

**Industry and Commercial Bank of China
Limited, Vientiane Branch**

Report of the Management and

Audited Financial Statements in accordance with the
Enterprise accounting law of Lao P.D.R and other relevant
accounting regulations stipulated by the Bank of Lao P.D.R

as at and for the year ended 31 December 2012

Industry and Commercial Bank of China Limited, Vientiane Branch

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Industry and Commercial Bank of China Limited, Vientiane Branch

GENERAL INFORMATION

THE BANK

Industry and Commercial Bank of China Limited, Vientiane Branch (herein referred to as “the Branch”) is a branch of Industry and Commercial Bank of China which is incorporated in People’s Republic of China. The Branch operates in the Lao People’s Democratic Republic (“Lao PDR”) under Banking Business License No 16/BOL granted by the Bank of Lao P.D.R (“the BOL”) on 25 August 2011 and amendment Banking Business License in February 2012.

The initial registered capital of the Branch is 30 millions of US dollar (“USD”). The actual paid-up capital of the Branch as at 31 December 2012 is USD 30 million, equivalent to LAK 239,970 million (31 December 2011: USD 30 million, equivalent to LAK 239,970 million).

The principal activities of the Branch are to provide comprehensive banking and related financial services in Lao P.D.R.

The Head office of the Branch is located at Lanexang Avenue, Home No. 12, Ban Hatsadee - Tai, Chanthabouly District, Vientiane Capital, Lao P.D.R.

THE BOARD OF MANAGEMENT

Members of the Board of Management during the year and at the date of this report are as follows:

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
Mr. Lu Jian	Director	Appointed on 28 November 2011
Mr. Chen Yingzing	Deputy Director	Appointed on 25 October 2012

LEGAL REPRESENTATIVE

The legal representative of the Branch during the year and at the date of this report is Mr. Lu Jian - Director.

AUDITORS

The auditors of the Branch are Ernst & Young Lao Limited.

Industry and Commercial Bank of China Limited, Vientiane Branch

REPORT OF THE BOARD OF MANAGEMENT

The Board of Management of Industry and Commercial Bank of China Limited, Vientiane Branch ("the Branch") is pleased to present its report and the financial statements as at and for the year ended 31 December 2012.

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Management is responsible for preparation of the financial statements of each financial year which give a true and fair view of the state of affairs of the Branch and of its operational results and cash flows for the year in accordance with the Enterprise accounting law of Lao P.D.R and other relevant accounting regulations stipulated by the Bank of Lao P.D.R. In preparing those financial statements, the management of the Branch 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 standards 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 Branch will continue in business.

The Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Branch and to ensure that the accounting records comply with the registered accounting system. It is also responsible for safeguarding the assets of the Branch and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Management has confirmed that the Branch has complied with the above requirements in preparing the financial statements for the year then ended at 31 December 2012.

STATEMENT BY MANAGEMENT

Management does hereby state that, in its opinion, the accompanying financial statements give a true and fair view of the financial position of the Branch as at 31 December 2012 and of the results of its operations and its cash flows for the year then ended in accordance with the Enterprise Accounting Law of Lao P.D.R and relevant accounting regulations stipulated by the Bank of Lao P.D.R.

For and on behalf of the Board of Management:

Mr. Lu Jian
Director

Vientiane Capital, Lao P.D.R

29 March 2013

INDEPENDENT AUDITORS' REPORT

To: Industry and Commercial Bank of China Limited, Vientiane Branch

We have audited the accompanying financial statements of Industry and Commercial Bank of China Limited, Vientiane Branch ("the Branch") as set out on pages 5 to 29, which comprise the balance sheet as at 31 December 2012, the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The Bank's management is responsible for the preparation and fair presentation of these financial statements in accordance with the Enterprise Accounting Law of Lao P.D.R and other relevant accounting regulations stipulated by the Bank of Lao P.D.R, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Industry and Commercial Bank of China Limited, Vientiane Branch as at 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Enterprise Accounting Law of Lao P.D.R and relevant accounting regulations stipulated by the Bank of Lao P.D.R.

Ernst & Young Lao Limited

Vientiane, Lao P.D.R

29 March 2013

Industry and Commercial Bank of China Limited, Vientiane Branch

INCOME STATEMENT
as at 31 December 2012

Code	ITEMS	Notes	2012 LAK	For the period from 25 Aug 2011 to 31 Dec 2011 LAK
A.	OPERATING INCOME AND EXPENSES			
1.	Interest and similar income	3	70,149,536,509	17,523,457
1.1	Interest and similar income from interbank		33,398,357,646	17,523,457
1.2	Interest and similar income from customers		7,292,856,393	-
1.3	Other interest and similar income		29,458,322,470	-
2.	Interest and similar expenses	3	(27,083,076,290)	(5,009,374)
2.1	Interest and similar expense for interbank		(23,630,275,834)	-
2.2	Interest and similar expenses for customers		(3,452,800,456)	(5,009,374)
I.	NET INTEREST AND SIMILAR INCOME		43,066,460,219	12,514,083
9	Fee and commission income	4	1,948,176,919	8,877,223
12	Net gain/(loss) from dealing in foreign currencies and gold		151,016,818	(256,634,648)
II.	NET OPERATING INCOME		45,165,653,956	(235,243,342)
B	OTHER INCOME AND EXPENSES			
13	Other operating income		-	998,994
14	General and administration expenses		(20,874,346,272)	(2,500,915,851)
14.1	Payroll and other staff costs	5	(11,732,192,816)	(688,780,184)
14.2	Other administration expenses	6	(9,142,153,456)	(1,812,135,667)
15	Depreciation and amortization charges	13	(1,869,582,528)	(103,888,080)
16	Other operating expenses	7	(4,901,376,792)	(35,550,343)
III.	TOTAL PROFIT BEFORE TAX		17,520,348,364	(2,874,598,622)
18	Current enterprise income tax	18	(4,100,411,354)	(1,423,478)
IV.	PROFIT/(LOSS) AFTER TAX		13,419,937,010	(2,876,022,100)

Mr. Lu Jian
Director

Mr. Zhang Daxiang
Head of Accounting

Vientiane Capital, Lao P.D.R

29 March 2013

Industry and Commercial Bank of China Limited, Vientiane Branch

BALANCE SHEET
as at 31 December 2012

<i>Code</i>	<i>ASSETS</i>	<i>Notes</i>	<i>31 December 2012 LAK</i>	<i>31 December 2011 LAK</i>
I	Cash and balances with the BOL		198,642,285,395	156,332,958,082
1	Cash on hand	8	9,919,894,435	6,516,742,984
2	Demand deposits	9	188,722,390,960	149,816,215,098
II	Amounts due from other banks	10	913,441,864,652	166,467,878,629
1	Demand deposits		204,889,421,391	166,467,878,629
2	Net loans to other banks		708,552,443,261	
IV	Investment in securities	11	1,082,930,000,000	-
1	Held to maturities		1,082,930,000,000	-
V	Loans and advances to customers (net of specific provision)	12	222,220,892,767	-
VIII	Fixed assets	13	13,548,944,750	12,072,082,507
1	Intangible fixed assets		35,463,261	44,384,841
2	Tangible fixed assets		13,513,481,489	12,027,697,666
X	Other assets		27,108,413,117	11,348,917,218
1	Accrued interest		18,041,947,572	15,733,884
2	Other assets	14	9,066,465,545	11,333,183,334
	TOTAL ASSETS		2,457,892,400,681	346,221,836,436

Industry and Commercial Bank of China Limited, Vientiane Branch

BALANCE SHEET (continued)
as at 31 December 2012

<i>Code</i>	<i>LIABILITIES AND CAPITAL</i>	<i>Notes</i>	<i>31 December 2012 LAK</i>	<i>31 December 2011 LAK</i>
I	Amounts due to other banks		1,596,510,031,946	-
1	Term deposits	15	1,596,396,020,000	-
2	Other amounts due to other bank		114,011,946	-
II	Amounts due to customers	16	586,169,373,482	107,916,900,009
1	Demand deposits		375,978,496,322	27,660,689,759
2	Saving deposits		61,308,180,370	9,124,706,045
3	Term deposits		102,776,633,695	845,464,200
4	Other payables to customers		46,106,063,095	70,286,040,005
V	Other liabilities		20,045,414,290	1,210,958,527
1	Accrued interest		5,917,098,959	5,001,267
2	Tax payable		710,323,860	39,376,594
3	Other payables	17	13,417,991,471	1,166,580,666
	TOTAL LIABILITIES		2,202,724,819,718	109,126,435,058
VI	Capital and reserves		255,167,580,963	237,093,977,900
1	Paid-up capital	19	239,970,000,000	239,970,000,000
3	Statutory reserves	20	1,054,391,491	-
6	General provision for credit activities	12.2	4,653,666,053	-
7	Retained earnings/(Accumulated losses)		9,489,523,419	(2,876,022,100)
	TOTAL CAPITAL		255,167,580,963	237,093,977,900
	TOTAL LIABILITIES AND CAPITAL		2,457,892,400,681	346,221,836,436

Industry and Commercial Bank of China Limited, Vientiane Branch

BALANCE SHEET (continued)
as at 31 December 2012

<i>Code</i>	<i>OFF BALANCE SHEET ITEMS</i>	<i>Notes</i>	<i>31 December 2012 LAK</i>	<i>31 December 2011 LAK</i>
I	Commitments given		48,249,274,712	-
A	Commitments for financing given		37,752,300,000	-
2	Commitments for financing given to customers		37,752,300,000	-
B	Commitment for guarantees given		10,496,974,712	-
2	Commitment for guarantees given to customers		10,496,974,712	-
	TOTAL COMMITMENTS GIVEN		48,249,274,712	-

Mr. Lu Jian
Director

Mr. Zhang Daxiang
Head of Accounting Department

Vientiane Capital, Lao P.D.R

29 March 2013

Industry and Commercial Bank of China Limited, Vientiane Branch

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2012

	<i>Paid-up capital LAK</i>	<i>Statutory reserves fund LAK</i>	<i>General provision for credit activities LAK</i>	<i>Retained earnings/ (Accumulated losses) LAK</i>	<i>Total LAK</i>
Balance at 31 December 2011	239,970,000,000	-	-	(2,876,022,100)	237,093,977,900
Net profit for the year	-	-	-	13,419,937,010	13,419,937,010
Created regulatory reserve fund for the year	-	1,054,391,491	-	1,054,391,491	-
General provision charged to expense in the year <i>(Note 12.2)</i>	-	-	4,675,045,352	-	4,653,666,132
Foreign exchange difference <i>(Note 12.2)</i>	-	-	(21,379,299)	-	(21,379,299)
Balance at 31 December 2012	239,970,000,000	1,054,391,491	4,653,666,053	9,489,523,419	255,167,580,963

Mr. Lu Jian
Director

Mr. Zhang Daxiang
Head of Accounting

Vientiane Capital, Lao P.D.R

29 March 2013

Industry and Commercial Bank of China Limited - Vientiane Branch,
Vientiane Branch

CASH FLOW STATEMENT
for the year ended 31 December 2012

	Notes	2012 LAK	For the period from 25 Aug 2011 to 31 Dec 2011 LAK
Net profit/(loss) after tax		13,419,937,010	(2,876,022,100)
<i>Adjustments for:</i>			
Enterprise tax expenses payable		-	1,423,478
Depreciation and amortization charges	13	1,869,582,528	103,888,080
Loan loss provision expenses	12.2	4,653,666,053	-
Cash flows from operating profit before changing in operating assets and liabilities		19,943,185,591	(2,770,710,542)
(Increase)/Decrease in operating assets			
Loans and advances to customers	12	(930,773,336,028)	-
Other financial assets	11	(1,082,930,000,000)	-
Accrued interest income		(18,026,213,688)	(15,733,884)
Other assets		5,799,286,554	(11,377,791,214)
(Increase)/Decrease in operating liabilities			
Deposits and borrowings from other banks	15	1,596,510,031,946	-
Customer deposits and other amounts due to customers		478,252,473,473	107,916,900,009
Enterprise tax paid during the year	18	(3,532,568,765)	-
Accrued interest expense		5,912,097,692	5,001,267
Other liabilities		12,922,358,071	1,204,533,782
Net cash flows from operating activities		84,077,314,846	94,962,199,418
INVESTING ACTIVITIES			
Payments to acquire property and equipment		(3,346,444,771)	(12,131,362,707)
Net cash flows used in investing activities		(3,346,444,771)	(12,131,362,707)
FINANCING ACTIVITIES			
Capital contributed during the year		-	239,970,000,000
Net cash flows from financing activities		-	239,970,000,000
Net increase in cash and cash equivalents		80,730,870,075	322,800,836,711
Cash and cash equivalents at the beginning of the year	21	322,800,836,711	-
Cash and cash equivalents at the end of the year	21	403,531,706,786	322,800,836,711

Lu Jian
Director

Mr. Zhang Daxiang
Head of Accounting

Vientiane Capital, Lao P.D.R

29 March 2013

Industry and Commercial Bank of China Limited - Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2012

1. CORPORATE INFORMATION

Industry and Commercial Bank of China Limited, Vientiane Branch (herein referred to as “the Branch”) is a branch of Industry and Commercial Bank of China which is incorporated in People’s Republic of China.

Establishment and operations

The Branch operates in the Lao People’s Democratic Republic (“Lao PDR”) under Banking Business License No 16/BOL granted by the Bank of Lao P.D.R (“the BOL”) on 25 August 2011 and amendment Banking Business License in February 2012.

The principal activities of the Branch are to provide comprehensive banking and related financial services in Lao P.D.R.

Paid-up capital

The initial registered capital of the Branch is 30 millions of US dollar (“USD”). The actual paid-up capital of the Branch as at 31 December 2012 is USD 30 million, equivalent to LAK 239,970 million (31 December 2011: USD 30 million, equivalent to LAK 239,970 million).

The Board of Management

Members of the Board of Management during the year and at the date of this report are as follows:

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
Mr. Lu Jian	Director	Appointed on 28 November 2011
Mr. Chen Yingzing	Deputy Director	Appointed on 25 October 2012

Location

The Head office of the Branch is located at Lanexang Avenue, Home No. 12, Ban Hatsadee - Tai, Chanthabouly District, Vientiane Capital, Lao P.D.R.

Employees

Total employees of the Branch as at 31 December 2012 are 38 people (31 December 2011: 19 people)

Industry and Commercial Bank of China Limited, Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

2.1. *Statement of compliance with the Enterprise Accounting Law of Lao P.D.R and other relevant accounting regulations as stipulated by the Bank of Lao P.D.R*

Management of the Branch states that the accompanying financial statements have been prepared in compliance with the Enterprise Accounting Law of the Lao P.D.R and other relevant accounting regulations as stipulated by the Bank of Lao P.D.R.

2.2. *Basis of preparation*

The Branch maintains its records in Lao Kip ("LAK") and prepares its financial statements in LAK in accordance with Decree No. 02/PR by the Prime Minister of Lao P.D.R dated 22 March 2000 and the Enterprise Accounting Law of Lao P.D.R and other relevant accounting regulations as stipulated by Bank of Lao P.D.R ("LAS").

The accompanying financial statements have been prepared using accounting principles, procedures and reporting practices generally accepted in Lao P.D.R. Accordingly, the accompanying financial statements and the notes thereto are not designed for those who are not informed about Lao P.D.R's accounting principles, procedures and practices and furthermore are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than Lao P.D.R.

2.3. *Fiscal year*

The fiscal year of the Branch starts on 1 January and ends on 31 December.

2.4. *Recognition of interest income and expense*

Interest income and expense are recognized in the income statement on accrual basis using straight-line method and the interest rates stipulated in the lending/depositing contracts with clients.

The recognition of accrued interest income is suspended when the loans becoming non-performing or when management believes that the borrower has no ability to repay the interest and principal. Interest income on such loans is only recorded in the income statement when actually received.

2.5. *Recognition of fee and commission income*

Fee and commission consists of fees received for fund transfer (including trade settlement, fee arising for foreign currency exchange transactions, fee arising from financial guarantees).

Fee and commissions are recognized in to income statement on cash basis.

Industry and Commercial Bank of China Limited, Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6. Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid short-term investments with an original maturity of less than 30 days that are readily convertible to known amount of cash and accounts due from banks with original maturity of less than 30 days.

2.7. Loans and advances to customers

Loans and advances to customers are recognized at cost and presented at outstanding balance less specific provision for loans and advances to customers as at 31 December 2012.

2.8. Provision for loans and advances to customers

In accordance with Regulation 324/BOL (“BOL324”) dated 19 April 2011, the Branch is required to classify loans and create provision for impairment losses. Accordingly, loans are classified into Performing loans or Non-performing loans based on the payment arrears status and other qualitative factors. Loans classified as either Normal or Pass or Watch or Special mention are considered as Performing loans. Loans classified as either Substandard or Doubtful or Loss are considered as Non-performing loans.

According to BOL324, provision for loans to customers is established by multiplying the outstanding balance of each loan item with the provision rates applicable to that loan classification as follows:

No	Category	Specific provision rate
1	Normal or Pass	0%
2	Watch or Special mention	3%
3	Substandard	20%
4	Doubtful	50%
5	Loss	100%

Changes in specific provision is recorded to the income statement as “Net specific provision charges/(reversal) for loans to customers”. Accumulated specific provision reserve is recorded in the balance sheet in “Loans and advances to customers, net of specific provisions”.

As at 31 December 2012, the Branch had no Non-performing loans so that the Branch did not provide specific provision.

2.9. General provision for credit activities

In accordance with BOL324, a general provision is created for credit activities with both other banks and customers which are yet to be identified during the loan classification process and in specific provision as well as in case of the Branch’s potential financial difficulty due to deterioration in loan quality. Accordingly, the Branch is required to create a general provision for loan losses at the rate 3.00% of the total balance of Special Mention loans as at the balance sheet date and general provision made for Normal loans shall be based on the BOL’s notification for each period. For the year ended 31 December 2012, the general provision rate for Normal loans was 0.5% in accordance with the Official letter No 242/BOL issued by the Bank of Lao P.D.R on 2 April 2011.

Accordingly, the Branch provided general provision at rates of 0.50% and 3% to create general provision for Normal and Special loans respectively for the year ended 31 December 2012.

Industry and Commercial Bank of China Limited, Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9. *General provision for credit activities* (continued)

In accordance with the relevant accounting regulations as stipulated by the Bank of Lao P.D.R, changes in general provision for credit activities are recorded to the income statement as “*Other operating expenses*” for general provision expense and “*Other operating income*” for reversal of general provision expense and general provision reserve is recorded in the balance sheet in “*General provision for credit activities*” under capital and reserves of the Branch.

Details of change in general provision for credit activities are presented in Note 12.

2.10. *Fixed assets*

Fixed assets include of tangible fixed assets and intangible fixed assets. Tangible fixed assets consist of furniture and fixtures, office equipments, computer equipments and motor vehicles. Intangible fixed assets consist of computer software.

Fixed assets are stated at cost less accumulated depreciation, if any.

The cost of an asset comprises its purchase price plus any directly attributable costs of bringing the asset to working condition for its intended use.

Expenditures for additions, improvements and renewals are capitalized and expenditures for maintenance and repairs are charged to the income statement.

Cost and accumulated depreciation of sold or retired assets are derecognized in the balance sheet and any gains or losses resulting from their disposal are recorded in the income statement.

2.11. *Depreciation and amortization of fixed assets*

Depreciation is provided on the straight line basis at prescribed rates over their estimated useful lives in accordance with the Tax Law of Lao P.D.R issued by the Ministry of Finance (‘MOF’) dated 1 March 2011. The following are the annual rates used:

Office equipments	10%
Furniture & fixtures	10%
Computer equipments	10%
Motor vehicles	20%
Software	20%

Industry and Commercial Bank of China Limited, Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12. Foreign currency transactions

The Branch maintains its accounting system and records all transactions in Lao Kip. Monetary assets and liabilities denominated in currencies other than Lao Kip at year end are translated into LAK at exchange rates ruling on the balance sheet date (see list of exchange rates of applicable foreign currencies against LAK on 31 December 2011 and 31 December 2012 as presented below). Income and expenses arising in foreign currencies during the period are converted into LAK at rates ruling on the transaction dates. Unrealized exchange differences arising from the translation of monetary assets and liabilities on the balance date are recognized in the income statement.

	31 December 2012	31 December 2011
	LAK	LAK
United State Dollar ("USD")	7,963	8,007
Thai baht ("THB")	260.15	251.75
Chinese Yuan ("CNY")	1,258.41	1,233

2.13. Taxation

Provision is made for taxation on the current year's profits, based on the Tax Law governing taxation within Lao P.D.R. In accordance with the new Tax Law No.001 dated 1 March 2011 which is effective on or after 1 January 2012, the Branch is obliged to pay tax at rate of 28% on total profit before tax (2011: the Branch is obliged to pay the tax rate of 35% on total profit before tax), income tax is payable at the higher of the minimum tax of 1% on total revenue ("1% method") or at 28% (2011: 35%) on the taxable profit of the Branch reported under the Lao Accounting System. The Branch's tax returns are subject to examination by the tax authorities. Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by the tax authorities.

2.14 Statutory reserves

Under the requirement of the Law on Commercial Bank dated 16 January 2007, commercial banks and foreign banks are required to appropriate net profit to following reserves:

- ▶ Regulatory reserve fund;
- ▶ Business expansion fund and other funds

In accordance with the Regulation on capital adequacy No.1/BOL dated 28 August 2002 by the Governor of the Bank of Lao P.D.R and other relevant guidance, commercial banks are required to provide regulatory reserve fund at the rate between 5% to 10% of profit after tax depending on decision of the Board of Directors. The Business expansion fund and other shall be created upon decision of the Board of Directors.

Industry and Commercial Bank of China Limited, Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 *Employee benefits*

Post employment benefits

Post employment benefits are paid to retired employees of the Bank by the Social Security Fund Department which belongs to the Ministry of Labor and Social Welfare. The Bank is required to contribute to these post employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 5.00% of employee's basic salary on a monthly basis. The Bank has no further obligation concerning post employment benefits for its employees other than this.

Termination benefits

In accordance with Article 29 of the Amended Labour Law issued by the President of the Lao People's Democratic Republic on 16 January 2007, the Branch has the obligation to pay allowance for employees who are terminated by dismissal in the following cases:

- ▶ The worker lacks specialised skills or is not in good health and thus cannot continue to work;
- ▶ The employer considers it necessary to reduce the number of workers in order to improve the work within the labour unit.

For the termination of an employment contract on any of the above-mentioned basis, the employer must pay a termination allowance which is calculated on the basis of 10% of the basic monthly salary earned before the termination of work for the worker who has worked for less than three years. For workers who have worked for more than three years, the basis of calculation shall be 15%. As at 31 December 2012, there are no employees of the Branch who were dismissed under the above-mentioned basis; therefore the Branch has not made a provision for termination allowance in the financial statements.

Industry and Commercial Bank of China Limited, Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2012

3. NET INTEREST AND SIMILAR INCOME

	2012 LAK	<i>For the period from 25 Aug 2011 to 31 Dec 2011</i> LAK
Interest and similar income:		
Interest income from interbank	33,398,357,646	17,523,457
Interest income from lending to customers	7,292,856,393	-
Interest income from investment in bonds	29,458,322,470	-
	70,149,536,509	17,523,457
Interest and similar expenses:		
Interest expense for interbank	(23,630,275,834)	-
Interest expense for customer	(3,452,800,456)	(5,009,374)
	(27,083,076,290)	(5,009,374)
Net interest and similar income	43,066,460,219	12,514,083

4. NET FEES AND COMMISSION INCOME

	2012 LAK	<i>For the period from 25 Aug 2011 to 31 Dec 2011</i> LAK
Fees and commission income from		
Providing services to customers	1,826,004,782	8,877,223
Others	122,172,137	-
	1,948,176,919	8,877,223

5. PAYROLL AND OTHER STAFF COSTS

	2012 LAK	<i>For the period from 25 Aug 2011 to 31 Dec 2011</i> LAK
Wages and salaries	11,111,433,685	688,780,184
Other staff costs	620,759,131	-
	11,732,192,816	688,780,184

Industry and Commercial Bank of China Limited, Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2012

6. OTHER ADMINISTRATION EXPENSES

	2012 LAK	<i>For the period from 25 Aug 2011 to 31 Dec 2011</i> LAK
Office rental expenses	2,880,387,750	869,158,333
Fuel expenses	116,439,500	24,140,611
Office stationery expenses	561,800,273	126,062,600
Publication, marketing and promotion expenses	1,048,195,257	258,348,860
Telecommunication expenses	394,941,924	116,728,179
Repair and maintenance expenses	55,205,273	29,139,536
Electricity and water expenses	226,430,416	30,380,052
Insurance fee	-	7,024,084
Expenses on welcoming guests	2,193,575,144	218,089,332
Audit and Lawyer fees	82,846,400	-
Others allowances fees	44,809,600	-
Other expenses	1,537,521,919	133,064,080
	9,142,153,456	1,812,135,667

7. OTHER OPERATING EXPENSES

	<i>31 December 2012</i> LAK	<i>31 December 2011</i> LAK
General provision (Note 12.2)	4,675,045,352	-
Expenses on payment system	173,062,522	33,568,333
Others	53,268,918	1,982,010
	4,901,376,792	35,550,343

8. CASH ON HAND

	<i>31 December 2012</i> LAK	<i>31 December 2011</i> LAK
Cash on hand in LAK	4,278,322,500	533,815,500
Cash on hand in foreign currencies	5,641,571,935	5,982,927,484
	9,919,894,435	6,516,742,984

9. BALANCES WITH THE BANK OF LAO P.D.R ("BOL")

	<i>31 December 2012</i> LAK	<i>31 December 2011</i> LAK
Demand deposit	97,832,444,942	90,412,995,215
Compulsory deposit	31,486,726,135	-
Registered capital deposit	59,403,219,883	59,403,219,883
	188,722,390,960	149,816,215,098

Industry and Commercial Bank of China Limited, Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2012

9. BALANCES WITH THE BANK OF LAO P.D.R (“BOL”) (continued)

Balances with the BOL include settlement, compulsory deposit and registered capital deposit. These balances bear no interest.

Under regulations of the BOL, the Branch is required to maintain certain cash reserves with the BOL in the form of compulsory deposits, which are computed at 5.00% and 10.00% on a bi-monthly basis, (2011: 5.00% and 10.00%) of customer deposits having original maturities of less than 12 months, after deducting the balances of cash on hand, in LAK, USD and THB, respectively.

During the year 2012, the Branch maintained its compulsory deposits in compliance with the requirements of the BOL.

10. AMOUNTS DUE FROM OTHER BANKS

	<i>31 December 2012</i> <i>LAK</i>	<i>31 December 2011</i> <i>LAK</i>
Demand deposit with overseas banks		
Industry and Commercial Bank of China Limited, Asia Limited Hongkong	144,203,615,014	37,656,090,210
Industry and Commercial Bank of China Limited, Head Office	60,685,806,377	128,811,788,420
	204,889,421,391	166,467,878,629
Net loans to other banks		
Industry and Commercial Bank of China Limited, Phnompenh Branch	199,075,000,000	-
Industry and Commercial Bank of China Limited, Tongling Branch	16,233,489,000	-
Industry and Commercial Bank of China Limited, Suzhou Branch	493,243,954,261	-
	708,552,443,261	-
	913,441,864,652	166,467,878,629

Interest rates for net loans to other banks during the year are as follows:

	<i>2012</i> <i>Interest rates</i> <i>% per annum</i>	<i>2011</i> <i>Interest rates</i> <i>% per annum</i>
Loans and advances denominated in USD	1.0% - 9.0%	-

Analysis of loan portfolio by currency

	<i>31 December 2012</i> <i>LAK</i>	<i>31 December 2011</i> <i>LAK</i>
Loans and advances denominated in USD	708,552,443,261	-
	708,552,443,261	-

Industry and Commercial Bank of China Limited, Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2012

11. INVESTMENT IN SECURITIES

	31 December 2012	31 December 2011
	LAK	LAK
Held-to-maturity securities		
Debt securities		
- Bonds issued by the Bank of Lao P.D.R	781,670,000,000	-
- Bonds issued by the Ministry of Finance	301,260,000,000	-
	1,082,930,000,000	-

11.1 Bonds issued by the Bank of Lao P.D.R

Details of bonds issued by the Bank of Lao P.D.R as at 31 December 2012 are as follows:

<i>Term</i> (months)	<i>Issue date</i>	<i>Face value</i>	<i>Currency</i>	<i>Face value</i> (LAK equivalent)	<i>Interest rate</i> per annum
12	21-Feb-12	50,000,000,000	LAK	50,000,000,000	6.50%
12	28-Aug-12	15,000,000,000	LAK	15,000,000,000	6.50%
12	29-May-12	20,000,000	USD	159,260,000,000	4.50%
12	5-Jun-12	20,000,000	USD	159,260,000,000	4.50%
12	12-Jun-12	10,000,000	USD	79,630,000,000	4.50%
37	12-Sep-12	10,000,000	USD	79,630,000,000	4.69%
61	18-Dec-12	10,000,000	USD	79,630,000,000	5.01%
61	25-Dec-12	20,000,000	USD	159,260,000,000	5.01%
				781,670,000,000	

11.2 Bonds issued by the Ministry of Finance

Details of bonds issued by the Ministry of Finance as at 31 December 2012 are as follows:

<i>Term</i> (months)	<i>Issue date</i>	<i>Face value</i>	<i>Currency</i>	<i>Face value</i> (LAK equivalent)	<i>Interest rate</i> per annum
12	24-Feb-12	79,000,000,000	LAK	79,000,000,000	8.50%
12	16-May-12	48,000,000,000	LAK	48,000,000,000	8.50%
12	30-May-12	15,000,000,000	LAK	15,000,000,000	8.50%
12	16-May-12	20,000,000	USD	159,260,000,000	4.50%
				301,260,000,000	

12. LOANS AND ADVANCES TO CUSTOMERS, NET OF SPECIFIC PROVISION

	31 December 2012	31 December 2011
	LAK	LAK
Loans and advances to customers (Note 12.1)	222,220,892,767	-
Less: specific provision for loans to customers (Note 12.2)	-	-
	222,220,892,767	-

Industry and Commercial Bank of China Limited, Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2012

12. LOANS AND ADVANCES TO CUSTOMERS, NET OF SPECIFIC PROVISION (continued)

12.1 Loans and advances to customers

Analysis of loan portfolio by currency

	31 December 2012 LAK	31 December 2011 LAK
Loans and advances denominated in LAK	40,116,088	-
Loans and advances denominated in USD	222,180,776,679	-
	222,220,892,767	-

Analysis by status of loan

	31 December 2012 LAK	31 December 2011 LAK
Performing loans	222,220,892,767	-
Non-performing loans	-	-
	222,220,892,767	-

Interest rates for commercial loans during the year are as follows:

	2012 Interest rates % per annum	2011 Interest rates % per annum
Loans and advances denominated in LAK	10% - 15%	-
Loans and advances denominated in USD	6.0% - 13%	-

12.2 Provision for credit activities

Movement of provision for credit losses of the Branch during the year 2012 is as follows:

	Specific provision LAK	General provision LAK
Balance as at 1 January 2012	-	-
Provision charged to expense in the year	-	4,675,045,352
Foreign exchange difference	-	(21,379,299)
Balance at 31 December 2012	-	4,653,666,053

The breakdown of loan classification and provision as required by the BOL as at 31 December 2012 are as follows:

<i>Classification</i>	<i>Loan balance</i> LAK	<i>Specific provision</i> LAK	<i>General provision</i> LAK	<i>Total provision</i> LAK
Normal loans (*)	930,773,336,028	-	4,653,666,053	4,653,666,053
<i>Loans and advances to customers</i>	222,220,892,767	-	1,111,056,564	1,111,056,564
<i>Net loans to other banks</i>	708,552,443,261	-	3,542,609,489	3,542,609,489
Total	930,773,336,028	-	4,653,666,053	4,653,666,053

Industry and Commercial Bank of China Limited, Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2012

13. FIXED ASSETS

Tangible fixed assets

Movement of the balance of tangible fixed assets for the year ended 31 December 2012 is as follows:

	<i>Office equipment</i> LAK	<i>Furniture & fixtures</i> LAK	<i>Computer equipment</i> LAK	<i>Motor vehicles</i> LAK	<i>Total</i> LAK
Cost:					
At 1 January 2012	41,896,000	10,361,077,500	1,728,389,207	-	12,131,362,707
Additions	208,696,186	-	289,150,735	2,848,597,850	3,346,444,771
At 31 December 2012	250,592,186	10,361,077,500	2,017,539,942	2,848,597,850	15,477,807,478
Accumulated Depreciation					
At 1 January 2012	46,551	94,976,544	8,641,946	-	103,665,041
Charge for the year 2012	23,271,535	1,036,107,756	367,661,760	433,619,897	1,860,660,948
At 31 December 2012	23,318,086	1,131,084,300	376,303,706	433,619,897	1,964,325,989
Net book value:					
At 1 January 2012	41,849,449	10,266,100,956	1,719,747,261	-	12,027,697,666
At 31 December 2012	227,274,100	9,229,993,200	1,641,236,236	2,414,977,953	13,513,481,489

Industry and Commercial Bank of China Limited - Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
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13. FIXED ASSETS (continued)

Intangible fixed assets

Movement of the balance of intangible fixed assets for the year ended 31 December 2012 is as follows:

	<i>Computer software LAK</i>
Cost:	
At 1 January 2012	44,607,880
Additions	-
At 31 December 2012	<u>44,607,880</u>
Accumulated Depreciation:	
At 1 January 2012	223,039
Charge for the period	<u>8,921,580</u>
At 31 December 2012	<u>9,144,619</u>
Net book value:	
At 1 January 2012	<u>44,384,841</u>
At 31 December 2012	<u>35,463,261</u>

Industry and Commercial Bank of China Limited - Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2012

14. OTHER ASSETS

	<i>31 December 2012</i>	<i>31 December 2011</i>
	<i>LAK</i>	<i>LAK</i>
Prepaid for rental building fee	8,758,441,667	11,165,341,667
Prepaid for internet line service	308,014,050	167,841,667
Others	9,828	-
	<u>9,066,465,545</u>	<u>11,333,183,334</u>

15. AMOUNTS DUE TO OTHER BANKS

Term deposits

	<i>31 December 2012</i>	<i>31 December 2011</i>
	<i>LAK</i>	<i>LAK</i>
Industry and Commercial Bank of China Limited, Ha Noi Branch	318,520,000,000	-
Industry and Commercial Bank of China Limited, Phnompenh Branch	238,890,000,000	-
Industry and Commercial Bank of China Limited, Abu Dhabi	238,890,000,000	-
Industry and Commercial Bank of China Limited, Middle East	772,411,000,000	-
Industry and Commercial Bank of China (Asia) Limited Hong Kong	27,685,020,000	-
	<u>1,596,396,020,000</u>	<u>-</u>

Term deposits at other banks have terms from 52 days to 5 years and bear interest rates ranging from 0.7% p.a to 3.6% p.a.

Industry and Commercial Bank of China Limited - Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2012

16. AMOUNTS DUE TO CUSTOMERS

Balance of customer deposits and other amounts due to customers as of 31 December 2012 is as follows:

	<i>31 December 2012</i>	<i>31 December 2011</i>
	<i>LAK</i>	<i>LAK</i>
Demand deposits	375,978,496,322	27,660,689,759
In LAK	6,102,075,185	25,000,000
In foreign currencies	369,876,421,137	27,635,689,759
Saving deposits	61,308,180,370	9,124,706,045
In LAK	11,764,798,680	868,577,650
In foreign currencies	49,543,381,690	8,256,128,395
Fixed term deposits	102,776,633,695	845,464,200
In LAK	53,859,198,897	200,100,000
In foreign currencies	48,917,434,798	645,364,200
Other payables to customers	46,106,063,095	70,286,040,005
In LAK	-	-
In foreign currencies	46,106,063,095	70,286,040,005
	586,169,373,482	107,916,900,009

The interest rates for amount due to customers are as follows:

	<i>2012</i>	<i>2011</i>
	<i>Interest rate</i>	<i>Interest rate</i>
Demand deposits in LAK	No interest	No interest
Demand deposits in foreign currencies	No interest	No interest
Saving deposits in LAK	1.00% - 3.00%	1.00% - 3.00%
Saving deposits in USD	0.25% - 1.25%	0.25% - 1.25%
Saving deposits in THB	0.25% - 1.00%	0.25% - 1.00%
Fixed term deposits in LAK	5.00% - 12.00%	5.00% - 12%
Fixed term deposits in USD	0.75% - 6.25%	0.50% - 6.25%
Fixed term deposits in THB	0.75% - 5.00%	-
Fixed term deposits in CNY	0.25% - 0.40%	-

17. OTHER PAYABLES

	<i>31 December 2012</i>	<i>31 December 2011</i>
	<i>LAK</i>	<i>LAK</i>
Payable to employees	2,496,285,338	480,420,000
Deferred income	648,346,504	686,160,666
Remittance in suspense	10,250,109,629	-
Others	23,250,000	-
	13,417,991,471	1,166,580,666

Industry and Commercial Bank of China Limited - Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2012

18. TAXATION

In accordance with the Lao Tax Law No.001 dated 1 March 2011, income tax is payable at the higher of the minimum tax of 1% on total revenue ("1% method") or at 28% on the taxable profit of the Branch reported under the Lao Accounting System.

	<i>Current year</i> LAK	<i>For the period from</i> <i>25 Aug 2011 to</i> <i>31 Dec 2011</i> LAK
Option 1		
Total taxable revenues	72,549,835,143	142,347,795
Corporate Income Tax at 1% of total taxable revenues	725,498,351	1,423,478
Option 2		
Profit/(loss) before tax of the year	17,520,348,364	(2,874,598,622)
Loss carried forward from previous year	(2,876,022,100)	-
Net profit before tax of the year after and loss carried forward	14,644,326,264	-
Taxable profit	14,644,326,264	(2,874,598,622)
Corporate Income Tax at 28% of total taxable profit	4,100,411,354	-
Current Corporate Income Tax (higher between two options)	4,100,411,354	1,423,478
Payable at the beginning of the year	1,423,478	-
Tax paid during the year	(3,532,568,765)	-
Payable at the end of the year	569,266,067	1,423,478

The Branch's tax returns are subject to periodic examination by the tax authorities. Because the application of tax laws and regulations in many types of transactions is susceptible to varying interpretations, amounts reported in the separate financial statements could be changed at a later date upon final determination by the tax authorities.

Industry and Commercial Bank of China Limited - Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2012

19. PAID-UP CAPITAL

The movement of paid up capital during the year is presented below:

	<i>31 December 2012</i> <i>LAK</i>	<i>31 December 2011</i> <i>LAK</i>
Opening balance	239,970,000,000	-
Additional paid-up capital during the year	-	239,970,000,000
Closing balance	<u>239,970,000,000</u>	<u>239,970,000,000</u>

20. STATUTORY RESERVES

	<i>31 December 2012</i> <i>LAK</i>	<i>31 December 2011</i> <i>LAK</i>
Opening balance	-	-
Appropriations to reserves for the year	1,054,391,491	-
Closing balance	<u>1,054,391,491</u>	<u>-</u>

21. CASH AND CASH EQUIVALENTS

	<i>31 December 2012</i> <i>LAK</i>	<i>31 December 2011</i> <i>LAK</i>
Cash on hand	9,919,894,435	6,516,730,397
Current accounts with the BOL	188,722,390,960	149,816,215,098
Current accounts with other banks	204,889,421,391	166,467,878,629
	<u>403,531,706,786</u>	<u>322,800,824,124</u>

Industry and Commercial Bank of China Limited - Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2012

22. RELATED PARTY TRANSACTIONS

Related party transactions include all transactions undertaken with other parties to which the Branch is related. A party is related to the Branch if:

(a) directly, or indirectly through one or more intermediaries, the party:

- ▶ controls, is controlled by, or is under common control with, the Branch (this includes parents, subsidiaries and fellow subsidiaries);
- ▶ has an interest in the Branch that gives it significant influence over the Branch; or
- ▶ has joint control over the Branch.

(b) the party is a joint venture in which the Branch is a venture;

(c) the party is a member of the key management personnel of the Branch or its parent;

(d) the party is a close member of the family of any individual referred to in (a) or (d);

(e) the party is an Bank that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such Bank resides with, directly or indirectly, any individual referred to in (c) or (d); or

(f) the party is a post-employment benefit plan for the benefit of employees of the Branch, or of any Bank that is a related party of the Branch.

Balances with related parties as at 31 December 2012 are as follows:

	<i>Receivable</i> <i>LAK</i>	<i>(Payable)</i> <i>LAK</i>
Industry and Commercial Bank of China Limited, Asia Limited Hongkong		
<i>Demand deposits</i>	144,203,615,014	-
<i>Term deposits</i>	-	(27,685,020,000)
Industry and Commercial Bank of China Limited, Head Office		
<i>Demand deposits</i>	60,685,806,377	-
Industry and Commercial Bank of China Limited, Ha Noi Branch		
<i>Term deposits</i>	-	(318,520,000,000)
Industry and Commercial Bank of China Limited, Phnompenh Branch		
<i>Term deposits</i>	-	(238,890,000,000)
Industry and Commercial Bank of China Limited, Abu Dhabi		
<i>Term deposits</i>	-	(238,890,000,000)
Industry and Commercial Bank of China Limited, Middle East		
<i>Term deposits</i>	-	(772,411,000,000)

Significant transactions with related parties during the year were as follows:

	<i>Interest income</i> <i>LAK</i>	<i>Interest expense</i> <i>LAK</i>
Industry and Commercial Bank of China Limited, Ha Noi Branch	-	11,650,676,898
Industry and Commercial Bank of China Limited, Phnompenh Branch	-	1,981,468,646
Industry and Commercial Bank of China Limited, Middle East Limited	-	1,433,915,072
Industry and Commercial Bank of China Limited, Asia Limited Hongkong	108,049,690	7,546,344,743

Industry and Commercial Bank of China Limited - Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2012

23. EVENTS AFTER THE BALANCE SHEET DATE

Other than as disclosed elsewhere in these financial statements, at the date of this report, there were no events, which occurred subsequent to 31 December 2012 that significantly impacted the financial position of the Branch as at 31 December 2012.

Mr. Lu Jian
Director

Vientiane Capital, Lao P.D.R

29 March 2013

Mr. Zhang Daxiang
Head of Accounting