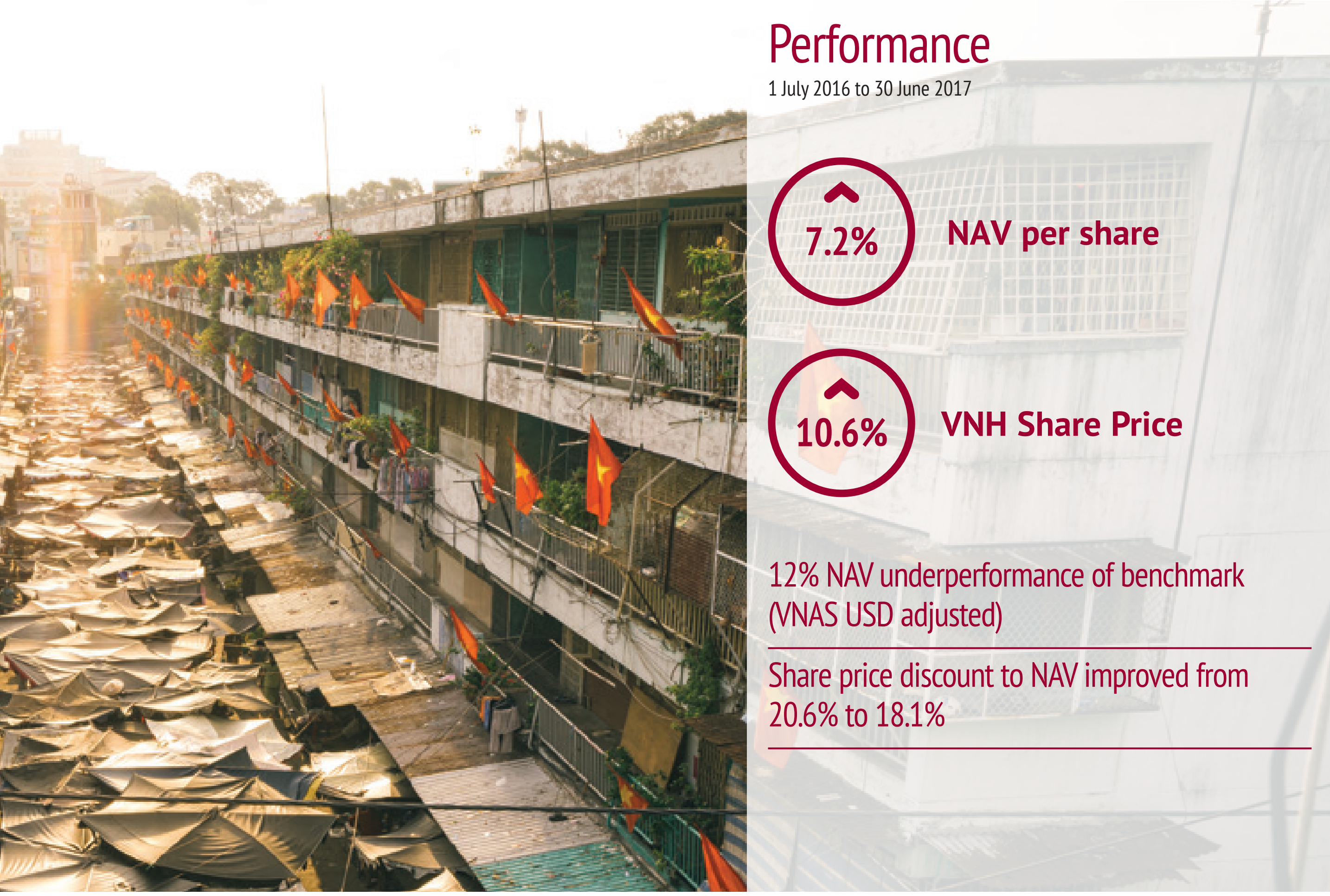
VietNam Holding

Annual Report 2017

Reducing the discount of the share price to NAV remains a priority. During the year, the discount improved slightly, from 20.6% at the start of the financial year to 18.1% as at 30 June 2017. A total of approximately 2.1 million shares were purchased by the Company to be held in treasury (2016: 4.6 million) and 2.5 million treasury shares were subsequently cancelled (2016: 1.9 million) during the year. 631,684 treasury shares were reissued to Vietnam Holding Asset Management as incentive fees paid in shares, in respect of the 2016 financial year. There were 9.4 million shares in treasury at 30 June 2017 (2016: 10.5 million), compared with total shares outstanding of 73.3 million (2016: 54.9 million).

Min-Hwa Hu Kupfer, Chairperson
VietNam Holding Limited



Performance

1 July 2016 to 30 June 2017

7.2% **NAV per share**

10.6% **VNH Share Price**

12% NAV underperformance of benchmark (VNAS USD adjusted)

Share price discount to NAV improved from 20.6% to 18.1%

VNH is principally a value investor and has applied that strategy since inception. Accordingly, the fund manager's primary concern is to achieve long-term capital appreciation by investing in a diversified portfolio of companies that have high growth potential at an attractive valuation. This implies that VNHAM will ignore the overvalued companies, even though these may appear attractive in the short term.

Jean-Christophe Ganz, Chairman
VietNam Holding Asset Management Limited

Chairperson's Statement

We take a long term approach, believing that a minimum three year investment horizon is needed for maximizing long term risk-adjusted returns.

Dear Shareholders,

Our financial year ended 30 June 2017 could be a rather complicated one to describe in terms of NAV per share growth, because of the final exercise date of our 1-for-3 warrants issue having taken place on 1 June 2017. For simplicity, in the table below, we present NAV per share growth over the last 5 years to 30 June 2017 in original, unadjusted form, alongside share price growth and the growth in the Vietnam All Share (VNAS) Index. The financial year-end absolute NAV per share for the Company amounted to USD 2.872.

Periods to 30 June '17	NAV/Share % growth (USD)	Share Price % growth (USD)	VNAS Index % growth (USD)
1 year	7.2	10.6	19.2
2 years	37.2	30.5	27.8
3 years	49.5	60.8	30.2
4 years	74.3	89.8	49.8
5 years	121.8	122.4	60.7

The 7.2% increase in NAV per share for the year comprises a 17.4% "core" gain (after fees) from our portfolio management activities less a 10.2% negative impact arising from the dilutive effect of the recent warrants issue. Although VNH`s two warrant issues over the past five years have played an important part in raising the total assets of the fund to a solid level of financial sustainability, their dilutive impact on NAV per share has led the board at this stage to decide not to undertake any additional warrant issues for the foreseeable future.

> "Reducing the discount of the share price to NAV remains a priority. During the year, the discount improved slightly, from 20.6% at the start of the financial year to 18.1% as at 30 June 2017"

Our NAV per share relative to index and peers in the past year has not performed as well as previous years – our NAV per share growth underperformed the index in a full financial year for the first time since 2009. We ascribe this to three factors: (a) a globally better performance from "growth" rather than "value" equity strategies in the past several quarters; (b) some excellent short term share price performances from a number of recent large-capitalisation Vietnamese IPO's during the period, which in most cases sported inflated valuations; and (c) a few cases of robust share price performance from existing major stocks, notably in banks and construction, that we were slow to see value in, and in some cases still do not. We are using our recent experience to inform our future outlook, making adjustments but without deviating from our strict value investing philosophy. As a closed ended fund, we take a long term approach, believing that a minimum three year investment horizon is the appropriate one (rather than one year) for maximising long term risk-adjusted returns.

In the recently completed warrant exercise period, all warrants were taken up, either by existing shareholders or by new investors, with those shareholders who did not exercise compensated for the value of their unused warrants. From this source, the asset value of the fund was increased by nearly USD 40 million, to a total of USD 210.5 million as of 30 June 2017.

Reducing the discount of the share price to NAV remains a priority. During the year, the discount improved slightly, from 20.6% at the start of the financial year to 18.1% as at 30 June 2017. A total of approximately 2.1 million shares were purchased by the Company to be held in treasury (2016: 4.6 million) and 2.5 million treasury shares were subsequently cancelled (2016: 1.9 million) during the year. 631,684 treasury shares were reissued to Vietnam Holding Asset Management as incentive fees paid in shares, in respect of the 2016 financial year. There were 9.4 million shares in treasury at 30 June 2017 (2016: 10.5 million), compared with total shares outstanding of 73.3 million (2016: 54.9 million).

We have resolved to change our policy on treasury shares, whereby we shall cancel them as soon as possible after they are purchased, rather than the previous policy of keeping them in treasury for three years with a possibility of reselling them at a lower discount compared to the weighted average purchase discount of the pool. This proposed change of policy will be presented to shareholders at our next annual general meeting to be held in September 2017.

> "The year has been characterised by increasing foreign investor attention to the Vietnamese stock markets."

The year has been characterised by increasing foreign investor attention to the Vietnamese stock markets. Daily turnover on the three exchanges has averaged a new record of USD 195 million in the first half of calendar 2017, with net foreign inflows significantly high at USD 438 million over this period.

Although valuations have tended to increase, they have not reached concerning levels in aggregate, due to strong double digit earnings per share growth over the past 12 months. The VNAS at 30 June 2017 sat on a trailing price/earnings ratio of 13.5x, a high level compared to the past five years, but hardly an alarming level.

Meanwhile, Vietnamese GDP growth is heading for another excellent year exceeding 6%, and signs abound of a middle class consumer boom that is changing the face of the nation. This is reflected in unprecedented busy streets, roads, shops and restaurants. Foreign tourist arrivals to Vietnam are growing at 30% year-on-year, and likewise domestic tourism is booming too. Foreign direct investment growth (6% YoY for disbursals in the first half of 2017) and export growth (19%) both remain buoyant. Additionally, we are experiencing a stable currency (down only 1.9% versus the dollar over the past 12 months), modest and steady interest rates (4.9% for the five year government bond), and an ideal low inflation rate (2.5% in June YoY).

There are two important reform areas for the government in the coming quarters, which if successfully undertaken will support the solid outlook for the economy and stock market. Firstly, a law has just been passed to improve the power of creditors to seize and sell collateral behind non-performing loans, or indeed the ability to sell the loans. Time will tell if it has teeth. Secondly, follow-on stake sales in a number of listed state owned enterprises are required, in order for these privatisations to amount to more than window-dressing in economic terms and to meaningfully deepen the ability to invest in the stock market. Continued major expansion in foreign portfolio investor interest in Vietnam is dependent on a good rate of progress in such matters.

Thanks to our shareholders for your support, and to Vietnam Holding Asset Management for its continued overall creditable performance.

Min-Hwa Hu Kupfer, Chairperson
VietNam Holding Limited
18 August 2017

Investment Manager's Report

VNH is principally a value investor and has applied that strategy since inception.

Success in investment management at the highest level is no easy task. In its pursuit, VietNam Holding Asset Management Ltd (VNHAM) had an eventful past fiscal year. One significant and very positive event was the achievement by VietNam Holding Ltd (VNH), the largest fund managed by VNHAM, in reaching the historical milestone of a total Net Asset Value above USD 200 million. This was greatly assisted by the very successful exercise in June 2017 of warrants issued in 2015. We take this opportunity to thank all the VNH investors for the trust and support demonstrated by their participation in that offering.

Not all events were so positive. For the first time since 2009, VNH did not outperform its benchmark index. While the Vietnam All Share Index (VNAS) rose by an impressive 21.47% during the last fiscal year, the VNH Unadjusted NAV/Share showed a performance of 17.46% for the same period. The Vietnam Index (VNI), which includes all stocks listed on the Ho Chi Minh City Stock Exchange, irrespective of their free float and tradability, rose by 22.81%. Regrettably, VNH also significantly underperformed most of its peers.

> " One significant and very positive event was the achievement by VietNam Holding Ltd (VNH), the largest fund managed by VNHAM, in reaching the historical milestone of a total Net Asset Value above USD 200 million. "

VNH is principally a value investor and has applied that strategy since inception. Accordingly, the fund manager's primary concern is to achieve long-term capital appreciation by investing in a diversified portfolio of companies that have high growth potential at an attractive valuation. This implies that VNHAM will ignore the overvalued companies, even though these may appear attractive in the short term.

Four out of the five biggest contributors to the underperformance of VNH versus the VNI were trading at more than 20x trailing PE as of 30 June 2017. Vinamilk (HOSE: VNM) and Vietcombank (HOSE: VCB) prices were pushed up as they were top priorities for both long term and index funds seeking Vietnam exposure. SABECO (Saigon Beer-Alcohol-Beverages Corporation - HOSE: SAB), a long awaited large SOE listed in late 2016, is an interesting story. The stock attracted a great deal of attention from both retail and institutional investors thanks to a considerable pre-listing hype. Although the long term outlook of the alcoholic beverage sector is still positive, its valuation was pushed up to nearly 30x following their listing, mostly driven by a very small free float. FLC Faros Construction (HOSE: ROS) is a rather speculative stock with a corporate governancethat we consider unsuitable for VNH. ROS' share price gained more than 1,200% to its peak and then lost 50% within a year. As for Petrovietnam GAS (HOSE: GAS), the stock is deemed to be the best representative of the oil and gas sector in Vietnam and has a high correlation to the crude oil price; the outperformance of the stock could be explained by the high volatility of the crude oil price in the period.

Although the stocks mentioned above were a major constituent of the VNI increase, none of them feature in the VNAS Index. Nonetheless, the increase in the VNAS was also driven by a limited number of tickers that did not qualify for VNH's portfolio, mainly due to overpricing, poor long-term perspectives, corporate governance issues, or full Foreign Ownership Limit. These included stocks such as Thanh Cong Textile JSC (113% price increase), Bien Hoa Sugar JSC (98%), Hoa Binh Construction JSC (94%), Hoang Anh Gia Lai Agriculture JSC (76%), Refrigeration Electrical Engineering JSC (37%) and several banks and construction companies.

> “ From a shareholders’ perspective however, VNH has continued to perform well. Over the past 5 years, the VNH share price has substantially outperformed key Asian indices ”

We underestimated the potential growth of some well-known tickers such as Vinamilk , Mobile World Group (MWG) and Military Bank (MBB). VNHAM has reviewed these calls and increased VNH’s exposure to a select number of banks with the best margins of safety. VNHAM has also been slow in divesting a number of stocks such as Century Synthetic Fiber Corp., Danang Rubber JSC and Nhon Trach 2 JSC. The company has since fully divested the underperforming stocks and successfully rebalanced the VNH portfolio to both correct mistakes and optimally deploy the new funds resulting from the warrants exercise. The performance of VNH compared to the VNAS during Q2 2017 appears to support this course of action.

From a shareholders’ perspective however, VNH has continued to perform well. Over the past 5 years, the VNH share price has substantially outperformed key Asian indices, including the VNAS, the MSCI Asia ex Japan, the Shanghai Composite, the Manila, Bangkok, Jakarta as well as the Bombay Composites - by quite a margin.

Looking forward, Vietnam’s market is likely to remain under the influence of a few standout stocks for the months to come. Indeed, the projected EPS growth of the VNI, adjusted to exclude its most highly valued stocks Sai Gon Thuong Tin Commercial JSC, Export Import Commercial Joint Stock Bank and Vingroup JSC, illustrates that the projected EPS growth of the rest of the market remains below that of VNH’s portfolio.

Many of these listed companies that show high price-earnings-ratios but not commanding EPS growth projections, remain ineligible for VNHAM as long as we continue to adhere to our value investment principles. Notwithstanding the fact that the short-term performance of these tickers may appear to be an enticing argument for a change in strategy, VNHAM continues to believe that small- and mid-cap companies with more sustainable EPS growth represent the wiser path to success in the long term. VNHAM does not intend to divert from a strategy that has served its funds so well for almost a decade.

In contrast to the companies mentioned above, we present in the Company Profiles section of this Annual Report five current VNH portfolio companies. They are examples of what VNHAM considers to be the kind of proper, small- and mid-cap companies with sustainable EPS growth that have made VNH a success story.

We are confident that stocks like these will continue to be the correct choice for value investing in the years to come, and that this will be the case in both the healthy and challenging markets we are sure to encounter. Our sincere thanks to the funds and the shareholders who continue to entrust us with that important decision.

Jean-Christophe Ganz, Chairman
VietNam Holding Asset Management Limited
18 August 2017

Portfolio Companies

VCB New branch opening in Hanoi

VHC Production and processing of aquatic products

Skilled **PNJ** goldsmith

HPG Hoa Phat Steel Integrated Complex in Hai Duong

VCI's 2016 award from FinanceAsia

HOA PHAT GROUP (HPG)

SHARE INFORMATION (AS AT 30 JUNE 2017)	
Stock Exchange	HOSE
Date of listing	15 November 2007
Market capitalization (USD million)	2,136
Free float	58%
Foreign ownership	39%
2017 price/earnings ratio	7.0x

VIETNAM HOLDING'S INVESTMENT	
Date of first investment	20 June 2013
Ownership	0.7%
Percentage of NAV	6.9%
Internal rate of return (annualized)	35.6%

FINANCIAL INDICATORS	2015	2016
Equity capital (USD million)	643.3	871.7
Revenues (USD million)	1,253.3	1,488.1
Revenue growth (in VND)	3.9%	18.7%
EBIT (USD million)	201.2	351.2
NPAT (USD million)	159.1	295.1
EPS (VND)	2,450	4,470
EPS growth	5.2%	82%
Gross margin	20.3%	26.2%
EBIT margin	16.0%	23.6%
ROE	25.2%	35.3%
D/E	0.5x	0.3x
Current ratio	1.2x	1.5x

Sources: Annual Reports and Bloomberg

ABOUT THE COMPANY

Through a 25-year history with numerous accomplishments, Hoa Phat Group has established a strong position as Vietnam's leading steel producer and contributed significantly to the development of the steelmaking industry in Vietnam. HPG started as a trading company, and today is one of the spearheads of the privatized, industrial manufacturing groups in Vietnam specializing in the production of steel, steel pipe, office furniture and equipment. Steelmaking continues to be the core business and contributes over 80% of total revenue and profit. In 2016, HPG held a local market share of 22% and 26%, respectively in construction steel and steel pipes.

As of 31 December 2016, HPG had 12 subsidiaries with a large workforce of 12,886 employees, up +10% YoY.

RECENT DEVELOPMENTS

HPG reported impressive results with revenue and profit growth of 34% and 89% YoY respectively in 2016. This was mainly driven by construction steel and steel pipes. HPG sold over 1.8 million tons of steel, an increase of 30% YoY, exceeding the annual target of 10%. HPG achieved this by finalizing phase III of the Hoa Phat Steel Integrated Complex. Other traditional segments including office furniture and equipment increased their market coverage through the development of new added value products and the enhancement of sales and marketing forces. The Company made further investments in the agriculture business to build its third animal feed factory, another step in reaching a capacity of 1 million tons of feed product per year, or 5% of market share.

SUSTAINABILITY STRATEGY

Operating in an industrial sector which requires significant energy input, HPG's sustainability development strategy focusses on applying different solutions to save and reuse energy efficiently, improving production and business processes and protecting the environment.

ESG ACHIEVEMENTS

In order to reach the set targets in energy saving and environmental protection, HPG has applied mechanisms to collect iron dust and reuse the blast furnace. Additionally, waste gas is recovered to run the generator turbine of an internal thermal power plant that covers 40% total power demand of the Integrated Complex. These solutions have helped to save 30-40% of electricity consumption and 20-30% of fuel consumption in HPG's production lines. HPG has also upgraded its sewage treatment system to ensure the company meets the highest standard of QCVN 40:2011, which was issued by the Ministry of Natural Resources and Environment.

In 2016, the company spent nearly USD 1 million on social responsibility campaigns such as "Heartbeat love", "Free meal-honorable heart", "Hand in hand to school" and "The good leaves protect the worn-out leaves".

ESG CHALLENGES

Although HPG has applied many solutions for energy saving and environmental protection, it still faces the challenges of minimizing environmental pollution from the steelmaking production process. Whilst being compliant with all local environmental standards, the Company should aim to achieve compliance in more advanced, international industry standards. HPG should also strive to measure the carbon footprint emission of its current energy usage, compare it with the sector benchmark and apply appropriate strategies to mitigate the effects.

PHU NHUAN JEWELRY (PNJ)

SHARE INFORMATION (AS AT 30 JUNE 2017)	
Stock Exchange	HOSE
Date of listing	23 March 2009
Market capitalization (USD million)	441
Free float	73%
Foreign ownership	49%
2017 price/earnings ratio	19.1x

VIETNAM HOLDING'S INVESTMENT	
Date of first investment	8 December 2009
Ownership	3.4%
Percentage of NAV	7.1%
Internal rate of return (annualized)	32.5%

FINANCIAL INDICATORS	2015	2016
Equity capital (USD million)	58.5	65.9
Revenues (USD million)	351.8	382.9
Revenue growth (in VND)	-20.1%	11.3%
EBIT (USD million)	28.6	32.4
NPAT (USD million)	3.5	20.1
EPS (VND)	568	4,383
EPS growth	-73.5%	671.6%
Gross margin	15.2%	16.5%
EBIT margin	8.1%	8.5%
ROE	4.3%	30.6%
D/E	0.96x	1.0x
Current ratio	1.4 x	1.5x

Sources: Annual Reports and Bloomberg

ABOUT THE COMPANY

PNJ is the leading manufacturer and retailer of jewelry products in Vietnam. An experienced team comprised of jewelry designers and about 1,000 skilled goldsmiths has remained one of the company's strongest assets. PNJ is the only jewelry house in Vietnam with a production capacity of 4 million units per annum while other domestic players have yet to secure manufacturing abilities. The company is proud of its rich, 29-year industry experience, with a professionally managed and well-respected brand image.

PNJ offers a product range from lower-end to luxury jewelry to serve different client segments through 237 retail stores nationwide (2016: 219 and 2015: 186) including 174 gold class, 59 silver class, and 4 premium class stores, along with over 3,000 wholesalers. Its closest competitor operates around 53 stores, or the equivalent of one-fourth of PNJ's store network. The company currently enjoys a market share of 28% (2012: 12%).

PNJ aims to become one of the top players in the Asian jewelry industry after exiting (and fully providing for) all non-core investments in 2016. The company has cooperated with consultants from Italy (Value Partners) and international jewelers in the U.S. (Zales and Tiffany & Co.) to continuously enhance its jewelry designs, craftsmanship, manufacturing capability, and retail systems

RECENT DEVELOPMENTS

PNJ's 2016 performance was outstanding with its profit after tax (PAT) increasing 529.4% YoY. The phenomenal growth was due to low 2015 profits after a large provisioning expense of VND 300bn booked for its Dong A Bank investment. Excluding this item, the company achieved a 2016 PAT growth of 41.6% YoY.

To increase its profitability, PNJ has curtailed its low gross margin (less than 2%) gold bar trading activities and concentrated on its high gross margin (around 27%) jewelry business, which has generated 85% of total gross profit. During the years 2011 to 2015, sales from gold bar trading dominated more than 50% of total revenues; however, this proportion has been reduced to less than 20% since 2016. Additionally, PNJ has implemented an ERP system to optimize its inventory level and production processes.

SUSTAINABILITY STRATEGY

PNJ's Sustainable Development strategy was established based on the 17 Sustainable Development Goals of the United Nations. The strategy is founded upon five pillars, which are 1) Economic growth via full concentration on core jewelry business, 2) Social development by providing proper annual training to employees, 3) environmental protection through processing of toxic waste in an environmental-friendly manner and promotion of energy efficient focused practices, 4) Labor force development by creating a safe and unprejudiced working atmosphere to not only attract but also nurture talent, and 5) Community building via effective investments in community projects.

ESG ACHIEVEMENTS

PNJ has firm policies to ensure that its precious stone purchases are from legitimate sources rather than conflict zones with questionable origins. The company has also reduced its raw material waste to below the industry standard of 1%.

Since 2012, PNJ has implemented several HR projects such as restructuring its organizational hierarchy, standardizing the hiring process, reforming the HR operating model, building a leadership competency framework and setting KPIs. These efforts have played a vital role in PNJ delivering its recent impressive business results.

ESG CHALLENGES

The segregation of duty between the company's Chairlady and CEO has not been improved. Nevertheless, PNJ has been preparing a succession plan, in which the Chairlady is to transfer her CEO position to a carefully chosen and groomed candidate in 2018.

BANK FOR FOREIGN TRADE OF VIETNAM (VCB)

SHARE INFORMATION (AS AT 30 JUNE 2017)	
Stock Exchange	HOSE
Date of listing	30 June 2009
Market capitalization (USD million)	6,102
Free float	8%
Foreign ownership	21%
2017 price/earnings ratio	19.9x

VIETNAM HOLDING'S INVESTMENT	
Date of first investment	4 February 2016
Ownership	0.1%
Percentage of NAV	4.3%
Internal rate of return (annualized)	13.6%

FINANCIAL INDICATORS	2015	2016
Equity capital (USD million)	2,009.0	2,112.5
Net interest income (USD million)	707.7	829.5
Net interest income growth (in VND)	28.7%	19.9%
Pre-provision profit (USD million)	574.4	657.1
NPAT (USD million)	242.6	305.4
EPS (VND)	1,202	1,566
EPS growth	14.5%	30.3%
ROE	12.0%	12.1%
NIM	2.58%	2.64%
NPL	1.84%	1.48%
CIR	40.0%	40.0%
P/B	2.6x	2.7x

Sources: Annual Reports and Bloomberg

ABOUT THE COMPANY

VCB, established in 1963 and listed in 2009 on the Ho Chi Minh Stock Exchange, was historically the largest market-capitalization bank in Vietnam. VCB runs the most extensive banking network, including 101 branches, 395 transaction offices, 2,499 ATMs, and 82,930 points of sales nationwide. With more than 50 years local banking experience, VCB has secured the country's top positions in a) trade financing and international settlement, with a 15.5% market share, b) foreign exchange (FX) trading, and c) credit and debit card issuance with a 30% share of the credit card market (holding 44% of total credit card payment volume) and a 14% share of the debit card market.

RECENT DEVELOPMENTS

The bank recorded a robust 2016 performance. Its net profit increased +29% YoY due to a) a net interest income (NII) growth of +20% YoY, driven by a +19% YoY credit growth, and b) a non-NII growth of +11% YoY as a result of gains in fee income of +13.4%, FX trading of +17.6%, securities trading of +16%, and other income of +2%. Although VCB's operating expenses advanced +20% YoY, due to its growing retail banking business, its cost-to-income ratio (CIR) was still maintained at 40%, equivalent to its 2015 ratio and slightly below the industry average of 42%. The bank's loan-loss-coverage ratio registered at 119%, which was the second highest among domestic banks.

With regards to lending, VCB expanded its 2016 retail loan book by almost +50% YoY, thanks to increasing mortgage and automotive loans, which essentially helped its net interest margin (NIM) expand from 255bp in 2015 to 263bp in 2016. NIMs of most other local banks declined or were flat in 2016. Retail lending accounted for around 25% of VCB's total outstanding loans.

In 2016, the bank took all impaired loans back from the Vietnam Asset Management Company (VAMC), to which they were previously transferred, after writing those loans off in full. Consequently, VCB was the first bank, which completed clearing its legacy non-performing loans (NPLs), spawned by the country's most recent bad debt cycle. The bank's NPL ratio fell from 1.84% in 2015 to 1.48% in 2016.

SUSTAINABILITY STRATEGY

VCB's vision is to become the leading local bank to fully adopt best global corporate governance practices, and aims to join the ranks of the world's top 300 largest credit institutions by 2020. To progress toward its strategic view, VCB has been a pioneer in fully applying Basel II by 2018 and advanced Basel II by 2020, with a strong commitment in growing return on equity (ROE) from 13% to 15% while providing highest customer satisfaction via innovative products and convenient services using technological advances.

ESG ACHIEVEMENTS

VCB has developed and practiced strategic human resource (HR) management, which focuses on building capacity framework and talent development programs. In 2015, the bank completed its job description and KPI systems to lay the foundation for optimization of its remuneration policy and HR management towards fairness and efficiency. VCB has also increased staff rotation, standardized processes and procedures, and improved the quality of the recruitment process. Domestic and overseas management training sessions have been organized regularly to equip future leadership teams with modern and up-to-date banking best practices. In 2016, 5,104 employees, including 89 directors and deputy directors, were trained on risk management, debt handling, international payment, accounting, and auditing.

VCB has identified itself as a greener bank for communities' sustainable development. For instance, during its credit appraisal process, the bank evaluates environmental and social risks that may negatively impact borrowers' capital usage and loan repayment abilities. VCB has often been the first volunteering bank to offer preferential lending rates to the government's promoting industries such as agriculture and technology during different development phases of Vietnam. Additionally, VCB has launched numerous "Green for life" initiatives, one of which is sponsoring primary schools to host interactive games to educate children on the green and beautiful aspects of the earth and teach them daily gestures to help keep their environment clean.

Due to its ESG efforts, the bank received several respected ESG-related awards in 2016, such as 'Top 10 Most Sustainable Enterprises in Vietnam' by the Vietnam Business Council for Sustainable Development, and 'Enterprise for Employees' by the Vietnam General Confederation of Labor.

ESG CHALLENGES

VCB has not disclosed details regarding remuneration packages of the members of its Board of Directors. We are hoping this will change in the future.

VIET CAPITAL SECURITIES (VCI)

SHARE INFORMATION (AS AT 30 JUNE 2017)	
Stock Exchange	HOSE
Date of listing	07 July 2017
Market capitalization (USD million)	321
Free float	69%
Foreign ownership (as of 30 July 17)	31%
2017 price/earnings ratio	13.2x

VIETNAM HOLDING'S INVESTMENT	
Date of first investment	21 April 2017
Ownership (as of 30 June 17)	1.5%
Percentage of NAV (as of 30 June 17)	1.8%
Internal rate of return (annualized)	240.0%

FINANCIAL INDICATORS	2015	2016
Equity capital (USD million)	43.3	56.1
Revenues (USD million)	31.8	39.9
Revenue growth (in VND)	13.6%	27.5%
EBIT (USD million)	18.2	24.2
NPAT (USD million)	10.8	15.0
EPS (VND)	4,744	3,247
EPS growth	63.3%	-31.6%
Gross margin	69.5%	70.6%
EBIT margin	57.2%	60.8%
ROE	26.7%	29.8%
D/E	0.6x	0.9x
Current ratio	1.6x	1.8x

Sources: Annual Reports and Bloomberg

ABOUT THE COMPANY

VCI, founded in 2007, has dominated the investment banking (IB) field in Vietnam during the last 10 years, thanks to its unrivalled understanding of the local market. The company helped advise and close several of Vietnam's major capital market transactions for leading industry players including Mobile World (2014), Argo Nutrition International (2015), VietJet Aviation (2016), and Vietnam Prosperity Bank (2017).

Due to strong support from its IB division, VCI commands the leading position in institutional brokerage with over 30% market share in 2016. Overall, the company has been ranked one of the top 3 brokers in Vietnam. VCI's institutional sales department is highly regarded for its extensive global client base, value-added services, leading technology, best execution practice, insightful research, and renowned corporate access.

VCI is led by a professional Board of Directors with a majority of non-executive directors. The company carefully manages its balance sheet and deploys effective risk management policies. VCI is one of the few companies in Vietnam to have successfully integrated a cross-culture management team combining overseas expertise and local knowledge.

RECENT DEVELOPMENTS

VCI's 2016 performance was encouraging. Net sales reached VND 893.5bn, up +27.5% YoY, and net profit after tax (NPAT) was VND 335bn, up +41.4% YoY. The company's IB division, institutional brokerage team, and principal investment unit greatly contributed to VCI's 2016 NPAT growth. Principal investment and institutional sales brokerage witnessed remarkable revenue growth of 89.5% and 61.3% YoY, respectively. Additionally, IB recorded a gross profit increase of 18.9% YoY.

SUSTAINABILITY STRATEGY

VCI's long-term strategy is to remain a top-rated investment banker in Vietnam. Therefore, the company will continue to focus on institutional brokerage. VCI's IB team could leverage the company's strong institutional customer base to help close private placements and IPO deals. Institutional brokerage and IB divisions typically generate higher margins. This approach sets VCI apart from local competitors, who concentrate on the more capital intensive and highly competitive local retail brokerage sector.

ESG ACHIEVEMENTS

Value-based approach to employees and workplace environment: VCI has focused on instilling staff with a clear set of progressive values, encompassing transparency and openness, integrity, responsibility, and professionalism. The remuneration structure is designed to provide competitive base salaries, with incentives to encourage higher productivity and quality. All staff members are covered by health insurance packages. Each year VCI demonstrates its unwavering commitment to corporate social responsibility through charitable donations and sponsorship of local endeavors, which in recent years have included: daycare centers for children with disabilities; support for poor farmers, families, and students; and healthcare programs.

Comprehensive risk management approach: VCI implements risk management and monitoring activities in full compliance with SSC guidance per Decision 105/QD-UBCK, dated 26 February 2013, governing risk management systems in securities companies. Secondly, risk management systems are built efficiently based on the division of responsibilities in the entire company. Thirdly, each division head and employee is responsible for risk management systems according to the provisions of local laws, processes and internal policies.

ESG CHALLENGES

VCI has continued to improve the effectiveness of its corporate governance to ensure operational transparency and efficiency in Vietnam's derivatives market, which will be officially opened in August 2017.

VINH HOAN CORPORATION (VHC)

SHARE INFORMATION (AS AT 30 JUNE 2017)	
Stock Exchange	HOSE
Date of listing	26 December 2007
Market capitalization (USD million)	240
Free float	51%
Foreign ownership	39%
2017 price/earnings ratio	9.0x

VIETNAM HOLDING'S INVESTMENT	
Date of first investment	27 July 2016
Ownership	3.7%
Percentage of NAV	4.3%
Internal rate of return (annualized)	13.3%

FINANCIAL INDICATORS	2014	2015
Equity capital (USD million)	92.9	105.1
Revenues (USD million)	296.5	326.5
Revenue growth (in VND)	3.2%	12.5%
EBIT (USD million)	19.7	30.7
NPAT (USD million)	14.7	25.3
EPS (VND)	3,491	5,922
EPS growth	-27.4%	69.6%
Gross margin	12.4%	14.6%
EBIT margin	6.7%	9.4%
ROE	16.4%	25.4%
D/E	0.8x	0.6x
Current ratio	1.6x	1.8x

Sources: Bloomberg, VHC's Annual Reports.

ABOUT THE COMPANY

Established in 1997 by business woman Truong Thi Le Khanh, VHC took the lead in producing premium quality seafood products and has become the largest pangasius exporter in Vietnam. VHC's product portfolio has been increasingly diversified over the years and currently comprises 4 main categories: frozen seafood, value-added products from pangasius, by-products, and collagen and gelatin products. VHC has been exporting to 40 countries worldwide and has subsidiaries in the US, Singapore and China. Traditional markets, namely the US and the EU, account for more than 70% of VHC's export value while exports to new markets such as China, Mexico, Canada, Hong Kong, and ASEAN are experiencing remarkable growth.

In 2016, VHC introduced a 3-year business plan, targeting revenue of USD 650m and EBITDA of USD 60m by 2020 (doubling those of 2016) and compounded annual growth at 15%-20%. The company will employ both organic growth and acquisitions to achieve this growth target.

RECENT DEVELOPMENTS

VHC exported USD 251m of products in 2016, accounting for 15% Vietnam's total export value. The US remained the largest export market and VHC accounted for 38% of Vietnam's pangasius exports to the country. 2016 saw a boom in the Chinese market where exports grew by 59% YoY. In 2016 VHC doubled its sales. Other markets where VHC holds leading market shares include Canada, Hong Kong, Japan, Mexico and Australia, which also recorded steady growth. In 2016, VHC opened the Van Duc Tien Giang 2 factory, upgrading total processing capacity by an additional 20%. The facility comprises a 2000-ton-per-year capacity of grilled pangasius line, and a workshop for production of breaded, seasoned and other cooked products.

At the end of 2016, the company acquired a 100% stake in Thanh Binh Dong Thap Fisheries which owns two frozen pangasius processing plants and has enough land holdings to add another 40% processing capacity to VHC by 2019.

SUSTAINABILITY STRATEGY

VHC positions itself as a pioneer and champion in both environmentally-responsible aquaculture and economic success. It determined four key elements of sustainable development including: sustainable labor resources; community responsibility; biodiversity and environment responsibility, and food safety and traceability.

ESG ACHIEVEMENTS

VHC was the first pangasius company in Vietnam to obtain an Aquaculture Stewardship Council (ASC) certification covering sustainable aquaculture farming areas such as environmental protection, community factors, food safety, and traceability. By 2016, VHC has 133ha (on a total of 400ha of farming area) certified by ASC, 152ha certified with Best Aquaculture Practices (BAP) and 174ha certified with Global Good Aquaculture Practices (Global GAP). The company aims to have 100% raw material supply granted by at least one sustainable certification body by 2020.

By participating in the Sustainable Pangasius Supply Chain (SUPA) project sponsored by the EU in 2016, VHC was able to reduce energy consumption by 6.4% and water consumption by 26%.

Since inception, VHC has had a well-defined strategy which recognizes the importance of building disciplines and a professional and caring working environment for the workforce of mostly female employees.

ESG CHALLENGES

VHC faces increased challenges in its field. Beyond the difficulties associated with managing environmentally friendly fish farming, the company constantly combats negative perceptions of pangasius cultivation and production techniques. They constantly strive to improve their positioning as a provider from an emerging market, as well as their vertical integration techniques that need to match international standards. The company is addressing these needs and continues to be a market leader.

Sustainability Report

Sustainability enables organizations to consider their impact and enables them to be more transparent about the risk and opportunities they face.

Sustainability Principles
VietNam Holding is committed to the application of sound sustainability criteria in our long-term value investing approach. As a responsible investor, VNH chooses to invest in enterprises that demonstrate a commitment to positive individual and global change. Our goal is that we best capitalize on the positive developments of our portfolio companies and thereby assist Vietnam.

As a signatory of the UN's Principles for Responsible Investment, we avoid investments involving products and services with known negative effects. The fund's exclusion criteria cover businesses dealing in tobacco, firearms, distilled alcohol and gambling, among others. Companies engaged in pollution, child labor, bribery or other damaging business practices are likewise excluded from our investment consideration.

ESG Integration
Key environmental, social and governance (ESG) issues are identified during the investment process through tailored industry evaluations. ESG activities and progress are updated during engagement meetings, and through careful reviews of company publications.

When sustainability issues may have a significant impact on revenues or costs, they are systematically factored into the investment analysis. While monitoring these material performance indicators, VNH engages individual portfolio companies and seeks to encourage positive change. Our divestment policy captures companies that fail to demonstrate real awareness or consideration of key sustainability issues.

Challenges
VNH has tackled the problem of relevant ESG data collection that is inherent in emerging markets by collaborating with the Swiss-based sustainability-rating agency, Inrate. A custom-made questionnaire for Vietnamese companies forms the basis of our ESG analysis tools and is enhanced by a sophisticated and developing internal database. The willingness of a company to pro-actively address sustainability challenges is crucial to our decisions to increase, hold or decrease an investment

Corporate governance remains a challenge in Vietnam. Weak corporate governance standards were the main motivation behind the launch of the VNH Forum program in 2007. This event series brings together local company executives with international experts in fields such as Strategic Management, Board of Directors Standards and Investor Relations. Beyond these specific activities, perhaps our biggest contribution to ESG growth in Vietnam is to always lead by example.

Environmental: CO2 offsetting
VNH is awaiting approval and implementation of its well-developed formal procedure for measuring and controlling our own collective carbon footprint. The Company has been offsetting its CO2 emissions since 2010 in cooperation with Swiss-based South Pole Group, a leading global developer and promoter of emission reduction projects.

Social: VNH Foundation
Motivated by our dedication to social responsibility, the VNH Foundation is the creation of the founders of VNH and VNHAM. Its focus is on the youth of South East Asia, and in particular Vietnam. This charitable venture locates and supports projects that help to meet the needs and enhance the lives of disadvantaged children in the region.

For more information about the VNH Foundation please visit **www.vnhfoundation.com**

Governance: High Corporate Governance Standards
Corporate governance has always been a cornerstone of our organization, and is the basis of every action we take. The adherence to international best practices in this field is not only something we demand from our portfolio companies, but is at the core of our own i nternal guidelines.

An important element of VNH's governance efforts is our active investor relations program. A regular exchange with existing and potentially new shareholders ensures a two-way flow of information, which benefits both our investors and the Company.

Mrs. Van Anh inspects a fruit plantation

Mr. Nick Beglinger speaking at the 11th VNH Forum on "Carbon Footprint: Corporate Solutions for Sustainable Growth".

ACTIVE OWNERSHIP

Director Engagement

The Boards of Directors of VNH and its investment manager are committed to the established practice of engaging portfolio company executives. In concert with members of the investment team, our directors follow a systematic engagement schedule of personal meetings with the management of our portfolio companies.

Since the start of our engagement program, our portfolio companies have shown an increased awareness for ESG issues and have applied best practices in their operations. ESG information disclosure in company annual and/or sustainability reports has been noticeably improved in terms of both quality and quantity.

Shareholder Voting

Over the past fiscal year VNH voted at the Annual General Meetings (AGMs) of every portfolio company in which the fund held an equity position at the time of the meeting.

VNH Forum

The VNH Forum events showcase international best practices through select international keynote speakers and panel sessions where they are joined by local experts. Through these events, VNH seeks to foster awareness of value investment and sustainability principles throughout Vietnam's investment community.

The featured speakers of the December 2016 forum were Mr. Nick Beglinger, an expert on sustainable development strategy, and Mr. Nguyen Dang Anh Thi, a senior consultant with extensive relevant global experience. The forum aimed to highlight the fundamentals of greenhouse gas emissions, carbon footprint calculation and reporting methods, and the corresponding solutions for their reduction.

PORTFOLIO CARBON FOOTPRINT

VNEEC, a Vietnamese environmental consultant, has been tasked with measuring and analyzing the carbon emissions of all listed companies that are in the VNH portfolio as at 30 June 2017. The portfolio companies' attributable carbon footprints are analyzed against the attributable footprint of an identical invested amount in the companies of the VN All Share Index (VNAS).

The overall annual attributable carbon footprint of the portfolio is 98.8 thousand tons of CO2-equivalent (Scopes 1 & 2), which is 21% more (year ago: 46% less) carbon intense than the same amount invested in the VNAS would be. This underperformance of the portfolio versus the benchmark is entirely due to the presence in the portfolio as at 30/6/2017 of one company, Ha Tien Cement, whose 3% of NAV portfolio weighting accounted for a staggering 65% of total attributable portfolio emissions. We knew that the cement sector was a major greenhouse gas emitter, but we were surprised that it had such a massive effect on the overall portfolio's emissions. Indeed, had we fully appreciated this and held one of the many non- or low-emitting stocks instead, our portfolio would have outperformed the VNAS by over 55%, instead of the 21% underperformance mentioned. We have since divested from Ha Tien Cement and adapted our ESG criteria.

	VNH Portfolio	VN All Share Index
Total Emissions Scope 1&2 (tCO$_2$e)	98,836	81,567
Total Emissions Scope 1,2&3 (tCO$_2$e)	293,046	215,024
Emissions (kgCO$_2$e) per USD 100 invested	46.95	38.74

For the full Portfolio Carbon Footprint Report please visit **www.vietnamholding.com/sustainability**

Sustainability Report
Continued

MEMBERSHIPS AND PARTNERSHIPS

Through the long-term relationships of our senior staff and advisors, and during the past ten eventful years as an investor in Vietnam, VNH has developed a strong local and international network of partnerships. The following organizations have contributed to shaping VNH's strategy and profile, and continue to support our desire to bring forward the sustainability agenda in Vietnam:

Global Compact

VietNam Holding Asset Management has been a founding and active member of the Global Compact network in Vietnam since 2007.

Managed by the United Nations, the Global Compact is a strategic policy initiative for companies that wish to align their activities with the ten key principles that form the core of Global Compact's mission. At VNH, we continue to do so.

UN PRI

The United Nations' Principles for Responsible Investment (PRI) is the world's leading proponent of responsible investment. At its AGM in 2009, VNH shareholders voted to endorse the comprehensive alignment of our investment policy with the PRI. Consequently, ESG factors are now fully incorporated into our investment analysis and engagement strategy.


0903 702 689
0987 440 899

Corporate Governance in Vietnam:
Bottom-Up Incentive to Drive Improvement

Vietnam's standards of corporate governance are in aggregate fairly low, but have demonstrated steady improvement over the past decade and are highly likely to continue to do so. Empirical progress has been measured by the International Finance Corporation's and Asian Development Bank's series of corporate governance scorecards for the ASEAN region, including Vietnam. For example, the 2016 ADB scorecard shows mean total scores for Vietnam over the years 2012-15 of, successively, 28, 34, 35, and 37 - on a scale of 0-100 and where a global best practice score would typically be about 80. These scores, not surprisingly given relative market development, put Vietnam at the bottom of the surveyed countries (Thailand, Indonesia, Philippines, Malaysia, India, and Vietnam).

> "Vietnam's standards of corporate governance are in aggregate fairly low, but have demonstrated steady improvement over the past decade and are highly likely to continue to do so."

Vietnam's laws and regulations on corporate governance are fairly well developed, albeit with some inconsistencies and weaknesses that need to be rectified. This now puts the burden for improvement squarely on the shoulders of companies, institutional investors, international agencies like the IFC, and industry groups to substantially improve Vietnam's overall corporate governance landscape over the coming years. One might hope for greater enforcement action by the State Securities Commission as the main financial market regulator. However, the nature of Vietnam's system of government makes it unwise to expect great change from this source, welcome though it would be.

So private actions will drive improvement. The IFC has been a leader here, by working to raise awareness, cooperate with regulators, build national capacity (for example by training almost 100 corporate governance trainers spread across the nation's training companies), and directly advise companies with a view to becoming investors in them.

Institutional investors can also be a key driver through self-interested engagement. Fund managers such as Mekong Capital, Dragon Capital, and Vietnam Holding are acknowledged as effective advocates for good corporate governance practices through their direct engagement with investee companies, and they are increasingly being joined by newer foreign investors in Vietnam such as AIMS Asset Management.

Although prompting and education from others undoubtedly helps, ultimately the most powerful impetus for improvement will come from companies themselves. This is because the evidence is clear on what good corporate governance practices bring to the protagonist. Studies have repeatedly demonstrated that good corporate governance correlates with higher "economic value added", or the gap between return on invested capital and weighted average cost of capital. The latter occurs both through lower cost of debt in the bond markets and from banks, and via a higher valuation on the stock market. The 2016 ASEAN scorecard quantified this as 10 points higher on the corporate governance score being worth a price/ book valuation uplift of 0.17 points - or 17% for a company originally priced at its book value. This is a meaningful difference for companies operating in a frontier market, where cost of capital and therefore the ability to survive and grow a business is highly variable.

Successful companies are characterised by transparency, the presence of truly independent directors, adherence to a conflict of interest policy, a standalone internal audit function, focus on developing a corporate culture, good internal communication and being well organised with respect to internal and external meetings. Where Vietnam scores well is the significant presence of women on boards. Indeed, quite a few of our investee companies have female directors and CEOs. Such attributes have applied to many of the greatest long term earnings per share growth and share price performance investment stories on the Vietnam stock market.

Cases of poor corporate governance however are still widespread, in both the private sector and among state owned enterprises. Within the former, excessive and unequal new share issuance, family fiefdom and conflict, wanton business diversification, and transactions involving partly-owned subsidiaries stand out as common problems.

The growth of executive share option programs in Vietnam deserves a special mention. The principle behind ESOPs is commendable: they incentivise management to run the company as shareholders. However, in practice they are open to abuse. They (a) are a poor motivator when done at deep discount and can in some cases vest too soon within 1 to 3 years; (b) are often not granted to the right people; (c) often involve too much of a stake (e.g. 5%) in the company leading to major stake and value dilution for other shareholders; and (d) are not being accounted for properly as a cost in the profit and loss account when issued at a discount, which they would be under International Financial Reporting Standards.

> “Where Vietnam scores well is the significant presence of women on boards. Indeed, quite a few of our investee companies have female directors and CEOs.”

Among SOEs, whose overall corporate governance standards are seemingly lower than in the listed private sector, poor transparency, poor board professionalism, opaque state ownership, and poor incentive and efficiency are recurring themes. The state, through its various organs, still owns about 40% of Vietnamese listed market capitalisation (compared to about 20% by foreign investors). The remedy is privatisation, which ideally would proceed faster in terms of major stake sales, including to foreign strategic investors.

VietNam Holding Asset Management’s vice-chairman, Vu Quang Thinh, is a member of the national advisory council for corporate governance, a body which is supporting the drafting of a Vietnam corporate governance code. This is expected to lead to the setting up of the Vietnam Institute of Directors in 2018. The Company will continue to play a leading role in further corporate governance improvement in Vietnam over the coming years. This is of key importance to the success of the stock market as a place for continued profitable investment returns in excess of the cost of equity, and to Vietnam’s overall healthy national economic development.

VNH Foundation Report

Throughout 2016, VNHF conducted more than six projects consisting of multiple sub-missions.

Guided by the belief that each human being has equal value, the VNH Foundation (VNHF) works to help people lead healthy, productive lives. In Vietnam, it seeks to ensure that disadvantaged children and handicapped persons have access to the opportunities they need to succeed in life. In Thailand, it operates an orphanage and gives children the chance to lift themselves out of hunger and extreme poverty.

2016 has been another successful year for the VNHF. Our projects in the areas of education, sustainable development, economy and public health have served to strengthen the human connectivity and dialogue within Vietnam and Thailand by assisting those that need help the most, namely deprived children and handicapped persons. Throughout 2016, VNHF conducted more than 6 projects consisting of multiple sub-missions. These projects and missions have been advanced with the help of over 5 regional partner organizations, and over 2,000 individual participants.

Program Highlights

DaNang Orthopedics Hospital:
Over the past few years, the VNHF has supported the DaNang Orthopedics Hospital by sponsoring equipment, flying in Swiss doctors and providing training and support for the resident medical staff. Our close collaboration with the hospital typically ensures that patients are ready to be seen in their clinic the day the doctors arrive. They then spend the entire day seeing patients with pathology ranging from congenital birth deformities such as clubfoot or polydactyly, to cerebral palsy neuromuscular deformities, to post-polio deformities, to injuries sustained in the Vietnam War in the 1960s and 1970s. Many patients are treated with referrals to physical therapy, which the hospital has on-site, or with non-surgical modalities such as orthotics or joint injections. The patients are screened throughout the day for those who are able to be helped by surgical correction and each of these is then scheduled for surgery.

We are proud of the work accomplished with DaNang Orthopedics and are looking for ways to improve our collaboration with visits by more medical specialists to help enhance the training of the DNO staff.

Blue Dragon:
Blue Dragon visits places such as sweatshops and brothels and physically rescues people from traffickers and hardened (sometimes armed) criminals. The rescued include children as young as 10, who have been taken against their will, or tricked into thinking they are going to training and jobs, and subsequently find themselves working all day for no pay. Since 2004, Blue Dragon has rescued hundreds of women and children.

The foundation's staff have also come to the aid of kidnapped or trafficked women who have access to a mobile phone (or whose family members contacted Blue Dragon after being contacted themselves). Blue Dragon has helped get 600 Vietnamese children off the streets and back to their families, into schools, soccer teams, even yoga or painting classes.

VNHF's financial support has allowed Blue Dragon to pursue their mission. We plan to make a more active engagement by providing psychiatric training for counsellors in 2017, which will expand their scope and allow better integration of trafficked people into society.

Deafcraft 5 Colors:
Deafcraft 5 Colors is a Hanoi based social enterprise that traces its origins back to 1995. Since 2009, Deafcraft 5 Colors has continually grown by manufacturing various products for the local tourist market and the expatriate community in Hanoi as well as for overseas customers. Their mission is to provide development opportunities for deaf people in the area of literacy and vocational training as well as to provide a fair wage employment in a caring social environment.

Our active work with the team has improved their professional/sales website, provided English courses for staff members and material for the construction of handicrafts. We are now exploring ways to improve their living and workspace environment.

While commemorating our development over the past eight years, we are preparing VNHF's future direction and looking forward to many more highlights in 2017. Our future activities include more active involvement with medical projects, further engagement with local government entities and development of additional projects. Finally, VNHF would like to thank VNHAM for its continued financial support of the organization.

Directors' Report

The Board of Directors continues to play a key role in the operation of the company.

The Board of Directors plays a key role in the operation of Vietnam Holding Ltd. In consultation with the creator of the VNH Group, Mr. Juerg Vontobel, the Board sets the Company's Founding Principles. The Board makes all policy decisions on investment strategies, environmental, social and governance matters ("ESG"), asset allocations, investment risk profiles, capital increases and profit distributions to Shareholders. It also appoints the Investment Manager, to whom it provides appropriate guidance and instruction.

The Board is also responsible for reviewing the Company's Investment Policy and the performance of its investment portfolio. In particular, all new investments and full divestments as well as change in the target level investment category of an existing investment are subject to the preliminary approval of the Board's Chairperson, then presented for ratification by the Board at its next meeting.

As a Cayman Islands incorporated fund that is admitted for trading on London's AIM market, the Company is not required to and does not adhere to any official code of corporate governance. However, the Directors recognise the importance of sound corporate governance commensurate with the size of the Company and the interests of its Shareholders. In reflection of this strong belief, the Company has adopted a comprehensive code of ethics. The Directors also comply with AIM Rules and other relevant UK regulations, including the Market Abuse Regulations relating to directors' dealings, which came into effect on July 3, 2016. Accordingly, the Company has additionally adopted a code for directors' dealings in securities of the Company based on AIM Rule 21.

Presently, the Board consists of three non-executive Directors, all of whom are regarded by the Board as independent, including the chairperson, and are subject to re-election annually:

Mrs. Min-Hwa Hu Kupfer, Chairperson
Professor Rolf Dubs
Mr. Nguyen Quoc Khanh

The Board gives careful consideration when recommending Directors for re-election, and believes that length of service alone does not necessarily restrict Directors from seeking re-election.

The Board maintains two committees: an Audit Committee and a Corporate Governance Committee. Both committees are made up of all three Directors who work closely on all board and committee matters.

The Audit Committee, chaired by Mr. Nguyen Quoc Khanh, is responsible for appointing the Auditors, subject to Shareholder approval, and reviewing the results of all audits. It is also responsible for establishing internal business controls and audit procedures.

The Corporate Governance Committee, chaired by Professor Rolf Dubs, is responsible for the governance of the Company and the Company's relationships with multiple constituents, including the Investment Manager and its affiliates.

In the financial year 2017, the Board met quarterly and additionally held four telephonic meetings.

Having decided to investigate a potential re-domiciliation of the company from the Cayman Islands to Luxembourg, the Board made further steps towards this re-domiciliation. The Board anticipates putting the final approval for the re-domiciliation to a shareholder vote before the end of calendar 2017.

Concurrently with each formal meeting, the Board reviewed with the Investment Manager the status and the performance of the portfolio, including investment themes, prospective investments, divestitures, industry trends and peer group performance comparisons. Following the recommendations made under the portfolio management policy of the Investment Manager, the Board approved or ratified the asset allocation limits and target position of each investment.

As part of these actions, the Board approved and monitored portfolio rebalancing activities in which the Investment Manager exited six portfolio companies and initiated eight new investments, maintaining the number of equity holdings in the portfolio at twenty-six as of

30 June 2017. Among the exits were three investments where the Company held at least 4% of the outstanding shares of the respective portfolio companies.

The Board has noted the underperformance of the company compared to its peers and the benchmark. Upon deliberation with the Investment Manager, the Board feels that the strategy used by the Manager in administering the Company's portfolio is, notwithstanding the substandard performance, a sound one from a sustainable and long-term perspective.

The Company's share buy-back program and share price discount control efforts were also reviewed quarterly during the Board meetings.

The Company held investor presentations in London and Luxembourg at which the Directors met and engaged with shareholders. The Board regularly reviewed other investor-relations activities, all coverages by brokerage research and investment analysts, and all investor communications.

The Audit Committee held four meetings in the past year in parallel with the Board meetings. In each one, the Chair of the Investment Manager's Risk Management Committee reviewed with the Audit Committee the Master Risk Matrix. In addition, it reviewed compliance reporting and evaluated risk control issues. The Committee Chairperson worked closely with the Investment Manager and its Risk & Compliance Committee to formulate the objectives and the scope of this year's internal audit, to be conducted in two phases. The scope of the Audit was conducted by Ernst & Young Vietnam Ltd in two phases. The Audit report of 1st phase focused on the risk management framework. The second phase of the audit was on compliance risk management. Both phases were finalized in November 2016.

The Corporate Governance Committee also met four times, in line with the quarterly Board meetings. As part of each meeting's agenda, the Chairman of the Committee led the review with the Investment Manager as it presented its strategic plans, financial position, and organizational development activities. An evaluation of the Board' own undertakings together with a review of the on-going projects of the Board were also held during each meeting.

The Committee conducted the annual performance review of the Investment Manager and approved the Key Performance Indicators as jointly recommended by the CEO and the Board of the Investment Manager. The Committee also oversaw the annual certification of the "VNH Code of Ethic" by all employees and Board members of both the Investment Manager and the Company.

Throughout the year, the Committee evaluated the communications between the Chairperson and the Board members, the timeliness and completeness of the Board meeting material submission, and the overall effectiveness of each Board meeting.

Remuneration

With the migration of the company to Luxembourg in mind, the Fund has designed and implemented a remuneration policy for the Company's Directors with the aim to reflect in a proportionate manner and as effectively as possible the remuneration rules as set out in the European Directive 2011/61/EU and implemented in the 2013 Law, as amended (the "AIFM Regulations") and ESMA Guidelines on remuneration as applicable and implemented in Luxembourg (the "ESMA Guidelines").

The remuneration of each of the Company's Directors contains two parts:

1. Base Fee
2. Committee and Board related service, including attendance of Committee and Board meetings, based on the number of days worked.

In 2017, the Company's Directors' Base Fees were:

Mrs. Min-Hwa Hu Kupfer	USD 60,000
Professor Rolf Dubs	USD 50,000
Mr. Nguyen Quoc Khanh	USD 50,000

For attendance in person at each Committee and Board meeting, which took place quarterly, each Director was paid USD 1,500 per day. For attending any Committee or Board meeting held telephonically, each Director was paid USD 750 per meeting. Each Director was also compensated USD 1,500 for each day of service related to Committee and Board initiatives.

Directors' Report
Continued

The total remuneration of the Company's Directors in FY2016-17 as the result of meeting attendance and Committee work was USD 257,000 as follows:

Mrs. Min-Hwa Hu Kupfer Chairperson	USD 105,000
Professor Rolf Dubs Director & Chair of Corp. Governance Committee	USD 76,500
Mr. Nguyen Quoc Khanh Director & Chair of Audit Committee	USD 75,500

Ownership of VietNam Holdings

	Shares
Mrs. Min-Hwa Hu Kupfer	36,667
Professor Rolf Dubs	61,451
Mr. Nguyen Quoc Khanh	33,253

During the fiscal year, both Mr. Nguyen Quoc Khanh and Prof. Rolf Dubs increased their shareholdings in the Company, mainly through the exercise of warrants.

On behalf of the Board of Directors:

Min-Hwa Hu Kupfer
Chairperson
18 August 2017


SAGOTA

Independent Auditors' Report

KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

T: +65 6213 3388
F: +65 6225 0984
W: www.kpmg.com.sg

To the Shareholders of
VietNam Holding Limited
c/o Collas Crill Corporate Services Limited
Floor 2, Willow House
Cricket Square
PO Box 709
George Town, Grand Cayman
Cayman Islands, KY1-1107

Report on the financial statements

We have audited the financial statements of VietNam Holding Limited ('the Company'), which comprise the statement of financial position as at 30 June 2017, the statements of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 16 to 32.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the International Financial Reporting Standards ('IFRSs') as adopted by the European Union so as to give a true and fair view of the financial position of the Company as at 30 June 2017 and of the financial performance, and cash flows of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs'). Our responsibilities under those standards are further described in the *'Auditors' responsibilities for the audit of the financial statements'* section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ('ACRA Code') together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Valuation of investments in securities at fair value amounting to USD 208,273,147
(Refer to Notes 3 and 12 to the financial statements)

The key audit matter	How the matter was addressed in our audit
As of 30 June 2017, the Company's investments in securities are all measured at fair value and comprise a convertible bond (USD 1,179,177), an unlisted equity security (USD 3,864,056) and listed equity securities (USD 203,229,914).	Our approach to audit the valuation of the convertible bond and unlisted equity security investment included the following: • Assessed the appropriateness of the valuation methodologies adopted; • Reviewed the reasonableness of inputs applied including a sensitivity analysis for unobservable inputs; and • Verified the mathematical accuracy of the calculation of the investments.

The key audit matter	How the matter was addressed in our audit
The investments measured at fair value were based on the following valuation approaches: • The convertible bond consists of a fixed-income bond with an option to convert the bond into shares of the issuer. Each component of the instrument was valued separately using applicable valuation techniques; • The unlisted equity security was valued based on the market approach; and • The listed equities were valued based on the last traded prices. We considered the valuation of the convertible bond and unlisted equity security as a key audit focus area as their valuation involves a degree of estimation uncertainty and judgment.	Additional procedures were performed for each investment selected based on the applicable valuation methodology, as follows: • Convertible bond We performed a cross-check of the valuation by independently deriving the value of each component using the discounted cash flow model and a Black-Scholes model. • Unlisted equity security The unlisted equity security was valued using broker quotes sourced from external brokers. We evaluated the competency, capability, and objectivity of the external brokers. We obtained confirmations from the brokers for the prices which they provided to the Company. We noted that the valuation estimates are within a reasonable range of outcomes.

Other information

Vietnam Holding Asset Management Limited, the Investment Manager of the Company, and the directors of the Company ("the directors") are responsible for the other information contained in the annual report. The other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the IFRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

Independent Auditors' Report
Continued

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit 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 Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is David Waller.

kpmg llp

KPMG LLP
Public Accountants and Chartered Accountants
Singapore
18 August 2017

Statement of Financial Position

as at 30 June 2017

	Note	2017 USD	2016 USD
Assets			
Cash and cash equivalents		10,323,903	5,281,215
Investments in securities at fair value	3	208,273,147	143,391,112
Accrued dividends		155,582	832,445
Receivables on sale of investments		–	3,055,954
Other receivables		13,318	24,840
Total assets		**218,765,950**	**152,585,566**
Equity			
Share capital	5	141,822,097	105,477,448
Retained earnings		68,713,405	41,398,421
Total equity, representing net assets attributable to shareholders		**210,535,502**	**146,875,869**
Liabilities			
Payables on purchase of investments		4,981,932	1,124,964
Other payables		139	137
Accrued expenses		3,248,377	4,584,596
Total liabilities		8,230,448	5,709,697
Total equity and liabilities		**218,765,950**	**152,585,566**

The financial statements on pages 27 to 43 were approved by the Board of Directors on 18 August 2017 and were signed on its behalf by

Min-Hwa Hu Kupfer
Chairperson of the Board of Directors

Nguyen Quoc Khanh
Chairman of the Audit Committee

The accompanying notes form an integral part of these financial statements.

Statement of Comprehensive Income

for the year ended 30 June 2017

	Note	2017 USD	2016 USD
Dividend income from equity securities at fair value through profit or loss		4,561,766	4,247,751
Net gain from investments in securities at fair value through profit or loss	7	30,275,746	35,428,336
Net foreign exchange loss		(119,173)	(44,734)
Interest income from investments in securities		90,314	76,657
Net investment income		**34,808,653**	**39,708,010**
Investment management fees	8	2,880,552	2,460,388
Incentive fees	8	3,132,919	4,542,553
Advisory fees		107,815	143,345
Administrative and accounting fees	10	111,404	95,073
Custodian fees	9	172,607	122,024
Directors' fees and expenses	8	349,872	376,336
Brokerage fees		58,455	67,734
Audit fees		41,904	40,580
Publicity and investor relations fees		154,520	103,772
Insurance costs		15,000	15,500
Administrative expenses		224,164	206,643
Risk management expenses		216,062	45,884
Technical assistance for investee companies		28,395	74,228
Total operating expenses		**7,493,669**	**8,294,060**
Change in net assets attributable to shareholders		**27,314,984**	**31,413,950**
Basic and diluted earnings per share	14	0.49	0.55/0.53

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 30 June 2017

	Share capital USD	Reserve for own shares USD	Retained earnings USD	Total USD
Balance at 1 July 2015	**125,788,264**	**(11,413,200)**	**9,984,471**	**124,359,535**
Total comprehensive income for the year				
Change in net assets attributable to shareholders	–	–	31,413,950	31,413,950
Total comprehensive income	**–**	**–**	**31,413,950**	**31,413,950**
Contributions and distributions				
Issuance of ordinary shares	129,871	–	–	129,871
Repurchase of own shares (note 5)	–	(8,630,599)	–	(8,630,599)
Warrants issuance cost	(396,888)	–	–	(396,888)
Total contributions and distributions	**(267,017)**	**(8,630,599)**	**–**	**(8,897,616)**
Balance at 30 June 2016	**125,521,247**	**(20,043,799)**	**41,398,421**	**146,875,869**
Balance at 1 July 2016	125,521,247	(20,043,799)	41,398,421	146,875,869
Total comprehensive income for the year				
Change in net assets attributable to shareholders	–	–	27,314,984	27,314,984
Total comprehensive income	**–**	**–**	**27,314,984**	**27,314,984**
Contributions and distributions				
Issuance of ordinary shares	41,030,628	–	–	41,030,628
Repurchase of own shares (note 5)	–	(4,685,979)	–	(4,685,979)
Total contributions and distributions	**41,030,628**	**(4,685,979)**	**–**	**36,344,649**
Balance at 30 June 2017	**166,551,875**	**(24,729,778)**	**68,713,405**	**210,535,502**

The accompanying notes form an integral part of these financial statements.

Statement of Cash Flows

for the year ended 30 June 2017

	Note	2017 USD	2016 USD
Cash flows from operating activities			
Change in net assets attributable to shareholders		27,314,984	31,413,950
Adjustments to reconcile change in net assets attributable to shareholders to net cash from operating activities:			
Dividend income		(4,561,766)	(4,247,751)
Interest income		(90,314)	(76,657)
Net gain from investments in securities at fair value through profit or loss		(30,275,746)	(35,428,336)
Purchase of investments		(87,232,623)	(47,964,534)
Proceeds from sale of investments		56,483,302	60,925,949
Net foreign exchange loss		119,173	44,734
(Increase)/decrease in receivables on sale of investments		3,055,910	(2,435,831)
Increase/(decrease) in accrued expenses		26,546	4,006,184
(Decrease)/increase in other payables		2	(7)
Dividends received		5,238,629	3,915,525
Interest received		101,846	53,973
Net cash from operating activities		**(29,820,057)**	**10,207,199**
Cash flows from financing activities			
Issuance of ordinary shares *		39,667,862	–
Repurchase of own shares	5	(4,685,979)	(8,630,599)
Warrants issuance cost		–	(396,888)
Net cash used in financing activities		**34,981,883**	**(9,027,487)**
Net increase in cash and cash equivalents		**5,161,826**	**1,179,712**
Cash and cash equivalents at beginning of the year		5,281,215	4,146,270
Effect of exchange rate fluctuations on cash held		(119,138)	(44,767)
Cash and cash equivalents at end of the year		**10,323,903**	**5,281,215**

* On 18 August 2016, the Company announced that in partial payment of the incentive fee due to VietNam Holding Asset Management Limited ("VNHAM"), the Company's Investment Manager, for the year ended 30 June 2016, it had agreed that 631,684 ordinary shares of US$1.00 each in the Company ("Ordinary Shares") then held as treasury shares would be transferred to VNHAM (the "Transfer"). The Transfer took place in early September 2016.

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

Year ended 30 June 2017

1. THE COMPANY

VietNam Holding Limited ("VNH" or "the Company") is a closed-end investment holding company incorporated on 20 April 2006 as an exempt company under the Companies Law in the Cayman Islands and commenced its operations on 15 June 2006, to invest principally in securities of former State-owned Entities ("SOEs") in Vietnam, prior to, at or after the time such securities become listed on the Vietnam stock exchange, including the initial privatisation of the SOEs. The Company may also invest in the securities of private companies in Vietnam, whether Vietnamese or foreign owned, and the securities of foreign companies if a significant portion of their assets are held or operations are in Vietnam.

The investment objective of the Company is to achieve long-term capital appreciation by investing in a diversified portfolio of companies that have high growth potential at an attractive valuation.

During the Extraordinary General Meeting in April 2015 the shareholders voted in favour of the continuance resolution, authorising the Company to operate in its current form through to the 2018 Annual General Meeting when a similar resolution will be put forward for shareholders' approval.

VietNam Holding Asset Management Limited ("VNHAM") has been appointed as the Company's Investment Manager and is responsible for the day-to-day management of the Company's investment portfolio in accordance with the Company's investment policies, objectives and restrictions.

Standard Chartered Bank, Singapore Branch and Standard Chartered Bank (Vietnam) Limited are the custodian and the sub-custodian respectively. Standard Chartered Bank, Singapore Branch is also the administrator.

The registered office of the Company is Collas Crill Corporate Services Limited, Floor 2, Willow House, Cricket Square, PO Box 709, George Town, Grand Cayman, Cayman Islands, KY1-1107.

2 PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union.

(b) Basis of preparation

The financial statements are presented in United States dollars ("USD"), which is the Company's functional currency. They are prepared on a fair value basis for financial assets and financial liabilities at fair value through profit or loss. Other assets and liabilities are stated at amortised cost.

The Company's shares were issued in USD and the listing of the shares on the AIM market of the London Stock Exchange is in USD. The performance of the Company is measured and reported to the investors in USD, although the primary activity of the Company is to invest in the Vietnamese market. The Board considers the USD as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

The preparation of financial statements in accordance with IFRS as adopted by the European Union requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimated and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to the Financial Statements

Year ended 30 June 2017

2 PRINCIPAL ACCOUNTING POLICIES (continued)

(b) Basis of preparation (continued)

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. The Company is engaged in a single segment of business, being investment in Vietnam. The Board, as a whole, has been determined as constituting the chief operating decision maker of the Company. The key measure of performance used by the Board to assess the Company's performance and to allocate resources is the total return on the Company's net asset value ("NAV") calculated as per the prospectus.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(c) Foreign currency translation

Transactions in foreign currencies other than the functional currency are translated at the rate ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated to USD at the rates ruling on the year-end date. Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are included in the statement of comprehensive income. Foreign currency exchange differences relating to financial instruments at fair value through profit or loss are included in the realised and unrealised gains and losses on those investments. All other foreign currency exchange differences relating to other monetary items, including cash and cash equivalents, are included in net foreign exchange gains and losses in the statement of comprehensive income.

(d) Financial instruments

(i) Classification

The Company classifies all its investments as financial assets at fair value through profit or loss category. Financial instruments are classified at fair value through profit or loss upon initial recognition. These include financial assets that are not held for trading purposes and which may be sold. These are investments in exchange-traded securities and unlisted securities.

Financial assets that are classified as loans and receivables include accrued dividends.

Cash and cash equivalents are measured at amortised cost.

Financial liabilities that are not at fair value through profit or loss include accrued expenses.

(ii) Recognition

Financial assets and liabilities at fair value through profit or loss are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. Other financial assets and liabilities are recognised on the date they are originated.

Financial assets and financial liabilities at fair value through profit or loss are recognised initially at fair value, with transaction costs recognised in profit or loss. Financial assets or financial liabilities not at fair value through profit or loss are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition or issue.

(iii) Derecognition

A financial asset is derecognised when the Company no longer has control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered.

Financial assets that are sold are derecognised, and the corresponding receivables from the buyer for the payment are recognised on the trade date, being the date the Company commits to sell the assets.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

(iv) Measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Company measures instruments quoted in an active market at last traded price.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Company recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

As at 30 June 2017, the Company used quotes obtained from brokers to determine the fair value of an unlisted equity security with a carrying value of USD 3,864,056 which was 1.84% (2016: nil%) of the net assets of the Company, while the Company used valuation techniques to value a convertible bond with a carrying value of USD 1,179,177 which was 0.56% (2016: 1.3%) of the net assets of the Company.

Any increases or decreases in values are recognised in the statement of comprehensive income as an unrealised gain or loss.

(v) Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of financial instruments are recognised in the statement of comprehensive income.

(vi) Impairment

Financial assets that are stated at cost or amortised cost are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the statement of comprehensive income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the impairment is reversed through the statement of comprehensive income.

(vii) Cash and cash equivalents

Cash comprises current deposits with banks and fixed deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(e) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when, and only when, the Company has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis or simultaneously, e.g. through a market clearing mechanism.

(f) Amounts due to/from brokers

Amounts due to/from brokers represent security purchases and sales transactions which are contracted for but not yet delivered at the end of the reporting period.

Notes to the Financial Statements

Year ended 30 June 2017

2 PRINCIPAL ACCOUNTING POLICIES (continued)

(g) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own share account. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in non-distributable capital reserve.

(h) Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

At present, no income, profit, capital, or capital gain taxes are levied in the Cayman Islands, and accordingly, no provision for such taxes has been recorded by the Company in the accompanying financial statements. In the event that such taxes are levied, the Company has received an undertaking from the Governor in Cabinet of the Cayman Islands exempting it from all such taxes for a period of twenty years from 2 May 2006.

The Company is liable to Vietnamese tax of 0.1% (2016: 0.1%) on the sales proceeds of the onshore sale of equity investments.

(i) Interest income and expense

Interest income and expense is recognised in the statement of comprehensive income using the effective rate method.

Interest income includes the amortisation of any discount or premium on zero coupon bonds, which is taken as income on the basis of yield to redemption, from the date of purchase.

(j) Dividend income

Dividend income is recognised in profit or loss on the date on which the right to receive payment is established. For listed equity securities, this is usually the ex-dividend date. For unlisted equity securities, this is usually the date on which the shareholders approve the payment of a dividend. Dividend income from equity securities designated as at fair value through profit or loss is recognised in profit or loss as a separate line item.

(k) Fee and commission expense

Fees and commission expenses are recognised in profit or loss as the related services are performed.

(l) Earnings per share

The Company presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all potentially dilutive ordinary shares, which comprise warrants granted to shareholders.

3 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

Financial assets of the Company include investments in securities at fair value, cash and cash equivalents and accrued dividends. Financial liabilities comprise payables on purchase of investments and accrued expenses. Accounting policies for financial assets and liabilities are set out in note 2.

The Company's investment activities expose it to various types of risk that are associated with the financial instruments and the markets in which it invests. The most important types of financial risk to which the Company is exposed are market risk, currency risk, interest rate risk, credit risk and liquidity risk.

Asset allocation is determined by the Company's Investment Manager who manages the distribution of the assets to achieve the investment objectives. Divergence from target asset allocations and the composition of the portfolio is monitored by the Investment Manager.

Market risk

Market risk is the risk that the value of a financial asset will fluctuate as a result of changes in market prices, whether or not those changes are caused by factors specific to the individual asset or factors affecting all assets in the market. The Company is exposed to market risk within its securities purchased in the Vietnamese market.

The overall market positions are monitored continuously by the Investment Manager and at least quarterly by the Board.

The Company's investments in securities are exposed to market risk and are disclosed by the following generic investment types:

	2017		2016	
	Fair value in USD	% of net assets	Fair value in USD	% of net assets
Investments in listed securities	203,229,914	96.53	141,479,379	96.3%
Investments in an unlisted equity securities	3,864,056	1.84	–	–
Investments in a convertible bond	1,179,177	0.56	1,911,733	1.3
	208,273,147	**98.93**	**143,391,112**	**97.6%**

At 30 June 2017, a 5% reduction in the market value of the portfolio would have led to a reduction in NAV and profit or loss of USD10,413,657 (2016: USD7,169,556). A 5% increase in market value would have led to an equal and opposite effect on NAV and profit or loss.

Notes to the Financial Statements

Year ended 30 June 2017

3 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Currency risk

The Company may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency. Consequently, the Company is exposed to risks that the exchange rate of its currency relative to other currencies may change and have an adverse effect on the value of the Company's assets or liabilities denominated in currencies other than USD.

The Company's net assets are calculated every month based on the most up to date exchange rates while the general economic and foreign currency environment is continuously monitored by the Investment Manager and reviewed by the Board at least once each quarter.

The Company may enter into arrangements to hedge currency risks if such arrangements become desirable and practicable in the future in the interest of efficient portfolio management.

As at 30 June 2017, the Company had the following foreign currency exposures:

	Fair value	
	2017 USD	2016 USD
Vietnamese Dong	208,636,021	149,607,240
Pound Sterling	727	748
Swiss Franc	(19)	–
Euro	2,353	2,319
	208,639,082	**149,610,307**

At 30 June 2017, a 5% reduction in the value of the Vietnamese Dong, Pound Sterling, Swiss Franc, Euro versus the US Dollar would have led to a reduction in NAV and profit or loss of USD10,431,801 (2016: USD7,480,362), USD36 (2016: USD37), USD(1) (2016: USDnil) and USD118 (2016: USD116) respectively. A 5% increase in value would have led to an equal and opposite effect.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The majority of the Company's financial assets are non-interest-bearing. Interest-bearing financial assets and interest-bearing financial liabilities mature or reprice in the short-term, no longer than twelve months. As a result, the Company is subject to limited exposure to interest rate risk due to fluctuations in the prevailing levels of market interest rates.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company.

At 30 June 2017, the following financial assets were exposed to credit risk (including settlement risk): cash and cash equivalents, investments in an unlisted equity security, Investments in a convertible bond accrued dividends, receivables on sale of investments and other receivables. The total amount of financial assets exposed to credit risk amounted to USD11,671,980 (2016: USD11,106,187).

Substantially all of the assets of the Company are held by the Company's custodian, Standard Chartered Bank, Singapore Branch. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to cash and securities held by the custodian to be delayed or limited. The Company monitors its risk by monitoring the credit quality and financial positions of the custodian the Company uses.

Liquidity risk

The Company, a closed-end investment company, invests in companies through listings on the Vietnam stock exchanges. There is no guarantee however that the Vietnam stock exchanges will provide liquidity for the Company's investments. The Company also invests in equity securities which are not listed on stock exchanges. The Company may have to resell such investments in privately negotiated transactions.

The Company's overall liquidity risks are monitored on at least a quarterly basis by the Board. The Company is a closed-end investment company so shareholders cannot redeem their shares directly from the Company.

4 OPERATING SEGMENTS

Information on gains and losses derived from investments are disclosed in the statement of comprehensive income.

The Company is domiciled in the Cayman Islands. Entity wide disclosures are provided as the Company is engaged in a single segment of business, investing in Vietnam. In presenting information on the basis of geographical segments, segment investments and the corresponding segment net investment income arising thereon are determined based on the country of domicile of the respective investment entities.

All of the Company's investments in securities at fair value are in Vietnam as at 30 June 2017 and 30 June 2016. All of the Company's investment income can be attributed to Vietnam for the years ended 30 June 2017 and 30 June 2016.

5 SHARE CAPITAL

Ordinary shares of USD1 each

The ordinary shares have been created pursuant to the Companies Law in the Cayman Islands. The Company was incorporated with an authorised share capital of USD100,000,000 divided into 100,000,000 ordinary shares of USD1 each. On 23 September 2010, during its Annual General Meeting, the shareholders approved that the Company's authorised share capital be increased by USD100,000,000, divided into 200,000,000 shares of a nominal or par value of USD1.00 each. According to the Companies Law and articles of association, the Company may from time to time redeem all or any portion of the shares held by the shareholders upon giving notice of not less than 30 calendar days to the shareholders.

On 6 June 2006, the Board resolved that 56,250,000 ordinary shares would be allotted at a placing price of USD2 per ordinary share.

On 23 September 2010, during its annual general meeting, the shareholder approved a Share Repurchase Programme. The approvals were renewed at the Company's annual general meetings in 2011, 2012, 2013, 2014, 2015 and 2016.

	2017 No. of shares	2016 No. of shares
Total shares issued and fully paid (after repurchases and cancellations)		
At beginning of the year	65,342,620	67,235,739
Shares issued upon exercise of warrants during the year	19,941,819	35,927
Shares cancellation	(2,555,000)	(1,929,046)
	82,729,439	65,342,620
Repurchased and reserved for own shares		
At beginning of the year	(10,487,673)	(7,819,500)
During the year	(2,126,783)	(4,629,554)
Shares reissued to ordinary shares	631,684	32,335
Shares cancellation	2,555,000	1,929,046
	(9,427,772)	(10,487,673)
Total outstanding ordinary shares with voting rights	**73,301,667**	**54,854,947**

As a result, as at 30 June 2017 the Company has 73,301,667 (2016: 54,854,947) ordinary shares with voting rights in issue (excluding the reserve for own shares), and 9,427,772 (2016: 10,487,673) are held as reserve for own shares.

Notes to the Financial Statements

Year ended 30 June 2017

5 SHARE CAPITAL (continued)

The Company does not have any externally imposed capital requirements.

The Company's general intention is to reinvest the capital received on the sale of investments. However, the Board may from time to time and at its discretion, either use the proceeds of sales of investments to meet the Company's expenses or distribute them to shareholders. Alternatively, the Board of Directors may redeem ordinary shares with such proceeds for shareholders pro rata to their shareholding upon giving notice of not less than 30 calendar days to shareholders (subject always to applicable law) or repurchase ordinary shares at a price not exceeding the last published net asset value per share.

Warrants

On 19 May 2015, the Company issued a Prospectus for a bonus issue of warrants to shareholders pro rata, on the basis of one warrant for every three ordinary shares held. The exercise dates of these warrants will be on 1 June 2016, 1 December 2016 and 1 June 2017 with the exercise price of USD1.998. A total of 19,977,746 warrants were issued and admitted to trading on the AIM Market. As at 30 June 2017, nil (2016: 19,941,819) warrants are outstanding. During the year, there was an exercise of 19,941,819 (2016: 35,927) warrants to subscribe for 19,941,819 (2016: 35,927) ordinary shares at a price of USD1.998 per ordinary share.

The proceeds that arise on the warrant exercise for the year were USD39,843,754 (2016: USD71,782). The net proceeds arising on the exercise of the warrants will be invested in accordance with the Company's investment policy.

6 NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

Total equity of USD210,535,502 (2016: USD146,875,869) represents net assets attributable to shareholders. There is no difference between net assets attributed to shareholders calculated as per the prospectus and in accordance with the Company's policy (2016: none).

7 NET GAIN FROM EQUITY SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 USD	2016 USD
Net gain from equity securities at fair value through profit or loss:		
Realised gain	14,944,033	2,625,360
Adjustment to fair value of equity securities at fair value through profit or loss	15,331,713	32,802,976
	30,275,746	**35,428,336**

8 RELATED PARTY TRANSACTIONS

Investment management fees

The Company's Shareholders approved an amendment to the Investment Manager Agreement as detailed in the Company's circular dated 16 August 2013. Pursuant to the amended agreement the Investment Manager is entitled to receive a monthly management fee, paid in the manner set out as below:

- On the amount of the Net Asset Value of the Company up to and including USD100 million, one-twelfth of two per cent.;
- On the amount of the Net Asset Value of the Company above USD100 million up to and including USD150 million, one-twelfth of 1.75 per cent.; and
- On the amount of the Net Asset Value of the Company that exceeds USD150 million, one-twelfth of 1.50 per cent.

The management fee accruing to the Investment Manager for the year to 30 June 2017 was USD2,880,552 (2016: USD2,460,388).

Incentive fees

The Company will pay the Investment Manager an incentive fee equal to 15 per cent of the Excess Performance amount each year, subject to certain criteria being met. The fee is calculated and payable as set out in the Investment Management Agreement Side Letter dated 11 September 2013. Excess performance amount is calculated as follows:

Excess Performance amount = (A – B) x C

Where:

A. is the closing NAV per share as at the end of the reporting period
B. is equal to the higher of:
   i. the Initial High Water Mark increased by five per cent per annum on a compound basis; and
   ii. the highest previous value for A in respect of a reporting period in which an incentive fee was paid, increased by five per cent per annum on an compound basis.
C. is equal to the time weighted average number of shares in issue as at the end of the reporting period.

	2017 USD	2016 USD
Performance fee	3,132,919	4,542,553

Directors' fees and expenses

The Board determines the fees payable to each Director, subject to a maximum aggregate amount of USD350,000 (2016: USD350,000) per annum being paid to the Board as a whole. The Company also pays reasonable expenses incurred by the Directors in the conduct of the Company's business including travel and other expenses. The Company pays for directors and officers liability insurance coverage.

The charges for the year for the Directors fees were USD257,000 (2016: USD261,000) and expenses were USD92,872 (2016: USD115,336).

Directors' ownership of shares and warrants

As at 30 June 2017, three Directors, Min-Hwa Hu Kupfer, Nguyen Quoc Khanh and Rolf Dubs held 36,667 (2016: 36,667), 33,253 (2016: 13,468) and 61,451 (2016: 35,152) ordinary shares of the Company respectively, representing 0.05% (2016: 0.06%), 0.04% (2016: 0.02%) and 0.08% (2016: 0.06%) of the total shares outstanding.

During the year, Min-Hwa Hu Kupfer, Nguyen Quoc Khanh and Rolf Dubs exercised nil (2016: nil), 3,333 (2016: nil) and 10,000 (2016: nil) warrants to subscribe ordinary shares, amounting to 13,333 (2016: nil) and 0.067% (2016: 0.00%) of the total warrants issued respectively.

9 CUSTODIAN FEES

Custodian fees are charged at a minimum of USD12,000 (2016: USD12,000) per annum and received as a fee at 0.08% on the assets under administration ("AUA") per annum. Custodian fees comprise safekeeping fees, transaction fees, money transfer fees and other fees. Safekeeping of unlisted securities up to 20 securities is charged at USD12,000 per annum. Transaction fees, money transfers fees and other fees are charged on a transaction basis.

The charges for the year for the Custodian fees were USD172,607 (2016: USD122,024).

10 ADMINISTRATIVE AND ACCOUNTING FEES

The administrator receives a fee of 0.07% per annum for AUA less than USD100,000,000; or 0.06% per annum for AUA greater than USD100,000,000 calculated on the basis of the net assets of the Company, subject to an annual minimum amount of USD5,500 per month.

The charges for the year for the Administration and Accounting fees were USD111,404 (2016: USD95,073).

Notes to the Financial Statements

Year ended 30 June 2017

11 CONTROLLING PARTY

The Directors are not aware of any ultimate controlling party as at 30 June 2017 or 30 June 2016.

12 FAIR VALUE INFORMATION

For certain of the Company's financial instruments not carried at fair value, such as cash and cash equivalents, accrued dividends, other receivables, receivables/payable upon sales/purchase of investments and accrued expenses, the amounts approximate fair value due to the immediate or short term nature of these financial instruments.

Other financial instruments are measured at fair value on the statement of comprehensive income.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments. This level includes listed equity securities on exchanges (for example, Ho Chi Minh Stock Exchange).
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This level includes instruments valued using: quoted prices for identical or similar instruments in markets that are considered less than active; quoted market prices in active markets for similar instruments; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are not based on observable market data (i.e. unobservable inputs). This level includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position. All fair value measurements below are recurring.

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
2017				
Financial assets classified at fair value upon initial recognition				
Investments in securities	182,827,649	24,266,321	1,179,177	208,273,147
2016				
Financial assets classified at fair value upon initial recognition				
Investments in securities	126,523,082	14,956,297	1,911,733	143,391,112

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Assessing whether an input is significant requires judgement including consideration of factors specific to the asset or liability. Moreover, if a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that fair value measurement is a Level 3 measurement.

Valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used:

Investment type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Convertible bond	• Discounted cash flows (in valuing the straight bond); and • Black-Scholes model (in valuing the conversion feature)	• Risk-adjusted discount rate (2017: 8.50%; 2016: 9.5%); • Dividend yield (2017: 4.32%; 2016: 5.91%)	The estimated fair value will increase (decrease) if: • the risk-adjusted discount rate was lower (higher); • the dividend yield was lower (higher)

Although the Company believes that its estimates of fair value are appropriate, the use of different assumptions could lead to different measurements of fair value. The directors consider that any reasonably possible changes to the unobservable input will not result in a significant financial impact.

Level 3 reconciliation

Financial assets designated at fair value through profit or loss	2017 USD	2016 USD
Balance at 1 July	1,911,733	–
Purchases	–	1,790,510
Sales	(894,897)	–
Total gains and losses recognised in profit or loss *	162,341	121,223
Balance at 30 June	**1,179,177**	**1,911,733**

* Total gains or losses recognised in profit or loss for assets and liabilities held at the end of the reporting period, as included in the statement of comprehensive income.

13 CLASSFICATIONS AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The table below provides a breakdown of the line items in the Company's statement of financial position to the categories of financial instruments.

	Note	Fair value through profit or loss USD	Loans and receivables USD	Other liabilities USD	Total carrying amount USD
2017					
Cash and cash equivalents		–	10,323,903	–	10,323,903
Investments in securities at fair value	3	208,273,147	–	–	208,273,147
Accrued dividends		–	155,582	–	155,582
Receivables from sale of investments		–	–	–	–
Other receivable		–	13,318	–	13,318
		208,273,147	**10,492,803**	**–**	**218,765,950**
Payables on purchase of investments		–	–	4,981,932	4,981,932
Other payable		–	–	139	139
Accrued expenses		–	–	3,248,377	3,248,377
		–	**–**	**8,230,448**	**8,230,448**
2016					
Cash and cash equivalents		–	5,281,215	–	5,281,215
Investments in securities at fair value	3	143,391,112	–	–	143,391,112
Accrued dividends		–	832,445	–	832,445
Receivables from sale of investments		–	3,055,954	–	3,055,954
Other receivable		–	24,840	–	24,840
		143,391,112	**9,194,454**	**–**	**152,585,566**
Payables on purchase of investments		–	–	1,124,964	1,124,964
Other payable		–	–	137	137
Accrued expenses		–	–	4,584,596	4,584,596
		–	**–**	**5,709,697**	**5,709,697**

Notes to the Financial Statements

Year ended 30 June 2017

14 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share at 30 June 2017 was based on the change in net assets attributable to ordinary shareholders of USD27,314,984 (2016: USD31,413,950) and the weighted average number of shares outstanding of 55,760,831 (2016: 57,315,656). The warrants of the Company had been fully exercised as of 30 June 2017.

15 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2016 and earlier application is permitted; however, the Company has not early applied these new or amended standards in preparing these financial statements. The one new standard potentially relevant to the Company is IFRS 9 Financial Instruments ("IFRS9"), which is discussed below.

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments:Recognition and Measurement* ("IAS 39"). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for the Company's annual reporting periods beginning on or after 1 July 2017, with early adoption permitted.

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option are recognised in profit or loss, under IFRS 9 fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

Based on the Company's initial assessment, this standard is not expected to have a material impact on the classification of financial assets and financial liabilities of the Company. This is because:

- the financial instruments classified as held-for-trading under IAS 39 will continue to be classified as such under IFRS 9;
- other financial instruments currently measured at FVTPL under IAS 39 are designated into this category because they are managed on a fair value basis in accordance with a documented investment strategy. Accordingly, these financial instruments will be mandatorily measured at FVTPL under IFRS 9; and
- financial instruments currently measured at amortised cost are: cash and cash equivalents, accrued dividends, and other receivables. These instruments meet the solely principal and interest criterion and are held in a held-to-collect business model. Accordingly, they will continue to be measured at amortised cost under IFRS 9.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments. Under IFRS 9, credit losses are recognised earlier than under IAS 39. Based on the Company's initial assessment, changes to the impairment model are not expected to have a material impact on the financial assets of the Company. This is because:

- the majority of the financial assets are measured at FVTPL and the impairment requirements do not apply to such instruments; and
- the financial assets at amortised cost are short-term (i.e. no longer than 12 months), of high credit quality and/or highly collateralised. Accordingly, the expected credit losses on such assets are expected to be small.

16 SUBSEQUENT EVENTS

- At the AGM on 15 September 2016, the Company's shareholders approved a resolution authorizing the Directors to continue the process of re-domiciling the Company in Luxembourg. It is anticipated the Company will be registered in Luxembourg as a UCI Part II Investment Fund. The submission of the Prospectus and related documentation to the Commission de Surveillance du Secteur Financier (CSSF), the Luxembourg financial supervisory authority, is pending finalisation of certain legal documents. The Directors expect that the application will be submitted to the CSSF during the third quarter of 2017.
- The directors of the Company approved on 17 August 2017 a proposal made by the Investment Manager to defer one-third, equivalent to USD 1,044,306 (the "Deferred Portion"), of the incentive fee payable as described in Note 8 "Related Party Transactions – Incentive fee" (FS28). The Deferred Portion shall be deferred for a period of up to 5 years from 30 June 2017 (the "Deferral Period") and shall be paid when (i) the Investment Manager is entitled to receive incentive fees in relation to any financial year during the Deferral Period in accordance with the applicable terms of the Investment Management Agreement Side Letter dated 11 September 2013 and (ii) the investment performance which is calculated on a NAV per share basis exceeds the increase in VNAS Index for the relevant financial year by 5%. All other terms of the Investment Management Agreement Side Letter dated 11 September 2013 shall remain applicable and in force.

Key Parties

Directors
Min-Hwa Hu Kupfer
Professor Dr. Rolf Dubs
Nguyen Quoc Khanh

Investment Manager
VietNam Holding Asset
Management Limited
Collas Crill Corporate
Services Limited
Floor 2, Willow House
Cricket Square
PO Box 709
George Town, Grand Cayman
Cayman Islands, KY1-1107

Registered Office, Company Secretary and Cayman Islands Legal Advisor
Collas Crill Corporate
Services Limited
Floor 2, Willow House
Cricket Square
PO Box 709
George Town, Grand Cayman
Cayman Islands, KY1-1107

Nominated Advisor (AIM)
Smith & Williamson Corporate
Finance Limited
25 Moorgate
London EC2R 6AY
United Kingdom

Corporate Broker (AIM)
Winterflood Investment Trusts
The Atrium Building
Cannon Bridge House
25 Dowgate Hill
London EC4R 2GA
United Kingdom

Administrator, Custodian and Trustee
Standard Chartered Bank
7 Changi Business Park Crescent
Level 3, Securities Services
Singapore 486028

Registrar
Computershare Investor Services
(Cayman) Limited
One Capital Place
PO Box 897
George Town KY1-1103
Grand Cayman
Cayman Island

UK Legal Adviser
Dickson Minto W.S.
Broadgate Tower
20, Primrose Street
London EC2A 2EW
United Kingdom

Independent Auditor
KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Signatory of:

PRI Principles for Responsible Investment

VietNam Holding became a signatory of the UN Principles for Responsible Investment (PRI) in 2009. Our investment practices and corporate behavior incorporate environmental, social and corporate governance issues. We promote the principles in our markets and align the fund's goals with the broader objectives of sustainable progress.

FSC CO_2 neutral

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VietNam Holding Ltd
Collas Crill Corporate Services Limited
Floor 2, Willow House, Cricket Square
PO Box 709
George Town, Grand Cayman
Cayman Islands, KY1-1107