006 USD
From loans to customers	30,107,146	19,258,148
From placements at other credit institutions	2,568,977	1,418,181
From other credit activities	105	3,400
	32,676,228	20,679,729

24. INTEREST EXPENSES AND SIMILAR CHARGES

	2007 USD	2006 USD
On deposits	14,697,315	8,183,622
On borrowings	1,143,123	1,920,809
On certificate of deposit	870,987	605,838
Others	28,794	262
	16,740,219	10,710,531

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

25. NET GAIN FROM DEALING IN FOREIGN CURRENCIES

	2007 USD	2006 USD
Gain from dealing in foreign currencies	602,959	561,892
Loss from dealing in foreign currencies	(216,940)	(75,074)
	386,019	486,818

26. CORPORATE INCOME TAX

	2007 USD	2006 USD
Profit before tax	13,078,906	8,934,352
Less: non-taxable income	-	-
Add: non-deductible expenses	-	-
Adjusted profit	13,078,906	8,934,352
Losses carried forward	-	-
Assessable income	13,078,906	8,934,352
Tax rate	20%	20%
Current tax due for the year	2,615,781	1,786,870
Deferred tax	-	-
	2,615,781	1,786,870

27. FINANCIAL INSTRUMENTS
Foreign exchange risk management

The Bank is exposed to foreign exchange risk on deposits and loans denominated in currencies other than USD.

The Bank is also exposed to foreign exchange risks arising from its cash and bank balances holding, loans and currency swaps in foreign currencies, principally in Vietnam Dong and USD. The Bank does not hedge this risk due to the lack of any market to purchase such instruments.

Liquidity risk

The purpose of liquidity risk management is to ensure the availability of funds to meet present and future financial obligations.

Liquidity is also managed by ensuring that the excess of maturing liabilities over maturing assets in any period is kept to manageable levels relative to the amount of funds that the Bank believes can generate within that period. As part of liquidity risk management, the Bank focuses on a number of components, including tapping available sources of liquidity, preserving necessary funds at reasonable cost and continuous contingency planning.

The Bank's asset and liability management committee is responsible for overall liquidity risk management. The Bank's liquidity policy focuses on cash flow management, interbank funding capacity and the maintenance of sufficient liquid assets. The treasury department is responsible for daily operation and monitoring. The primary tools for monitoring liquidity include measurement of liquidity risk, analysis of interest rate sensitivity and scenario simulation, and continuous contingency planning. The Bank manages liquidity risks across all classes of assets and liabilities with the goal that even under adverse conditions.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Credit risk

The Bank's principal financial assets are bank balances and cash, deposits, loans to customers and investments.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with good credit-ratings.

The Bank's credit risk is primarily attributable to its loans to customers. The amounts presented in the balance sheet are net of allowances for doubtful accounts. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Bank has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

28. OPERATING LEASE ARRANGEMENTS

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

	31/12/2007 USD	31/12/2006 USD
Within one year	321,999	240,905
In the second to fifth years inclusive	653,519	760,411
After five years	485,419	-
	<u>1,460,937</u>	<u>1,001,316</u>

Operating lease payments mainly represent rentals payable by the Bank for its Head Office, Hanoi Branch Office, Can Tho Branch Office, Dong Nai Branch Office, Da Nang Branch Office and Tan Binh Branch Office. These leases are negotiated for a term of 4 years for the Head Office, 5 years for the Hanoi Branch, 10 years for the Can Tho Branch, 2 years for Da Nang Branch and 10 years for the Tan Binh Branch. The amount of rentals had been fixed for the entire duration.

29. 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. 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:

			2007 USD	2006 USD
<u>Related parties</u>	<u>Relationship</u>	<u>Nature</u>		
Industrial and Commercial Bank of Vietnam (ICBV)	Vietnamese shareholder	Borrowings	16,427,996	-
		Interest income	1,154	575
		Interest expense	38,281	7,985
		Declared dividend	3,000,000	1,850,000
		Dividend paid	3,000,000	1,850,000
		Capital contribution	<u>7,500,000</u>	<u>5,000,000</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

CUB	Foreign shareholder	Interest expense	-	13,809
		Rental income	10,117	6,000
		Declared dividend	3,000,000	1,850,000
		Capital contribution	4,500,000	1,650,000
		Declared dividend converted to legal capital	3,000,000	3,350,000
CCB	Foreign shareholder's Branch	Borrowings	27,165,055	92,726,427
		Loans to CCB	60,780,377	12,790,050
		Interest expense	78,518	802,664
		Interest income	43,812	16,819
CUB - Representative Office	Representative Office of CUB	Interest expense	57	565
Board of Management		Remuneration	227,618	206,552

The related party balances at the balance sheet date were as follows:

Related parties	Relationship	Nature	31/12/2007	31/12/2006
			USD	USD
ICBV	Vietnamese shareholder	Deposit with ICBV	352,505	50,735
		Deposit from ICBV	14,589	1,947,893
CUB	Foreign shareholder	Deposit with CUB	398,758	582,071
CCB	Foreign shareholder's Branch	Loans to CCB	13,000,000	1,194,345
		Deposit from CCB	114,271	210,238
		Borrowings	-	3,422,407
CUB - Representative Office	Representative office of CUB	Deposit from CUB Representative Office	51,690	57,362
Cathay Life Insurance Company Limited	Foreign shareholder's affiliate	Escrow fund	60,000,000	-

30. COMPARATIVE FIGURES

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

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