

# Vietnam Opportunity Fund Limited

Annual Report 2011



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# VinaCapital Vietnam Opportunity Fund Limited (VOF) Annual Report 2011

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# Financial highlights

VOF in FY2011 saw stable performance due to private equity divestments, via trade sales, at prices above carrying value.

VOF turned the challenging macro conditions in Vietnam to its advantage, entering new investments at good valuations, and divesting several key holdings to overseas strategic buyers attracted by Vietnam's long-term potential.

## Net asset value at 30 June 2011

**USD752 million**

## Performance summary

	FY2011	FY2010	FY2009
NAV per share	2.32	2.41	2.10
Change on previous year	(3.9%)	14.8%	1.9%
Share price	1.57	1.40	1.43
Change on previous year	12.1%	(2.1%)	(30.6%)
Discount to NAV (at 30/6)	32.3%	42.9%	31.9%

VOF at the end of FY2011 held a total cash position of USD63 million, which will allow the fund to aggressively pursue private equity deals at good valuations, while leaving cash available for distribution to shareholders.

## NAV per share at 30 June 2011

**USD2.32**

VOF in FY2011 made significant progress towards its strategic objectives.

The overall goal is to increase the NAV and close the share price discount. In FY2011, the Manager focused on trade sales and acquiring high-growth private equity assets in key sectors.

## Divestments



### Consumer goods

**Hanoi Liquor JSC (Halico)** is Vietnam's leading Vodka producer and distributor. VOF sold a 23.6 percent stake in Halico to Diageo plc.



**Vinacafe** is Vietnam's leading instant coffee producer, focused on robusta beans. VOF sold its stake in Vinacafe to another investment fund.



### Education

**International School of Ho Chi Minh City** is among the leading international school's in Vietnam. VOF sold the majority of its stake in ISHCMC to Cognita, one of the world's top private school operators.

### FY2011 divestment summary

Total proceeds from PE/OTC divestments in FY2011: USD77m

Total weighted average IRR: 48.1%

Total weighted average multiple: 3.7x

In addition, after the financial year ended, VOF divested a majority of its stake in Hoan My Hospital Group.

# Performance highlights

## New investments

VOF's private equity investments continued to focus on the consumer goods sector. This sector is enjoying high growth and attracting overseas strategic investors.



### Consumer goods

**Yen Viet JSC** is Vietnam's top producer and distributor of bird's nest nutritional products, a high-cost health supplement with a huge growth market, particularly in China. VOF holds a 20.0 percent equity stake in Yen Viet.



**Thai Hoa Coffee JSC** is Vietnam's third largest coffee producer and the market leader in the high-value arabica sector. VOF holds a 10.0 percent equity stake in Thai Hoa Coffee.

VOF during FY2011 also increased its stake in agro-chemicals firm An Giang Plant Protection JSC, and acquired a small stake in Binh Dien Fertiliser.

## Close the share price discount

VOF made some progress in closing the share price discount during FY2011. However, VOF's share price is correlated to the performance of the VN Index, which declined 21 percent in USD terms over the year ended 30 June 2011. In addition, the European debt crisis had a negative impact on equities markets around the world.

### Share price discount

30 June 2011: 32.3%

30 June 2010: 41.9%

VOF did not make a distribution payment in FY2011, but held an EGM in October 2011 that added a permanent share buyback mechanism to the fund's Charter. Buybacks subsequently commenced in November 2011.

“Ultimately, the investment success of the manager will be the best proof to the market of the value and promise of the VOF portfolio.”



### Dear shareholders,

The 2011 financial year saw Vietnam's economy constrained by renewed high inflation, which required tightened fiscal and monetary policies. Credit growth was reined in, and GDP growth slowed to 5.6 percent year-on-year at 30 June 2011, down from 6.8 percent in 2010. Pressure on the Vietnam dong (VND) eased following an official devaluation in early 2011, but is likely to return when interest rates eventually decline.

During the year, VOF continued to outperform its peer group of Vietnam diversified funds. However, sustained NAV growth was not possible given the market environment. VOF's listed equities and real estate holdings both lost value over the year, primarily from unrealised losses and write-downs. The poor performance of Vietnam's capital markets in FY2011 stands in contrast to the strong deal environment that saw the fund divest several private equity and OTC assets for high returns, while investing at low valuations in well-managed businesses with high earnings growth.

Vinacafe, Halico, the International School of Ho Chi Minh City and a real estate asset in Hoi An saw divestment contracts signed during the year, resulting in total proceeds of USD77 million and a weighted average IRR of 48.1 percent. In addition, VOF exited the majority of its stake in Hoan My hospital group to Fortis Healthcare, at a significant gain, shortly after the end of the financial year. The Halico and International School divestments were to strategic investors, attracted to Vietnam's long-term potential and able to enter the market easily given the low cost of capital on international debt markets.



# Chairman's statement

Both the Board and Manager, however, are aware that the success with trade sales in FY2011 was not reflected in NAV growth or returns to shareholders. The share price discount increased after the VN Index continued to decline, and the Euro debt crisis further pulled down international markets. Trading in VOF's shares is unfortunately correlated to the VN Index performance, even though, as a diversified fund, less than 50 percent of the portfolio is in listed and OTC equities.

To return greater value to shareholders, VOF will seek to add a share buyback mechanism to the fund's articles of association at an EGM to be held on 25 October 2011. Once the buyback programme can start, and given the continued strong deal environment in Vietnam, we believe the 2012 financial year offers improved prospects for the fund's shareholders. The Manager's strategy will be to continue exits of mature assets, including real estate holdings, and reinvest proceeds into well-managed, high-growth companies, while leaving funds available for return to shareholders, via tender or buyback distributions.

The Board is aware that VOF needs to prove to shareholders that it can generate value and offer an excellent investment proposition going forward. The Manager must work hard to achieve this, but the Board remains confident the investment environment offers the potential for the fund to take full advantage of an eventual recovery in Vietnam's capital markets. VOF continues to hold many of Vietnam's best companies and projects in its portfolio, and the management team has a strong track record of exits.

The Board will continue to keep shareholders updated on progress in achieving our strategic objectives, and returning VOF to prominence as one of the best emerging market investment opportunities for international investors.

Thank you for your continued support.

**William Vanderfelt**

**Chairman**

VinaCapital Vietnam Opportunity Fund Ltd  
31 October 2011









# Investment environment

## Economy

Vietnam recovered quickly from the 2009 global financial crisis to post 6.8 percent GDP growth in 2010. The strength of Vietnam's domestic economy was evident, as construction, manufacturing and retail sales all showed vigorous growth. However, the 2010 success came at a cost. Fiscal and monetary policies were prematurely loosened in the second half of 2010, spurring growth but leading to inflation and depreciation pressure on the Vietnam dong (VND). The complex negotiation consumers and businesses make between gold, USD and VND had a profound impact on the economy. Business loans in 2009 were primarily denominated in VND given the subsidised credit available. When the subsidised loan programme was phased out in 2010, businesses took loans in USD given the lower interest rates. When these dollar loans came due in late 2010, the VND came under pressure.

At the same time, the widening trade deficit raised concerns among foreign investors and creditors. Amid mounting criticism, Vietnam acted decisively in early 2011 by devaluing the VND by over seven percent, and sharply restricting credit supply and public spending.

The economy slowed, with GDP growth falling to 5.6 percent annualised over the first half of 2011. Given the lag between policy decisions and their impact, however, inflation continued to rise over the first six months of 2011, reaching over 20 percent year-on-year by June. The VND was stable over this period, given the high deposit rates available and the forced sale of USD by state-owned enterprises.

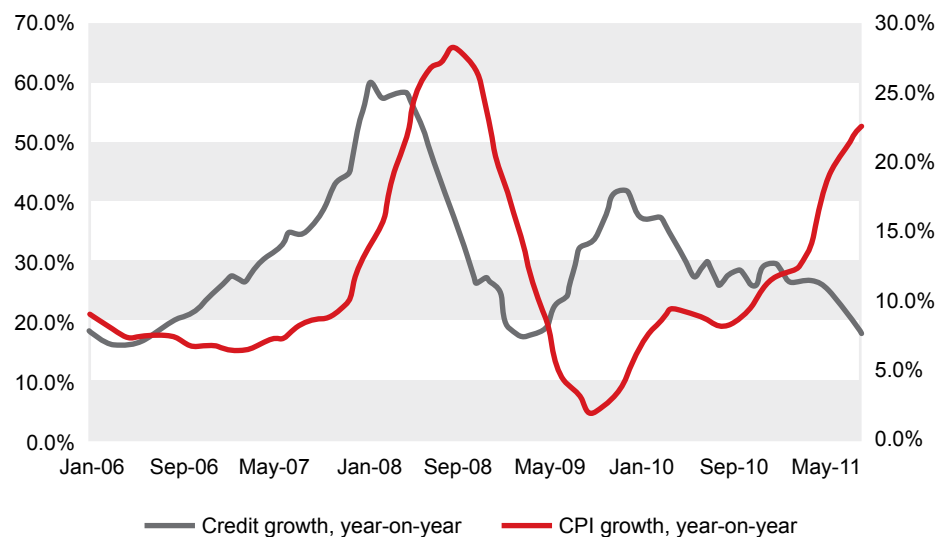
Prospects for the remainder of 2011 are for GDP growth of around 5.5 percent, with inflation gradually declining to about 18 percent CPI growth for the year. Interest rates will come down as inflation falls, and no VND devaluation is foreseen given stronger State Bank reserves and a balance of payments surplus for 2011 estimated at USD4.5 billion.

## Capital markets and real estate

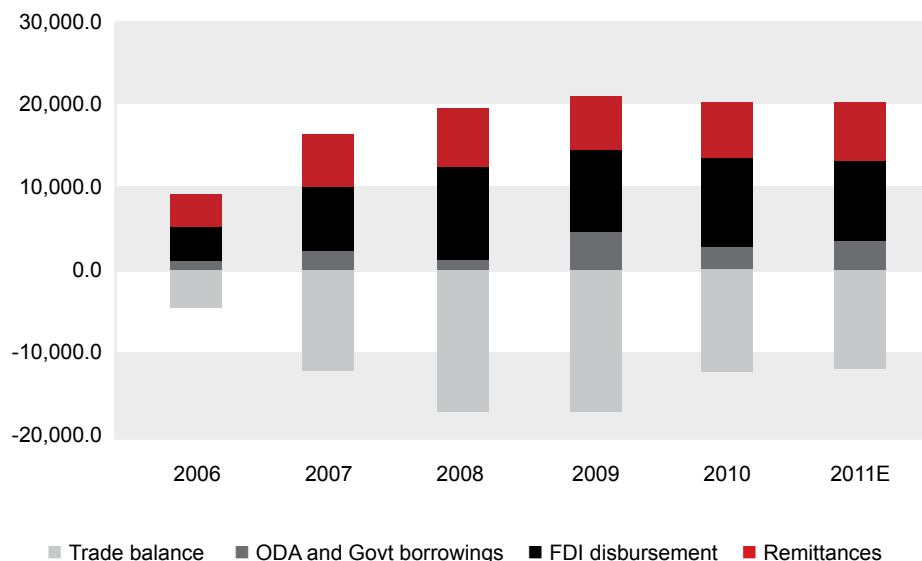
For the year ended 30 June 2011, the Vietnam Index (VN Index) declined almost 21 percent in USD terms, resulting in a trailing price-to-earnings ratio for the market of 9.2x (2010: 5.8 percent gain; 10.8x trailing P/E). This is significantly lower than P/Es in regional peers like Thailand, Indonesia, Malaysia and the Philippines.

The poor VN Index performance was due to the depreciation of the VND, and the tightened liquidity at banks following the government's inflation-fighting policy efforts. Historically, domestic liquidity – predominantly

Credit growth and CPI inflation, 2006-2011



**Vietnam balance of payments, 2006-2011E**



from bank loans and margin lending – has fuelled the growth and value of the Vietnam stock markets. With this liquidity removed in 2011, the stock market suffered. Also, high deposit rates of over 20 percent and the rising gold price kept consumers from investing in equities. In VND terms, the price of gold almost doubled during the year. In this environment, equities and even real estate remain unattractive. Despite the tight liquidity and market slowdown, some Vietnamese equities still posted strong results in 2011, including VOF investees Vinamilk and Eximbank. Among the weakest performers were real estate stocks and sectors that depend on construction, such as building materials.

### Outlook

The investment environment in Vietnam continues to favour private companies in sectors such as consumer goods, financial services, healthcare and education. The long-term demand in these sectors has attracted the attention of international companies looking to expand into Vietnam. Trade sales have emerged as a viable exit opportunity for private equity investments, as opposed to a few years ago when public listings were needed to generate exits. Vietnam’s government appears willing to stay the course in its effort to stabilise the economy, and there is greater transparency regarding policy moves and their impact than in the past. The missteps of 2010 have been corrected, with the currency stable for the time being. As a result, 2012 offers the possibility for Vietnam to improve its somewhat tarnished image in the eyes of foreign investors. A return to high growth rates and free-flowing credit is unlikely, but also not necessary. Vietnam’s domestic economic demand is high enough, with steady, stable growth, to result in numerous investment opportunities in VOF’s focus areas.

# Portfolio performance

Vietnam Opportunity Fund Ltd (VOF) at the end of June 2011 had an NAV of USD752 million, or USD2.32 per share. This was a decline of 3.9 percent from the end of June 2010, when VOF had an NAV of USD783 million, or USD2.41 per share. The decline was more moderate than that of the Vietnam Index, which dropped 21 percent in USD terms over the same period. VOF's relatively strong performance was due in part to several significant private equity divestments.

## Asset class performance

VOF's primary asset classes – in addition to cash – are listed equities, OTC and private equities, and direct investments in hotels and real estate projects. Each asset class faced a different environment during the year, with widely differing impacts on the fund's net asset value.

The listed equity component had a market value of USD275 million at 30 June 2011, or 37 percent of the fund's NAV. This is a decline of USD47 million from 30 June 2010, and is due to net divestment and unrealised losses. Overall, this asset class saw realised and unrealised losses of 18 percent over the financial year. The loss was due to the devaluation of the VND, and the underperformance of real estate equities such as DIC Corp and Quoc Cuong Gia Lai. In addition, equities in the building materials sector have a high correlation to the real estate market, and saw losses as a result. However, the fund's listed component did outperform the VN Index, which decline 21 percent in USD terms.

The private equity and OTC components, combined, had a book value of USD126 million at 30 June 2011, or 17 percent of NAV, a decline from last year when private and OTC equities totaled USD139 million, or 18 percent of NAV. Nonetheless, FY2011 saw this component return 36 percent, mainly due to realised gains from trade sales that occurred above the carrying

values at the time of divestment. These exits have added to VOF's significant cash holdings.

VOF's real estate component consists primarily of minority holdings in assets co-invested with VinaLand Limited (VNL). During the year, VOF saw 11 projects written up by an average of 13.4 percent and eight projects written down by an average of 6.0 percent, resulting in a net increase of USD1.6 million. The real estate portfolio had a book value of USD179 million at 30 June 2011, or 24 percent of NAV. Last year, the real estate projects portfolio was valued at USD171 million. Note that in addition to direct projects, VOF has exposure to Vietnam's property market through investment in listed real estate developers.

## VOF comparative performance (by calendar year)

	YTD 2011	2010	2009	2008
VOF	-1.8%	-1.6%	31.0%	-47.1%
VOF capital markets	-4.6%			
<b>VN Index</b>	<b>18.0%</b>	<b>-7.2%</b>	<b>47.6%</b>	<b>-68.7%</b>
Capital markets funds*	-13.3%	-6.8%	42.8%	-60.2%
Diversified funds**	-6.1%	-5.7%	14.1%	-32.3%

\* **Capital market funds:** VEIL, VGF, VEH, PXP, VEEF, Mekong, VN Holding, VNM ETF and FTSE VN ETF.

\*\* **Diversified funds:** VOF, VNL, VNI, VEIL VGF VRF, VPF, VEH, VPH, Pru Offshore and DWS.



The hospitality component, consisting of stakes in six operating hotels, had a book value of USD73 million at 30 June 2011, or 10 percent of NAV. This was an increase over 30 June 2010, when the hospitality portfolio was valued at USD62 million. VOF invested in a minority stake of the Legend Hotel Saigon during the year, and the value of this holding was written up following independent valuation reports that indicated a fair market value above the acquisition cost. The Sofitel Legend Metropole Hotel was also written up, following a year of record performance.

Bonds amounted to USD11 million as of 30 June 2011, while VOF's cash and cash equivalent holdings were USD86 million at 30 June, up from USD82 million the previous year. Cash was received from private equity exits, and was partially reinvested throughout the year. VOF intends to continue to invest the cash as market conditions improve, while also carrying out share buybacks to return value to shareholders.

## Trade sale divestments

VOF's main investment focus is to acquire significant stakes of private and OTC-traded companies that benefit from domestic economic growth, which includes sectors such as consumer goods, education, healthcare, financial services, materials and logistics. This strategy, in FY2011, resulted in solid exits from Hanoi Liquor JSC (Halico), the International School of Ho Chi Minh City (ISHCMC), and Vinacafe, Vietnam's leading instant coffee producer. And shortly after the financial year ended, VOF exited a majority of its stake in the Hoan My hospital group, to Fortis Healthcare.

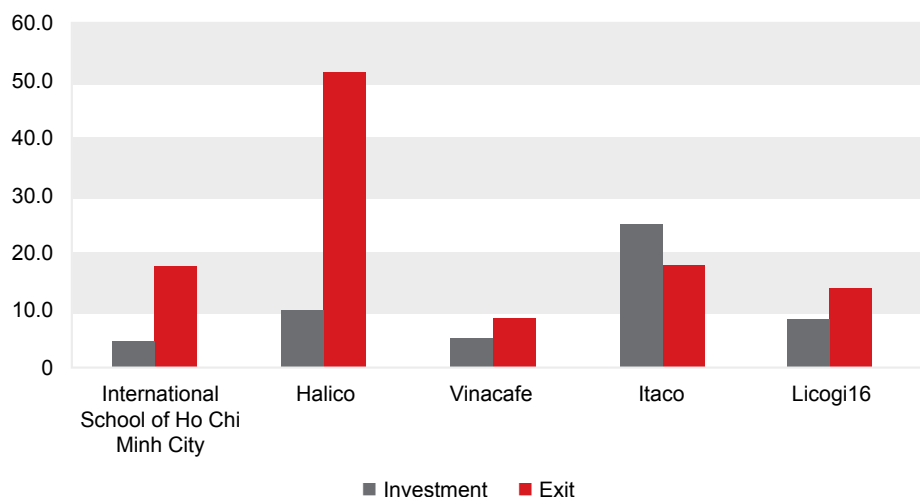
## Performance summary

Top gainers	Halico (HLC), International School (ISHCMC), Vinamilk (VNM), Sofitel Metropole, An Giang Plant Protection
Total realised gains	28,092
Total unrealised gains	25,773
Total gains	53,865
Top losers	DIC Corp (DIG), Quoc Cuong Gia Lai (QCG), Hoa Phat Group (HPG), Binh Chanh (BCI)
Total realised losses	1,345
Total unrealised losses	38,646
Total losses	39,991

The Manager believes private equity investments, followed by successful listings or trade sale divestments, are the most profitable area of the fund's investment activity, and will remain so given the continued growth of many privately-held Vietnamese companies. VOF reinvested a portion of the proceeds from FY2011 trade sales into private equity deals such as Yen Viet JSC, the largest private bird's nest nutritional products company in Vietnam, and an increased stake in An Giang Plant Protection JSC, the largest agricultural inputs and seeds business in Vietnam.

# Portfolio performance

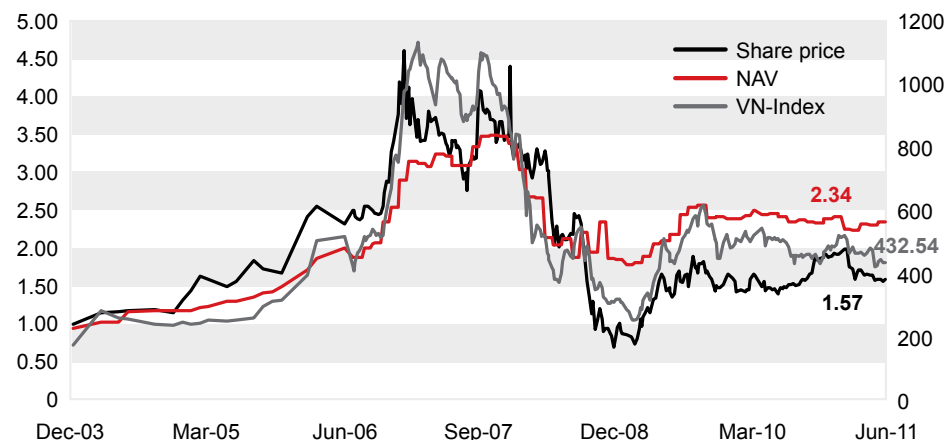
**Divestment history**



## Share price discount

Despite the relatively stable NAV and success in closing deals during FY2011, the share price performance was disappointing. The share price at the end of June 2011 was USD1.57, up 12.1 percent from USD1.40 at the end of June 2010. The discount at 30 June 2011 was 32 percent. While this was an improvement over the 43 percent discount at 30 June 2010, the Manager was not able to sustain the momentum of a narrowing discount that followed the announcement of a capital distribution policy in October 2010. Although VOF's NAV declined only slightly, trading in the fund's shares is correlated to the VN Index, which dropped significantly in early 2011.

**NAV and share price performance**



## Strategy and outlook

VOF in FY2012 will continue to divest mature holdings and reinvest proceeds into higher-growth businesses. A share buyback programme is now in operation. VOF will seek to rebalance its portfolio, to reduce exposure to listed equities, real estate projects and other real estate-related assets. Investment in private and OTC equities will increase, focusing on well-managed companies that are attractive to potential strategic buyers, or within 18-24 months of an anticipated listing. Targeted investment sectors will remain those benefiting from domestic economic growth and demographic trends, namely consumer goods, financial services, education, healthcare, and agriculture.

# Portfolio performance

## Portfolio by sector

Cash and equivalents	12.2%
Real estate projects	23.0%
Consumer goods	12.7%
Hospitality	10.5%
Real estate equities	9.8%
Basic materials	9.1%
Financial services	6.6%
Industrials	5.2%
Other sectors	5.0%
Pharma and health	3.0%
Minerals and petroleum	2.8%

VOF remains well positioned to assist in taking private businesses to a public listing. During 2009 and 2010, 22 companies in the portfolio went public, thus lifting the listed equities component to 36.7 percent of NAV at 30 June 2010. Subsequently, 2011 saw tightened economic policies, the Vietnam Index declined and companies halted their IPO plans. VOF was left with little opportunity to exit holdings via listings, or to exit holdings that had recently held public offerings.

## Performance by asset class

	% NAV	Amount (USDm)		NAV change		Return
		Jun-10	Jun-11	USDm	%	%
1. Listed equity	36%	330	275	(55)	-17%	-18%
2. OTC and Private equity	17%	112	126	14	13%	36%
OTC	10%	63	73	10	16%	48%
Private equity	7%	49	53	4	9%	20%
3. Hospitality	11%	71	73	2	4%	4%
4. Real estate projects	23%	178	179	1	1%	1%
5. Cash and others	13%	92	99	7	8%	
<b>Total NAV</b>	<b>100%</b>	<b>783</b>	<b>752</b>	<b>(31)</b>	<b>-3.9%</b>	
<b>NAV per share</b>		<b>2.41</b>	<b>2.32</b>			

The anticipated recovery of the stock market in Vietnam, therefore, continues to be an important part of VOF's long term success. While trade sales such as the Halico, International School and Hoan My deals are profitable ventures, they require long lead times and significant effort. Vietnam's listed equities now trade at a discount to regional peers, in P/E terms, given the ongoing tight fiscal and monetary environment. In 2012, if inflation slows and Vietnam is able to loosen its monetary policies, the stock markets should begin to recover. VOF will be able to exit several significant holdings. With the better privately-held companies seeing earnings growth in excess of 30 percent yearly, VOF will look to reinvest proceeds into these exciting businesses.







## VOF top 10 holdings at 30 June 2011

Holding	Asset class	Sector	% NAV
Sofitel Metropole	Real estate	Hospitality	7.7%
Vinamilk (VNM)	Listed equity	Consumer goods	6.3%
Eximbank (EIB)	Listed equity	Financial services	5.0%
An Giang Plant Protection	OTC	Agriculture	3.8%
Century 21	Real estate	Residential	3.8%
VinaLand Ltd (VNL)	Listed equity	Real estate	3.7%
Danang Beach Resort	Real estate	Residential	3.4%
Dai Phuoc Lotus	Real estate	Township	3.2%
Hoa Phat Group (HPG)	Listed equity	Industrials	3.0%
Kinh Do Corp (KDC)	Listed equity	Consumer goods	2.0%



# Top holdings

## Sofitel Legend Metropole Hanoi Hotel

The Metropole, in central Hanoi, is a historic French colonial landmark first built in 1901 and traditionally the home of diplomats and dignitaries visiting Vietnam's capital. The hotel is routinely included on the prestigious Condé Nast Gold List of the world's best places to stay. VOF owns a 50 percent stake in the hotel, after increasing its ownership by 14 percent in September 2008. Although 2009 saw a slowdown for the hospitality industry, the hotel recently underwent renovations that included opening new executive floor accommodation, an Italian restaurant, and a spa. With these renovations complete, performance is improving and the Metropole is expected to remain one of Asia's top hospitality assets for years to come.

	H1 2011	2010	2009	2008
Occupancy (%)	68.5%	62.6%	49.3%	52.3%
ARR (USD)	197.8	188.0	191.1	245.3
RevPar (USD)	135.4	117.7	94.3	128.2

## Vinamilk (VNM)

Vinamilk is the leading dairy products manufacturer and distributor in Vietnam, accounting for more than 30 percent of the total dairy market. Vinamilk has an extensive nationwide distribution network with almost 140,000 retail outlets. The domestic market accounts for 90 percent of sales, but exports are increasing. Vinamilk is the first Vietnamese company to be listed among Asia's top 200 SMEs by Forbes, ranking 18th in terms of profit. H1 2011 financial figures were strong, with revenue and net profit after tax reaching USD486 million and USD101 million, respectively, up by 37.9 and 20.8 percent year-on-year. During H1 2011, VNM issued a three-percent share issuance to the public, at an average price of VND130,000 per share, a premium of more than 20 percent to the price at 30 June 2011. VNM traded at VND109,000 per share as of 30 June 2011, at a 12-month trailing PE of 10.1x and P/B at 3.6x.

Profit and loss (VND bn)	FY08A	FY09A	FY10E	H1 2011A
Revenue	8,604	11,197	17,184	10,167
Gross profit	2,598	3,878	5,173	3,211
Gross margin	30.2%	34.6%	30.1%	31.6%
Net income	1,250	2,376	3,616	2,113
Net margin	14.5%	21.2%	21.0%	20.8%
EPS (adjusted)	3,371	6,406	9,752	5,700
DPS	3,000	3,000	3,000	-
Balance sheet (VND bn)	FY08A	FY09A	FY10E	H1 2011A
Total assets	5,967	8,482	10,773	14,699
Shareholders' equity	4,761	6,638	7,964	11,323
ROE (%)	26.3%	35.8%	45.4%	18.7%
Book value per share	12,841	17,900	21,478	30,535



## Eximbank (EIB)

Eximbank is a leading commercial bank in Vietnam, ranking eighth among more than 40 commercial banks in Vietnam in total deposits and lending. In the first half of 2011, EIB continued to deliver impressive results with total income and net profit increasing by 84 and 77 percent year-on-year, respectively. Strong growth was primarily driven by a 97 percent year-on-year growth of total assets in H1 2011. Lending continued to grow at a fast pace, at 10 percent versus the seven percent sector average, led by a 60 percent surge in USD lending. Given the current high capitalisation (VND14.5 trillion) and high capital adequacy ratio (15 percent), EIB still has significant growth potential in the coming years, underpinned by its strategy to expand aggressively into the retail market. As of 30 June 2011, EIB traded at VND14,600 per share, at a P/B 2010 of 1.1x and P/B 2010 of 1.0x.

Profit and loss (VND bn)	FY09A	FY10A	H1 FY11A
Net interest income	1,975	2,882	2,252
Non-interest income	602	788	248
Total income	2,577	3,670	2,500
Net income	1,132	1,815	1,261
EPS (VND)	1,072	1,718	589
DPS (VND)	1,000	1,350	
Balance sheet (VND bn)	FY09A	FY10A	H1 FY11A
Total assets	65,448	131,110	142,853
Shareholders' equity	13,353	13,510	14,544
ROA (%)	1.7	1.4	0.9
ROE (%)	8.5	13.4	8.7
Book value per share	12,645	12,794	13,773

## An Giang Plant Protection JSC

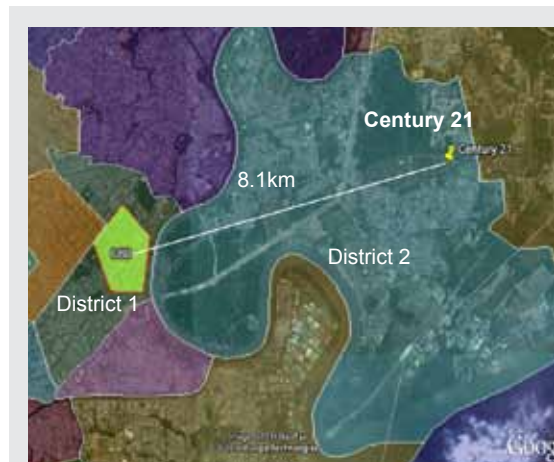
An Giang Plant Protection JSC (AGPPS) privatised in 2004 and has grown to be the market leader in manufacturing and distributing seeds, pesticides, and other plant protection chemicals. The company has a 30 percent market share, and expects continued strong performance given the prospects of strong growth in Vietnam's agricultural sector due to the world commodities boom. The company benefits from the low penetration of modern agro-chemicals in Vietnam, compared to regional countries. Over the past three years, An Giang has seen a compound annual turnover and net profit growth of 31 and 45 percent, respectively. An Giang is expanding to rice processing and trading activities, to maximise its profits from the agricultural value chain. VOF believes this expansion will be a key contributor to An Giang's growth in coming years, as Vietnam is likely to remain the largest rice exporter in the world.

Profit and loss (VND bn)	FY08A	FY09A	FY2010A	H1-2011A
Revenue	2,353	3,176	4,063	2,465
Gross profit	580	912	1,112	727
Gross margin (%)	25%	29%	27%	29%
Net income	146	328	309	218
Net margin (%)	6%	10%	8%	9%
EPS (VND)	8,111	12,148	4,976	3,510
DPS (VND)	5,407	5,282	-	-
Balance sheet (VND bn)	FY08A	FY09A	FY2010A	H1-2011A
Total assets	1,050	1,539	1,854	2,482
Shareholders' equity	441	638	1,057	1,102
ROE (%)	33%	51%	29%	40%
Book value per share (VND)	24,500	23,630	17,021	17,746

# Top holdings

## Century 21

Century 21 was acquired in 2006 due to its location near the site of a new traffic corridor to the CBD which opened in November 2011, in an area quickly becoming one of Ho Chi Minh City's main residential suburbs. The project involves two separate components – building the resettlement housing for relocated residents, and developing the 30ha site itself. An Investment Licence application and a revised 1:500 masterplan have been submitted for approval. Financing for the development of the first phase will be obtained following approval of the masterplan. The strategy is to develop the residential portion and divest other elements, including the resettlement portion. The surrounding area, District 2, has seen improvements to infrastructure which has created interest among domestic and foreign investors. VNL intends to obtain the Investment Licence and 1:500 masterplan approval by Q4 2011. Preliminary infrastructure plans are being designed and VNL is in discussion with two potential co-investment partners for both the residential Phase 1 and commercial Phase 2.



### Project summary

<b>Sector</b>	Residential (25ha) and retail (5ha).
<b>Area</b>	30ha; estimated GFA 570,000sq.m.
<b>Location</b>	District 2, Ho Chi Minh City.

## VinaLand Ltd (VNL)

VNL is a real estate investment fund also managed by VinaCapital. VOF previously invested in a 25:75 ratio with VNL on real estate projects such as top holdings Danang Beach Resort and Century 21. However, when VNL began trading at a significant discount, the VOF Board initiated share purchases of VNL, to provide the VOF with great liquidity than investing directly in real estate projects. VNL has the largest portfolio of real estate assets among foreign investment funds or developers, acquired between 2006 and 2009. The fund is now in a development and divestment phase that will see realisation of these assets, via sale of homes to end users, or coinvestment and divestment of projects to third-party developers. VNL has commenced a share buyback programme in Q4 2011, with the intention to reduce the trading discount.

**AIM inception:** 22 March 2006

**Two rounds of fundraising:** USD198m in 2006 and USD395m in 2007.

**AUM:** USD594m

**NAV (Sep 11):** USD675m

**Acquisition phase:** 2006-2009, 46 investments at the peak, diversified by geography and real estate sector

**Development/divestment phase:** 2009-present, 9 project divestments and a partial exit in addition to residential sales to local buyers (apartments, villas).

**Total Assets:** 37

**Leverage (Bank Debt):**

Fund: Nil

Project Portfolio: 11%

## Danang Beach Resort

The Danang Beach Resort site was acquired in 2006 given the fast growth of tourism in the neighbouring region of Danang and Hoi An and the opportunity to profit from offering the first resort, second-home luxury villas in central Vietnam. The golf course opened in April 2010 and the first two Ocean Villas phases were handed over in Q3-Q4 2010. The Norman Estates branded villas were launched in June 2011 and will be completed in Q1 2013. The Dunes Residences began selling in September 2010 and will be handed over in Q2 2012. The Cham condominium block A has a completed superstructure, and the beachfront hotel site is being divested. VNL intends to complete construction of all villas at The Dunes Residences and Norman Estates, as well as complete the Cham condominium block A in next 18 months. The fund will seek co-investors for other components. The Danang Beach Resort stands as the first truly integrated golf resort in Vietnam and it has been a tremendous boon to other VNL holdings.

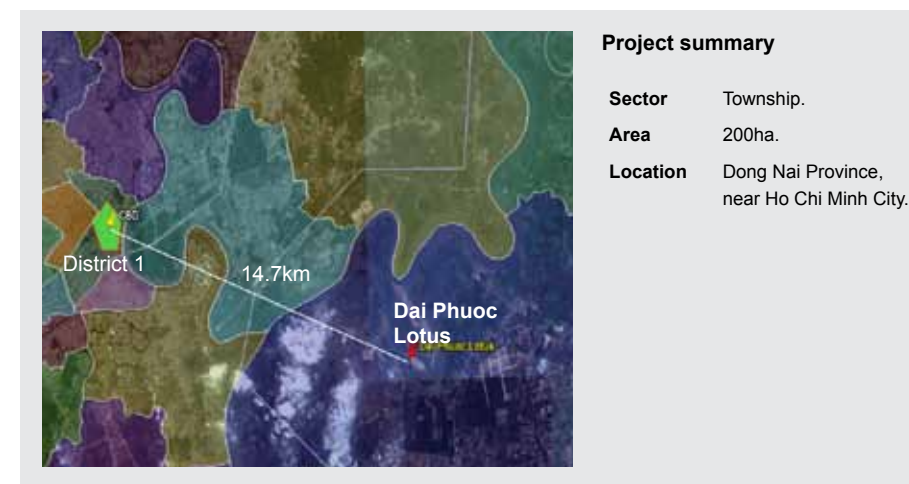


### Project summary

<b>Sector</b>	Integrated golf resort.
<b>Area</b>	260ha.
<b>Location</b>	Danang, central Vietnam.

## Dai Phuoc Lotus

The Dai Phuoc Lotus township was acquired given its location on an island in a fast-growing outer suburban region of Ho Chi Minh City. The resort environment, with transport by both road and boat available to Ho Chi Minh City, will attract second home buyers as well as young families. The strategy is to develop the six zones of the 200ha site over a period of five to seven years, with early partial wholesale divestment to co-investors. Construction and sale of the 332 townhouses comprising Zone 5 is underway, with 65 percent of the ground floor concrete slabs now complete. Some 160 of the 332 houses have sold to date (Phase 4 with last 90 villas expected to launch in Q1 2012). The next phase will see land lot sales instead of completed townhouses.



### Project summary

<b>Sector</b>	Township.
<b>Area</b>	200ha.
<b>Location</b>	Dong Nai Province, near Ho Chi Minh City.

# Top holdings

## Hoa Phat Group (HPG)

Hoa Phat Group (HPG) is the leading industrial manufacturer in Vietnam, and the market leader in steel production. Established in 1992 as a trading company, HPG was restructured into a holding group specialising in steel, steel pipe, furniture, refrigerators, construction and mining equipment, and industrial park operation. HPG has an extensive investment pipeline over the next three years, including a major steel complex. HPG has also expanded to mining and energy, to support the expansion of its steel operations. HPG has achieved strong financial performance since 2007, with average annual revenue and earnings growth of 37 and 28 percent, respectively. Despite the economic slowdown this year, HPG was able to achieve strong H1 2011 results, with sales and net profit after tax up by 57 and 62 percent year-on-year, respectively. HPG shares traded at VND30,600 per share at 30 June 2011, equivalent to P/E 2011 of 6.5x and P/B 2011 of 1.4x.

Profit and loss (VND bn)	FY08A	FY09A	FY10E	H1 2011A
Revenue	8,502	8,244	14,492	9,368
Gross profit	1,258	1,976	2,458	1,794
Gross margin (%)	14.8%	24.0%	17.0%	19.2%
Net income	854	1,271	1,349	1,027
Net margin (%)	10.0%	15.4%	9.3%	11.0%
EPS (VND/share)	2,687	3,999	4,244	3,231
DPS (VND/share)	1,200	1,200	1,200	-
Balance sheet (VND bn)	FY08A	FY09A	FY10E	H1 2011A
Total assets	5,639	10,243	14,903	17,598
Shareholders' equity	4,111	4,898	6,398	7,184
ROE (%)	20.8%	25.9%	21.1%	14.3%
Book value per share (VND)	12,934	15,410	20,129	22,602

## Kinh Do Corporation (KDC)

Kinh Do Corporation (KDC) was established in 1993 as a small bakery and has grown to be one of Vietnam's most recognisable companies, with many top food brands. A new yogurt brand, Well-Yo, has seen spectacular sales growth in recent years. At an April 2011 AGM, shareholders approved the issuance of 20 million common shares to finance the expansion of the confectionary segment, including a new premium chocolate production line and expansion of its ice-cream and yogurt production lines. KDC is in talks with strategic investors for the block of shares, expected to transact at a 20-30 percent premium to the market price. Kinh Do business is seasonal, with up to 70 percent of revenue and 90 percent of earnings derived from Q3 and Q4 sales. Although H1 2011 earnings were low, management is confident they can achieve financial targets this year. As of 30 June 2011, KDC traded at equivalent to a P/E 2011 of 11.4x and P/B 2011 of 1.2x.

Profit and loss (VND bn)	FY08A	FY09A	FY10A	H1 2011A
Revenue	1,466	1,539	1,942	1,523
Gross profit	370	505	685	529
Gross margin (%)	25.2%	32.8%	35.3%	34.7%
Net income	-85	480	522	33
Net margin (%)	n.a	31.2%	26.9%	2.2%
Adjusted EPS (VND)	3,069	4,225	5,731	4,426
DPS (VND)	1,800	2,400	2,400	-
Balance sheet (VND bn)	FY08A	FY09A	FY10A	H1 2011A
Total assets	2,983	4,247	5,039	5,149
Shareholders' equity	2,075	2,413	3,738	3,755
ROE (%)	17.8%	20.9%	18.3%	14.1%
Book value per share (VND)	17,361	20,231	31,276	31,418



(Left to right: 1 Mr. Don Lam 4 Mr. Nguyen Viet Cuong; 5 Mrs. Dang Pham Minh; 3 Mr. Andy Ho; 2 Mr. Brook Taylor)

## 1 Don Lam Chief Executive Officer

Don Lam founded VinaCapital in 2003 alongside partners Horst Geicke and Chris Gradel. Don has over 15 years experience in Vietnam, working previously at PricewaterhouseCoopers, Deutsche Bank, and Coopers & Lybrand. Don is one of Vietnam's most internationally recognised business leaders, having brought over USD1.5 billion in foreign indirect investment into the country since 2003. Don is an active member and regular speaker at the World Economic Forum and other leading international conference and events. He has a degree in Commerce and Political Science from the University of Toronto, and is a member of the Institute of Chartered Accountants of Canada. He is a Certified Public Accountant and holds a Securities Licence in Vietnam.



# Management team

## 2 **Brook Taylor** Chief Operating Officer

Brook Taylor has almost 20 years of management experience, including eight years in Vietnam as a senior partner with major accounting firms. Previously, Brook was deputy managing partner of Deloitte in Vietnam and head of the firm's audit practice. He was also managing partner of Andersen Vietnam and a senior audit partner at KPMG. Brook has expertise spanning financial audits, internal audits, corporate finance, taxation, business planning and IT systems risk management. He has a B.A. in Commerce and Administration from Victoria University of Wellington, New Zealand, and is a member of the New Zealand Institute of Chartered Accountants.

## 3 **Andy Ho** Managing Director and Head of Investment

Andy Ho joined VinaCapital in early 2007 to oversee the capital markets, private equity, fixed income and venture capital investment teams. Previously, Andy directed Prudential Vietnam's fund management company. In all, Andy has led over USD1 billion in investments across all market sectors in Vietnam. He has also held management positions at Dell Ventures (the investment arm of Dell Computer Corporation) and Ernst & Young. He holds an MBA from the Massachusetts Institute of Technology and is a Certified Public Accountant in the United States.

## 4 **Nguyen Viet Cuong** Deputy Managing Director

Cuong Nguyen joined VinaCapital in November 2003 and currently manages VOF's capital markets portfolio. Cuong holds board positions at several VOF investee companies, including Vinamilk and Hau Giang Pharma. Previously, Cuong worked at Unilever Vietnam and KPMG Vietnam. He is a certified accountant FCCA (UK), and holds a BA in Corporate Finance and Banking from the University of Economics, Ho Chi Minh City.

## 5 **Dang Pham Minh Loan** Deputy Managing Director

Loan Dang joined VinaCapital in August 2005 and is responsible for VOF's private equity and capital market investments. Loan has led numerous private equity and private placement deals for VOF, and holds board positions at several VOF investee companies, including Hoa Phat Group and Quoc Cuong Gia Lai. Loan has previous experience at KPMG Vietnam and Unilever Vietnam. She has an MBA from the University of Hawaii and holds an FCCA (UK) fellow membership and a BA in Finance and Accounting from the University of Economics, Ho Chi Minh City.







# Board of Directors



**William Vanderfelt**  
**Chairman**

Mr. Vanderfelt was appointed to the VOF Board in 2003 and became Chairman in 2008. He has over 30 years of experience as Managing

Partner of Petercam, the leading independent Benelux investment bank, in charge of Institutional Research and Sales. Mr. Vanderfelt is an experienced fund investor and acts as a board director of several listed funds. He is a passionate proponent of good corporate governance and will help the Company ensure that it maintains best practice in its corporate governance.



**Michael G. Gray**  
**Director**

Michael G. Gray was appointed to the VOF Board in 2009. He has over 30 years professional experience, including 10

years in the shipping industry before training as a chartered accountant with Coopers & Lybrand in the UK. Mr. Gray was a partner in PricewaterhouseCoopers Singapore and before that was the Territorial Senior Partner for PricewaterhouseCoopers Indochina (Vietnam, Cambodia and Laos). He is a board member of several companies in Singapore, including Avitech Electronics Ltd, JEL Corporation Holdings Ltd, Grand Banks Ltd, and Raffles Marina Holdings Ltd.



**Martin Glynn**  
**Director**

Martin Glynn was appointed to the VOF Board in 2008. He has 30 years of experience in the financial services industry. He worked first in

the export finance industry and then for HSBC for 24 years until his retirement in 2006. He commenced his career at HSBC in Canada and worked his way up to President and CEO of HSBC Bank Canada. From 2003 to 2006 he served as President and CEO of HSBC Bank USA, N.A. Mr. Glynn has extensive board experience within the HSBC group of companies and externally, taking on leadership roles in the profit and not-for-profit sectors. He has two degrees from Canadian universities.

# Board of Directors



**Horst F. Geicke**  
Director

Horst F. Geicke is one of VinaCapital's three founding partners, and served as Chairman of VinaCapital from 2003 to 2011. Mr. Geicke is also a founding partner of Pacific Alliance Group, a fund management company in Hong Kong. He has resided in Hong Kong since 1981 and in Vietnam since 2002. Mr. Geicke is Chairman of Euro Auto BMW Vietnam and

Victory Capital Cambodia. He is Director of several companies that operate in Vietnam, including VinaSecurities, VinaProjects, and the VinaCapital funds VOF, VNL and VNI. Mr. Geicke is the President of the European Chamber of Commerce in Hong Kong and President of the Hong Kong-Vietnam Chamber of Commerce. He was previously the President of the German Chamber of Commerce in Hong Kong, and was Director of the Regional Board of the Young Presidents' Organisation from 2001-2004. He is the director or board member of numerous companies and associations, including the German Business Association of Vietnam, the Hong Kong-Thailand Business Council, and the Hong Kong-EU Business Cooperation Committee. Mr. Geicke has a Masters degree in Economics and Business Law from the University of Hamburg, Germany.



**Don Lam**  
Director

Don Lam is a founding partner of VinaCapital Group, with over 15 years experience in Vietnam. He has overseen the Group's growth from manager of a single USD10 million fund in 2003 into a full-featured investment firm managing numerous listed and unlisted funds, and offering a complete range of corporate finance and real estate

advisory services. Before founding VinaCapital, Mr. Lam was a partner at PricewaterhouseCoopers (Vietnam), where he led the Corporate Finance and Management Consulting practices throughout the Indochina region. Mr. Lam has also held management positions at Deutsche Bank and Coopers & Lybrand in Vietnam and Canada. He has a degree in Commerce and Political Science from the University of Toronto, and is a member of the Institute of Chartered Accountants of Canada. He is a Certified Public Accountant and holds a Securities Licence in Vietnam.



# Report of the Board of Directors

The Board of Directors submits its report together with the consolidated financial statements of VinaCapital Vietnam Opportunity Fund Limited (“the Company”) and its subsidiaries (together “the Group”) for the year ended 30 June 2011 (“the year”).

## The Group

VinaCapital Vietnam Opportunity Fund Limited was incorporated in the Cayman Islands as a limited liability company. The registered office of the Company is PO Box 309GT, Uglad House, South Church Street, George Town, Grand Cayman, Cayman Islands.

The details of the Group’s subsidiaries and associates are set out in Note 6 and Note 9 of the consolidated financial statements.

## Principal activities

The Company’s principal activity is to undertake various forms of investment in Vietnam (primarily), and also in Cambodia, Laos and Southern China. The Company mainly invests in listed and unlisted companies, debt instruments, private equity and real estate assets and other opportunities with the objective of achieving medium to long-term capital appreciation and investment income.

The principal activities of the subsidiaries are financial services, property investment, hospitality management and retailing.

## Results and dividend

The consolidated results of the Group’s operations for the year ended 30 June 2011 and the state of its affairs as at that date are presented in the consolidated financial statements on pages 6 to 49.

The Board of Directors do not recommend payment of a dividend for the year ended 30 June 2011 (30 June 2010: nil).

## Board of Directors

The members of the Company’s Board of Directors during the year and up to the date of this report are:

Name	Position	Date of appointment
William Vanderfelt	Chairman	10 December 2004
Horst Geicke	Director	14 March 2003
Martin Glynn	Director	18 March 2008
Don Lam	Director	18 March 2008
Michael Gray	Director	24 June 2009

## Auditors

The Group’s auditors, Grant Thornton Cayman Islands with the assistance of Grant Thornton (Vietnam) Ltd., have expressed their willingness to accept re-appointments.

## Subsequent events after the reporting date

No significant events have occurred since the reporting date which would impact on the

consolidated financial position of the Group as disclosed in the Statement of Financial Position as at 30 June 2011 or on the results of its operation and its cash flows for the year then ended.

## Directors’ interest in the Company

As at 30 June 2011, the interests of the Directors in the shares, underlying shares and debentures of the Company are as follows:

	No. of shares		Percentage of issued capital (direct and indirect holding)
	Direct	Indirect	
Horst Geicke	1,275,000	278,840	0.479%
Don Lam	1,005,859	184,883	0.367%
William Vanderfelt	-	600,000	0.185%
Michael Gray	100,000	-	0.031%
Martin Glynn	20,000	-	0.006%

Subsequent to the reporting date, Mr. Horst Geicke disposed of 500,000 shares on the open market bringing his total direct interest to 775,000 shares in the Company, which represents a 0.325% holding.

## Directors’ responsibilities in respect of the consolidated financial statements

The Board of Directors is responsible for ensuring that the consolidated financial statements are

# Report of the Board of Directors

properly drawn up so as to give a true and fair view of the financial position of the Group as at 30 June 2011 and of the results of its operations and its cash flows for the year then ended on that date. In preparing the consolidated financial statements, the Board of Directors is required to:

- i. adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- ii. comply with the disclosure requirements of the International Financial Reporting Standards or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the consolidated financial statements;
- iii. maintain adequate accounting records and an effective system of internal control;
- iv. prepare the consolidated financial statements on a going concern basis unless it is inappropriate to assume that the Group will continue its operations in the foreseeable future; and
- v. control and direct effectively the Group in all material decisions affecting its operations and performance and ascertain that such

decisions and/or instructions have been properly reflected in the consolidated financial statements.

The Board of Directors is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors confirms that the Group has complied with the above requirements in preparing the consolidated financial statements.

### **Statement by the Board of Directors**

In the opinion of the Board of Directors, the accompanying Consolidated Statement of Financial Position, Consolidated Statements of Income and Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows, together with the notes thereto, have been properly drawn up and give a true and fair view of the financial position of the Group as at 30 June 2011 and the results of its operations and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

On behalf of the Board of Directors

31 October 2011

**William Vanderfelt**

**Chairman**

Hong Kong



The Board of Directors ('the Board') is pleased to report on the activities of the Board and its Committees during the 2011 financial year. VinaCapital Vietnam Opportunity Fund Limited ('VOF' or 'the Fund') is a Cayman Islands company established in 2003 and traded on the AIM Market of the London Stock Exchange. The Fund respects the AIM governing laws and regulations, and implements and promotes to the full extent possible the guidelines and rules issued by the respective regulatory authorities.

Throughout the year ended 30 June 2011, the Fund has complied with the AIM rules set out in the United Kingdom London Stock Exchange for listed companies on the Alternative Investment Market ("AIM").

The Fund, although not required to do so as an AIM listed company, uses as good practice guidelines the UK Corporate Governance Code ('the Code'), and the Association of Investment Companies Code of Corporate Governance ('the AIC Code'), which adapts the Combined Code specifically for investment companies. The Board regularly reviews the Fund's corporate governance system with advice from the Nominated Advisors ('Nomad') to ensure that it is aligned and balanced with international practice.

The Board is committed to attain and maintain a high standard of corporate governance, with the ultimate aim of protecting shareholders' and other stakeholders' interests. The activities performed by the Board and the Board Committees during the year are testament of this commitment.

## The Board

The Board is ultimately responsible for the Fund performance on behalf of its shareholders. In order to create and deliver sustainable shareholder value, the Board oversees the Fund's strategy, direction and supervision of VinaCapital Investment Management Ltd ('the Investment Manager') as stipulated in the investment management agreement. The investment management agreement documents the Investment Manager's responsibilities and

the approval process to enter or exit investments, or enter into any commitments on behalf of the Fund. Under the agreement, the Board ensures the Investment Manager follows the Board's strategic direction to achieve the investment objectives in the identification, acquisition and disposal of properties; the management of such properties; and the determination of any financing arrangements.

The Board is also responsible for reviewing and signing-off the interim and annual financial statements prepared by the independent auditor as a true and fair view of the Fund's financial status at the time of the report. Furthermore, the Board ensures that any issues or matters raised by the auditor are adequately addressed by the Investment Manager.

Current board members	Independence to the Fund	Exec/non-exec director
William Vanderfelt	Yes	Non-executive
Martin Glynn	Yes	Non-executive
Michael Gray	Yes	Non-executive
Don Lam	No*	Non-executive
Horst Geicke	No**	Non-executive

\* Mr Don Lam is an executive of the Investment Manager, VinaCapital Investment Management Ltd, and a Director of VinaCapital Group Ltd, a controlling shareholder of the Investment Manager.

\*\* Mr Horst Geicke is a Director of VinaCapital Group Ltd, a controlling shareholder of the Investment Manager.



# Governance report

Other specific responsibilities reserved for the Board to decide and consider are: the Fund's investment strategy; major investment and divestment transactions; related party transactions; appointment or reappointment of auditors and key advisors; and other significant operational and financial matters as required.

The Board is considered independent of the Fund and the Investment Manager, because the majority of its members are non-executive independent directors. The Board members remained the same as the previous year and comprised three independent non-executive Directors, including the Chairman, and two non-independent Directors. Each Director has appropriate qualifications, industry experience and expertise to help guide the Fund. The Directors' biographies are included in this annual report.

The independent non-executive Directors annually declare that they were, and continue to be, independent from the Fund, the investment manager, and any of its managed vehicles.

At the end of the financial year, the aggregate Director fees amounted to USD195,000.

The Board meets at least four times a year and uses a structured agenda to ensure all key areas are reviewed; covering but not limited to the review of the Fund strategy, financial performance, and Investment Manager's operations.

A summary of the Board members' attendance and fees paid are shown in the table below:

Board Member	Elected	Current Board Position	Audit Committee (AC)	Valuation Committee (VC)	RNME Committee (RNME)	Attendance <sup>1</sup>				Total Fee USD
						Board meetings	AC meetings	VC meetings	RNME meetings	
William Vanderfelt	2003	Chairman	Member	Member	Chairman	4/4	4/4	6/6	1/1	75,000
Michael Gray	2009	Member	Chairman	Member	Member	4/4	4/4	6/6	1/1	60,000
Martin Glynn	2008	Member	Member	Chairman	Member	4/4	4/4	6/6	1/1	60,000
Don Lam	2008	Member	-	-	-	4/4	-	-	-	-
Horst Geicke	2003	Member	-	-	-	3/4	-	-	-	-
<b>Total</b>										<b>195,000</b>

All the Fund's Directors have direct contact with the Investment Manager's Legal Counsel and Head of Compliance and key external advisors. They advise the Board on corporate documentation, legal, governance and compliance issues.

The Investment Manager has arranged appropriate Directors and Officers insurance coverage for the Fund's Directors to cover any liabilities arising from corporate activities. The insurance coverage is reviewed every 18 months or as required.

## Board Committees

Certain responsibilities of the Board are delegated to Board Committees to assist the Board in carrying out its functions and to ensure independent oversight of internal control and risk management. Each Board Committee's terms of reference is based on the model terms of reference from the Institute of Chartered Secretaries and Administrators (ICSA). Each Committee's terms of reference set out its administration requirements, duties and responsibilities.

## Audit Committee

All independent non-executive directors are members of this Committee. Michael Gray is Chairman of the Committee. The Committee is

responsible for overseeing the effectiveness of the Fund's systems of internal control, risk management and financial reporting. The Committee is also kept informed of the annual audit and interim half-year review of the Fund's financial statements. It assesses the external auditor's independence and considers any non-audit services provided by the external auditor. The Committee also evaluates the performance of both the internal and external auditors following each audit cycle.

The Committee undertakes an advisory role and makes recommendations arising from the above activities at each Board meeting. The Committee's Chairman presents the auditors' findings and any proposals to the Board for approval.

The Committee met four times during the year and performed the following key activities:

- Reviewed the audit strategy and practices by the external auditor;
- Reviewed the integrity and opinion on the interim and year-end financial reports before the Board's review and approval;
- Reviewed the annual internal audit plan and appointment of PricewaterhouseCoopers Vietnam as the internal auditor;
- Reviewed the Fund's internal audit report on the internal control system and key business processes;

- Reviewed the Investment Manager's risk management framework and associated activities;
- Reviewed the Fund's major risks as reported by the Investment Manager;
- Reviewed related party transactions involving the Fund, directors, the investment manager and its employees and affiliates, and project companies;
- Reviewed the Fund's banking policy;
- Reviewed governance policies of the Investment Manager; including fraud, whistleblower and related party transaction and conflict of interest management;
- Review the Fund's compliance to applicable laws and regulations;
- Reviewed the Committee's terms of reference to ensure it meets the needs of the Board.

## Valuation Committee

All independent non-executive directors are members of this Committee. Martin Glynn is Chairman of the Committee. The Committee's primary goal is to ensure that the Fund's investments portfolio, especially real estate investments are recorded at fair values. In doing so, the Committee reviews the Investment Manager's revaluation process and the individual results of each revaluation exercise. The Committee's Chairman presents the Committee's

# Governance report

findings and recommendations to the Board for approval of property valuations.

The Committee met six times during the year (four times in person and twice by telephone) and performed the following key activities:

- Checked that the basis for valuation is fair and reasonable;
- Ensured the valuation policies and procedures are aligned with IFRS accounting standards and are known by the staff involved;
- Reviewed the portfolio valuations by asset classes;
- Reviewed and recommended all property valuations to the Fund's Board;
- Ensured Directors have a clear understanding of the valuation process and results;
- Reviewed the Committee's terms of reference to ensure it meets the needs of the Board.

## Remuneration/ Nomination/ Management Engagement/ Evaluation Committee

All independent non-executive directors are members of this Committee. William Vanderfelt is Chairman of the Committee. The Committee is responsible for overseeing that the Board is appropriately structured, the Directors adhere to their responsibilities and are appropriately remunerated, to nominate new Directors to the Board if required, and to evaluate the Fund's

services providers. The Committee undertakes an advisory role and makes recommendations arising from its activities at each Board meeting. The Committee's Chairman presents its recommendations and any proposals to the Board for approval.

The Committee met once during the year and performed the following activities:

- Reviewed the structure and composition of the Board and committees;
- Reviewed the performance and remuneration policies of the Board and Committee members;
- Reviewed the terms of reference and composition of other Board committees;
- Evaluated the performance of the Fund's key third-party service providers;
- Reviewed and evaluated the Committee's own performance, duties and responsibilities, and concluded that it and its members are effective.

## Investment and Board Committees

The Fund has two committees to consider and approve investment decisions; an Investment Committee ('IC') and the Independent Board Committee ('IBC'). The former is a committee of the Manager, while the latter is a Board Committee.

The IC met many times during the year to consider and approve projects that the Investment Manager considered suitable for investment or divestment by the Fund. The committee is comprised of individuals with financial and business backgrounds combined with extensive investment experience in Vietnam. Current committee members include Horst Geicke, Don Lam and Andy Ho.

The IBC met when required to consider and approve investments of related listed investment funds, namely Vinaland Limited and Vietnam Infrastructure Limited. Only the members of the IBC are allowed to interface with the third party brokers. The IBC was established to minimise the role of non-independent individuals with access to unpublished price-sensitive information on the funds managed by the Investment Manager. Current committee members include William Vanderfelt, Martin Glynn, and Michael Gray.

## The Investment Manager

Under the investment management agreement the Fund has delegated to the Investment Manager overall responsibility for conducting the day-to-day management of the Fund's investment portfolio including the acquisition, monitoring and disposal of assets in line with the strategy and framework set out by the Board.

During the year, the Investment Manager has enhanced its corporate governance and risk management frameworks, with specific improvements in respect to appointing independent directors to its Board, defining and communicating its values, expanding its system of internal controls and risk management processes, and greater transparency and quality of information when reporting to shareholders. The Investment Manager views itself a role model for governance and risk management practices within Vietnam, and more specifically for its broad portfolio of investee companies. These improvements have been undertaken to provide ongoing comfort to the Board that the Investment Manager is committed to protecting and enhancing shareholders' interests and promoting good corporate governance in Vietnam.

## **Internal Controls and Risk Management**

The Audit Committee is responsible for overseeing the effectiveness of the internal control and risk management system. It primarily achieves this by assigning and monitoring risk management responsibilities of the Investment Manager and evaluating the results of the internal auditor. The Committee has ensured that the Investment Manager has implemented an adequate risk management system covering the identification of risks, implementation of controls, and monitoring and reporting of risks. The internal audit function has been outsourced to PriceWaterhouseCoopers Vietnam, to ensure

that Investment Manager's controls over the Fund's major risks are adequate and effective.

## **Code of Conduct and Compliance**

All employees of the Investment Manager must adhere to the Code of Conduct set out in the Investment Manager's Compliance manual. The Investment Manager has adopted a Code of Conduct based on the International Organisation of Securities Commissions ("IOSCO") International Code of Business Principles 1990, which serves as a model reference for regulators in Vietnam.

All staff are required to sign an annual compliance attestation confirming compliance with the Code of Conduct and Compliance manual, including their commitment to the fraud and whistleblower policies and procedures. Non-compliance will result in disciplinary action.

## **Risk management system**

The Audit Committee has reviewed the Investment Manager's newly implemented Enterprise Risk Management ('ERM') framework. The ERM framework provides a structured approach to managing risk by establishing a risk management culture through education and training, formalised risk management procedures, defining roles and responsibilities in respect to managing risk, and establishing reporting mechanisms to monitor the effectiveness of the framework.

## **Internal audit**

The Board re-appointed PricewaterhouseCoopers Vietnam as the internal auditor for the fiscal year. The internal audit work was performed based on an internal audit plan agreed with the Audit Committee. The internal auditors have unrestricted access to the business. They performed detailed audits of the control environment, procedures, and internal controls in respect to the audit areas selected for review. The internal auditor presented its findings at each Audit Committee meeting. During the year, no serious control breaches were reported.

## **External audit**

The Fund's external auditor for the 2011 fiscal year is Grant Thornton Cayman Islands with the assistance of Grant Thornton (Vietnam) Ltd. To ensure independence from the Investment Manager, the external auditor is selected and approved by the Board. The Audit Committee considers whether any other engagements provided to the auditor will have an effect on, or perception of, compromising the external auditor's independence. During the year, Grant Thornton Cayman Islands and Grant Thornton Vietnam did not provide any non-audit services to the Fund.

Sincerely,

**William Vanderfelt**  
Chairman  
VinaCapital



# Independent Auditor's report



## To the Shareholders of VinaCapital Vietnam Opportunity Fund Limited

We have audited the accompanying Consolidated Statement of Financial Position of VinaCapital Vietnam Opportunity Fund Limited and its subsidiaries ("the Group") as of 30 June 2011, and the related Consolidated Statement of Changes in Equity, Consolidated Statements of Income and Comprehensive Income, and Consolidated Statement of Cash Flows for the year then ended together with a summary of significant accounting policies and other explanatory notes from page 6 to 49.

## Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error;

selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditors' responsibility

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

This report, including the opinion, has been prepared for and only for the shareholders. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

## Basis of opinion

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend upon the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or

error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of VinaCapital Vietnam Opportunity Fund Limited and its subsidiaries as at 30 June 2011, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

## GRANT THORNTON

Grand Cayman, Cayman Islands

31 October 2011

# Consolidated Statement of Financial Position

	Note	30 June 2011 USD'000	30 June 2010 USD'000 (Reclassified)
<b>ASSETS</b>			
Non-current			
Property, plant and equipment		572	-
Investment properties	7	3,445	6,700
Prepayments for acquisitions of investments	8	8,986	10,491
Investments in associates	9	199,579	194,688
Available for sale financial assets	10	16,923	6,916
Long-term loans receivable from related parties	26	51,836	47,718
Other long-term financial assets		-	1,170
Other assets		95	104
<b>Non-current assets</b>		<b>281,436</b>	<b>267,787</b>
<b>Current</b>			
Inventories		2,380	2,437
Receivables from related parties	26	12,947	11,564
Trade and other receivables	11	8,714	6,045
Financial assets at fair value through profit or loss	12	383,782	455,526
Short-term investments		27	428
Cash and cash equivalents	14	62,968	50,033
<b>Current assets</b>		<b>470,818</b>	<b>526,033</b>
Assets classified as held for sale	15	12,349	-
<b>TOTAL ASSETS</b>		<b>764,603</b>	<b>793,820</b>

# Consolidated Statement of Financial Position

	Note	30 June 2011 USD'000	30 June 2010 USD'000
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Equity attributable to shareholders of the parent:			
Share capital	16	3,246	3,246
Additional paid-in capital		722,064	722,064
Revaluation reserve	17	27,513	21,193
Translation reserve		(4,834)	(3,762)
Retained earnings		3,917	39,760
		<b>751,906</b>	<b>782,501</b>
Non-controlling interests		-	1,427
<b>TOTAL EQUITY</b>		<b>751,906</b>	<b>783,928</b>
<b>LIABILITIES</b>			
<b>Non-current</b>			
Deferred tax liabilities		101	101
Other long-term liabilities		55	-
Non-current liabilities		<b>156</b>	<b>101</b>
<b>Current</b>			
Trade and other payables	26	3,932	4,089
Payables to related parties		8,609	5,702
Current liabilities		<b>12,541</b>	<b>9,791</b>
Liabilities classified as held for sale	15	-	-
<b>TOTAL LIABILITIES</b>		<b>12,697</b>	<b>9,892</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>764,603</b>	<b>793,820</b>
<b>Net asset value per share attributable to equity shareholders of the company (USD per share)</b>	24	<b>2.32</b>	<b>2.41</b>

# Consolidated Statement of Changes in Equity

	Equity attributable to shareholders of the parent						Non-controlling interests	Total equity
	Share capital	Additional paid-in capital	Revaluation reserve	Translation reserve	Retained earnings	Total attributable to owners of the parent		
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000		
<b>1 July 2009</b>	3,246	722,064	25,958	(2,088)	(67,268)	681,912	13,676	695,588
Acquisition of non-controlling interest in a subsidiary	-	-	-	-	(69)	(69)	402	333
<b>Transactions with owners</b>	-	-	-	-	(69)	(69)	402	333
Profit for the year ended 30 June 2010	-	-	-	-	104,694	104,694	311	105,005
<b>Other comprehensive income</b>								
Currency translation	-	-	-	(1,674)	-	(1,674)	(112)	(1,786)
Share of associates' revaluation losses recognised directly in other comprehensive income (Note 9)	-	-	4,578	-	-	4,578	-	4,578
Income tax relating to components of other comprehensive income (Note 9)	-	-	(6,940)	-	-	(6,940)	-	(6,940)
<b>Total other comprehensive income</b>	-	-	(2,362)	(1,674)	-	(4,036)	(112)	(4,148)
<b>Total comprehensive income</b>	-	-	(2,362)	(1,674)	104,694	100,658	199	100,857
Disposal of associate	-	-	(2,403)	-	2,403	-	-	-
Disposal of assets and liabilities held for sale	-	-	-	-	-	-	(7,978)	(7,978)
Redemption of non-controlling interest	-	-	-	-	-	-	(4,741)	(4,741)
Dividend distribution to non-controlling shareholder	-	-	-	-	-	-	(131)	(131)
<b>30 June 2010</b>	3,246	722,064	21,193	(3,762)	39,760	782,501	1,427	783,928



# Consolidated Statement of Changes in Equity

	Equity attributable to shareholders of the parent						Non-controlling interests	Total equity
	Share capital	Additional paid-in capital	Revaluation reserve	Translation reserve	Retained earnings	Total attributable to owners of the parent		
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
<b>1 July 2010</b>	3,346	722,064	21,193	(3,762)	39,760	782,501	1,427	<b>783,928</b>
Acquisition of non-controlling interest in a subsidiary	-	-	-	-	442	442	(1,056)	<b>(614)</b>
<b>Transactions with owners</b>	-	-	-	-	442	442	(1,056)	<b>(614)</b>
(Loss)/profit for the year ended 30 June 2011	-	-	-	-	(36,285)	(36,285)	106	<b>(36,179)</b>
<b>Other comprehensive income</b>								
Currency translation	-	-	-	(1,072)	-	(1,072)	(30)	<b>(1,102)</b>
Share of associates' revaluation losses recognised directly in other comprehensive income (Note 9)	-	-	7,966	-	-	7,966	-	<b>7,966</b>
Income tax relating to components of other comprehensive income (Note 9)	-	-	(1,646)	-	-	(1,646)	-	<b>(1,646)</b>
<b>Total other comprehensive income</b>	-	-	<b>6,320</b>	<b>(1,072)</b>	-	<b>5,248</b>	<b>(30)</b>	<b>5,218</b>
<b>Total comprehensive income</b>	-	-	<b>6,320</b>	<b>(1,072)</b>	<b>(36,285)</b>	<b>(31,037)</b>	<b>76</b>	<b>(30,961)</b>
Disposal of subsidiary	-	-	-	-	-	-	(447)	<b>(447)</b>
<b>30 June 2011</b>	<b>3,246</b>	<b>722,064</b>	<b>27,513</b>	<b>(4,834)</b>	<b>3,917</b>	<b>751,906</b>	-	<b>751,906</b>

# Consolidated Statement of Income

	Notes	Year ended	
		30 June 2011 USD'000	30 June 2010 USD'000
Revenue		8,797	9,333
Cost of sales		(7,059)	(7,673)
<b>Gross profit</b>		<b>1,738</b>	<b>1,660</b>
Net changes in fair value of financial assets at fair value through profit or loss	19	(52,520)	96,895
Selling, general and administration expenses	20	(20,155)	(21,374)
Net losses from fair value adjustments of investment properties	7	(301)	(72)
Other income	21	6,946	2,633
Other expenses		(4,056)	(1,600)
<b>Operating (loss)/profit</b>		<b>(70,086)</b>	<b>76,482</b>
		<b>(68,348)</b>	<b>78,142</b>
Finance income	22	21,461	14,475
Finance expenses	22	(4,171)	(2,668)
Share of profits of associates	9	15,424	15,267
		<b>32,714</b>	<b>27,074</b>
<b>(Loss)/profit before income tax</b>		<b>(35,634)</b>	<b>105,216</b>
Withholding taxes imposed on investment income		(342)	(211)
Corporate income tax	23	(203)	-
<b>Net (loss)/profit</b>		<b>(36,179)</b>	<b>105,005</b>
Attributable to equity shareholders of the Company		(36,285)	104,694
Attributable to holders of non-controlling interest		106	311
		<b>(36,179)</b>	<b>105,005</b>
<b>(Losses)/Earnings per share – basic and diluted (USD per share)</b>	24	<b>(0.11)</b>	<b>0.32</b>

# Consolidated Statement of Comprehensive Income

	Year ended	
	30 June 2011 USD'000	30 June 2010 USD'000
<b>Net (loss)/profit</b>	<b>(36,179)</b>	105,005
<b>Other comprehensive income</b>		
Share in other comprehensive income of associates	7,966	4,578
Income tax relating to components of other comprehensive income	(1,646)	(6,940)
Losses from exchange differences on translation of foreign operations	(1,102)	(1,786)
<b>Other comprehensive income/(loss)</b>	<b>5,218</b>	(4,148)
<b>Total comprehensive (loss)/income</b>	<b>(30,961)</b>	100,857
Attributable to equity shareholders of the parent company	(31,037)	100,658
Attributable to holders of non-controlling interest	76	199
	<b>(30,961)</b>	100,857

# Consolidated Statement of Cash Flows

	Note	Year ended	
		30 June 2011 USD'000	30 June 2010 USD'000 (Reclassified)
<b>Operating activities</b>			
(Loss)/profit before income tax		(35,634)	105,216
Adjustments for:			
Depreciation and amortisation		442	355
Unrealised net (gain)/loss from revaluation of financial assets at fair value through profit or loss	19	74,691	(61,064)
Net gains from sale of financial assets at fair value through profit or loss	19	(22,171)	(35,831)
Loss from disposal of property, plant and equipment		-	8
Losses on revaluation of investment properties	7	301	72
Gains from disposal of investment	21	(5,876)	(1,035)
Share of profits of associates	9	(15,424)	(15,267)
Impairment losses		4,056	1,487
Unrealised losses from foreign exchange differences	22	656	252
Interest expense	22	460	265
Dividend income	22	(16,725)	(9,938)
Interest income	22	(4,142)	(3,825)
<b>Net losses before changes in working capital</b>		<b>(19,366)</b>	<b>(19,305)</b>
Changes in trade receivables and other assets		(1,544)	(4,334)
Changes in inventories		57	(366)
Changes in trade payables and other liabilities		2,510	3,307
Withholding taxes imposed on investment income		(342)	(211)
<b>Cash flow used in operating activities</b>		<b>(18,685)</b>	<b>(20,909)</b>



# Consolidated Statement of Cash Flows

	Note	Year ended	
		30 June 2011 USD'000	30 June 2010 USD'000 (Reclassified)
<b>Investing activities</b>			
Interest received		4,020	3,266
Dividends received		15,142	11,479
Acquisitions of investment property, plant, equipment and other non-current assets		(162)	(345)
Acquisitions of financial assets through profit or loss		(70,294)	(124,643)
Acquisitions of available for sale financial assets	10	(7,112)	-
Proceeds from disposals of financial assets		91,134	114,334
Additional investments in associates	9	(7,038)	(17,650)
Proceeds from disposals of investments and property, plant, equipment		11,668	18,562
Proceeds from sales of short-term investments		401	24
Loans received from/ (provided to) associates, net		(5,200)	1,114
<b>Cash flow from investing activities</b>		<b>32,559</b>	<b>6,141</b>
<b>Financing activities</b>			
Interest paid		(460)	(2)
Acquisition of non-controlling interest		(614)	-
Dividends paid to holders of non-controlling interest		-	(131)
Capital distributions to holders of non-controlling interest		-	(4,782)
<b>Cash flow used in financing activities</b>		<b>(1,074)</b>	<b>(4,915)</b>
<b>Net change in cash and cash equivalents</b>		<b>12,800</b>	<b>(19,683)</b>
Cash and cash equivalents at the beginning of the year		50,033	69,691
Exchange differences on cash and cash equivalents		135	25
<b>Cash and cash equivalents at the end of the year</b>	14	<b>62,968</b>	<b>50,033</b>

# Notes to the Consolidated Financial Statements

## 1. General information

VinaCapital Vietnam Opportunity Fund Limited (“the Company” or “VOF”) is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is PO Box 309GT, Uglund House, South Church Street, George Town, Grand Cayman, Cayman Islands. The Company’s primary objective is to undertake various forms of investment primarily in Vietnam, and also in Cambodia, Laos and Southern China. The Company is listed on the AIM market of the London Stock Exchange under the ticker symbol VOF.

The Company does not have a fixed life but the Board considers it desirable that Shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, the Board intends that a special resolution will be proposed every fifth year that the Company ceases to continue as presently constituted. If the resolution is not passed, the Company will continue to operate. If the resolution is passed, the Directors will be required to formulate proposals to be put to shareholders to reorganise, unitise or reconstruct the Company or for the Company to be wound up. The Board tabled such a special resolution in 2008 and it was not passed, allowing the Company to continue as presently constituted. The next special resolution on the life of the Company will be held on or before 2013.

The consolidated financial statements for the year ended 30 June 2011 were authorised for issue by the Company’s Board of Directors on 31 October 2011.

## 2. Statement of compliance with IFRS and adoption of new and amended standards and interpretations

### 2.1. Statement of compliance with IFRS

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

### 2.2 Changes in accounting policies

#### 2.2.1 Overall considerations

The Group has adopted the following new interpretations, revisions and amendments to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Group’s consolidated financial statements for the annual period beginning on 1 July 2010:

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- Annual Improvements 2009
  - IAS 17 Leases
- Annual Improvements 2010
  - IFRS 3 Business Combinations
  - IFRS 7 Financial Instruments: Disclosure

- IAS 1 Presentation of Financial Statements
- IAS 21 The Effects of Changes in Foreign Exchange Rates and IAS 28 Investments in Associates

Significant effects on current, prior or future periods arising from the first-time application of these new requirements in respect of presentation, recognition and measurement are described in notes 2.2.2. An overview of standards, amendments and interpretations to IFRS issued but not yet effective is given in note 2.2.3.

#### 2.2.2 Adoptions of revised and amended standards

##### Adoption of Annual Improvements 2009

The Improvements to IFRS 2009 made several minor amendments to IFRS. The only amendment relevant to the Group relates to IAS 17 *Leases*. IAS 17 *Leases* is effective for periods beginning on or after 1 January 2010. Prior to this amendment, IAS 17 generally required a lease of land to be classified as an operating lease. The amendment now requires that leases of land are classified as finance lease or operating lease by applying the general principles of IAS 17.

# Notes to the Consolidated Financial Statements

## 2. Statement of compliance with IFRS and adoption of new and amended standards and interpretations (continued)

The Group has reassessed the classification of the land elements of its unexpired leases as at 1 July 2010 on the basis of information existing at the inception of those leases and has determined that none of its leases require reclassification.

### Adoption of Annual Improvement 2010

The IASB has issued Improvements to IFRS 2010. Most of these amendments become effective in annual periods beginning on or after 1 July 2010 or 1 January 2011. The Group has applied the amendments to IFRS 3 *Business Combinations*, IFRS 7 *Financial instruments: Disclosure*, IAS 1 *Presentation of Financial Statements*, IAS 21 *The Effects of Changes in Foreign Exchange Rates*, and IAS 28 *Investments in Associates* to the current consolidated financial statements.

IFRS 3 *Business Combinations* is effective for the periods beginning on or after 1 July 2010. In respect of transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS, the improvements clarify that contingent consideration balances arising from business combinations that occurred before an entity's date of adoption of IFRS 3 (Revised 2008) shall not be

adjusted on the adoption date. Guidance is also provided on the subsequent accounting for such contingent balances. In respect of measurement of non-controlling interests ("NCI"), the choice of measuring NCI either at fair value or at the proportionate share in the recognised amounts of an acquiree's identifiable assets, is now limited to NCI that are present ownership instruments and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. This clarifies that all other components of NCI shall be measured at their acquisition date fair values, unless another measurement basis is required by IFRS. The Group has applied IFRS 3 *Business Combinations* prospectively to all business combinations from 1 July 2010.

IFRS 7 *Financial instruments: Disclosure* is effective for the periods beginning on or after 1 January 2011. This clarifies the disclosure requirement of the standards to remove inconsistencies, duplicative disclosure requirements and specific disclosures that may be misleading. The Group has made sufficient disclosure in compliance with IFRS 7 in the consolidated financial statements.

IAS 1 *Presentation of Financial Statements* is effective for the periods beginning on or after 1 January 2011. This clarifies that entities may present the required reconciliations for

each component of other comprehensive income either in the Consolidated Statement of Changes in Equity or in the notes to financial statements. The Group has presented the required reconciliations for each component of other comprehensive income in the Consolidated Statement of Changes in Equity.

IAS 21 *The Effects of Changes in Foreign Exchange Rates* and IAS 28 *Investments in Associates* are effective for the periods beginning on or after 1 July 2010. These amend the transition requirements to apply certain consequential amendments arising from the IAS 27 (2008) amendments prospectively, to be consistent with the related IAS 27 transition requirement. The adoptions have no impact on the consolidated financial statements.

### 2.2.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

# Notes to the Consolidated Financial Statements

## 2. Statement of compliance with IFRS and adoption of new and amended standards and interpretations (continued)

Management anticipates that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

### IFRS 9 Financial Instruments (effective from 1 January 2013)

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. The replacement standard (IFRS 9) is being issued in phases. The chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2015. IFRS 9 is the first part of Phase 1 of this project. The main phases are:

- Phase 1: Classification and Measurement
- Phase 2: Impairment methodology
- Phase 3: Hedge accounting

Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Management have yet to assess the impact that this amendment is likely to have on the consolidated financial statements of the Group. However, they do not expect to implement the amendments until all chapters of IFRS 9 have been published and they can comprehensively assess the impact of all changes.

### IFRS 10 Consolidated Financial Statements (effective from 1 July 2013)

IFRS 10: "Consolidated Financial Statements" was issued by the IASB in May 2011 and replaces both the existing IAS 27: "Consolidated and Separate Financial Statements" and SIC 12: "Consolidation-Special Purpose Entities". The new standard revises the definition of control and related application guidance so that a single control model can be applied to all entities. This standard will apply to the Group from 1 July 2013 and is not expected to have a material impact on the Group's financial statements.

### IFRS 12 Disclosure of Interests in other Entities (effective from 1 July 2013)

IFRS 12: "Disclosure of Interests in other Entities" was issued by the IASB in May 2011 and is a new and comprehensive standard on disclosure requirements for all forms on interests in other

entities, including subsidiaries, joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. This standard is applicable from 1 July 2013 and management is currently assessing the impacts of the standard, which will be limited to disclosure impacts only. There have also been consequential amendments to IAS 28: "Investments in Associates" as a result of above new standard. These amendments are applicable from 1 July 2013.

### Consequential amendments to IAS 27 and IAS 28 Investments in Associates and Joint Ventures (IAS 28)

IAS 27 now only deals with separate financial statements. IAS 28 brings investments in joint ventures into its scope. However, IAS 28's equity accounting methodology remains unchanged.

### IFRS 13 Fair Value Measurements (effective from 1 July 2013)

IFRS 13: "Fair Value Measurements" was issued by the IASB in May 2011 and provides a precise definition of fair value, as a single source of fair value measurement and prescribes disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The standard will apply to the Group from 1 July 2013 but is not expected to have a material impact on the Group's financial statements.



# Notes to the Consolidated Financial Statements

## 2. Statement of compliance with IFRS and adoption of new and amended standards and interpretations (continued)

### Amendments to IAS 1 Presentation of Financial Statements (IAS 1 Amendments)

The IAS 1 Amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. It is applicable for annual periods beginning on or after 1 July 2012. The Group's management expects this will change the current presentation of items in other comprehensive income; however, it will not affect the measurement of recognition of such items.

## 3. Summary of significant accounting policies

### 3.1 Presentation of consolidated financial statements

The consolidated financial statements are presented in United States Dollars (USD) and all values are rounded to the nearest thousand ('000) unless otherwise indicated.

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to

all the years presented unless otherwise stated.

The consolidated financial statements have been prepared using the historical cost convention, as modified by the revaluation of investment property, leasehold land and certain financial assets and financial liabilities, the measurement bases of which are described in the accounting policies below.

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain accounting estimates and assumptions. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 to the consolidated financial statements.

### 3.2 Basis of consolidation

The consolidated financial statements of the Group for the year ended 30 June 2011 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates.

### 3.3 Subsidiaries

Subsidiaries are all entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. In assessing control, potential voting rights that presently are exercisable, along with contractual arrangements, are taken into account. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that the control ceases. The majority of the Group's subsidiaries have a reporting date of 30 June. For those subsidiaries with a different reporting date, the Group consolidate management information which is subject to audit for the period to 30 June.

In addition, acquired subsidiaries are subject to application of the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition.

# Notes to the Consolidated Financial Statements



### 3. Summary of significant accounting policies (continued)

Some changes in the fair value of contingent consideration that the Group recognises after the acquisition date may be the result of additional information that the Group obtained after that date about facts and circumstances that existed at the acquisition date, where the changes in fair value of contingent consideration are not measurement period adjustments, contingent consideration classified as equity is not re-measured, contingent consideration classified as an asset or a liability which is a financial instrument within the scope of IAS 39 is measured at fair value with gains and losses recognised either in Statement of Income or in other comprehensive income according to the requirements of IAS 39 and contingent consideration classified as an asset or a liability outside the scope of IAS 39 is accounted for in accordance with IAS 37 or other IFRSs as appropriate.

IRRS 3 (Revised 2010) clarifies that contingent consideration balances arising from business combinations whose acquisition dates prior to 1 July 2010 shall not be adjusted retrospectively. If a business combination provides for an adjustment to the cost of the combination contingent on future events, the Group shall

include the amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably. There were no contingent consideration during the year.

On initial recognition, the assets and liabilities of the acquired subsidiary are included in the consolidated statement of financial position at their fair value amounts, which are also used as the basis for subsequent measurement in accordance with the Group's accounting policies. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Gain on bargain purchase is immediately allocated to the Statement of Income as at the acquisition date. All acquisition related costs are expensed in the period in which the costs are incurred and not included in the cost of investment.

All inter-company balances and significant inter-company transactions and resulting unrealised profits or losses (unless losses provide evidence of impairment) are eliminated on consolidation.

# Notes to the Consolidated Financial Statements

## 3. Summary of significant accounting policies (continued)

A non-controlling interest represents the portion of the Statement of Income and net assets of a subsidiary attributable to an equity interest that is not owned by the Group. For each business combination, the acquirer shall measure at the acquisition date components of non-controlling interests in the acquiree that are present ownership interest in the acquiree and currently entitle their holders to a proportionate share of the entity's net assets in the event of liquidation either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. Non-controlling interest is based upon the non-controlling interest's share of post-acquisition fair values of the subsidiary's identifiable assets and liabilities. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by other standards. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in ownership of interests in a subsidiary that do not result in gaining or losing control of the subsidiary are accounted for as equity transactions whereby the difference between the consideration paid and the proportionate change in the parent entity's interest in the carrying value of the subsidiary's net assets is recorded in equity and attributable to the owners. No adjustment is made to the carrying value of the subsidiary's net assets as reported in the consolidated financial statements.

Where the business combination is achieved in stages, the Group shall re-measure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate.

In prior reporting periods, the Group may have recognised changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognised in other comprehensive income shall be recognised on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

### 3.4 Associates

Associates are those entities over which the Group is able to exert significant influence,

generally accompanying a shareholding of between 20% and 50% of voting rights, but which are neither subsidiaries nor investments in joint ventures. In the consolidated financial statements, investments in associates are initially recorded at cost and subsequently accounted for using the equity method.

Under the equity method, the Group's interest in an associate is initially carried at cost and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss of the associates after the date of acquisition and any changes in the associates' other comprehensive income less any identified impairment loss, unless it is classified as held for sale or included in a disposal group that is classified as held for sale. The Consolidated Statement of Income includes the Group's share of the post-acquisition, post-tax results of the associate entities for the year, including any impairment loss on goodwill relating to the investments in the associate recognised for the year.

# Notes to the Consolidated Financial Statements

## 3. Summary of significant accounting policies (continued)

All subsequent changes to the Group's share of interest in the equity of an associate are recognised in the carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are reported within "Share of profits/(losses) of associates" in the Consolidated Statement of Income. These changes include subsequent depreciation, amortisation or impairment of the fair value adjustments of assets and liabilities.

Adjustments to the carrying value of an associate are necessary for changes in the associate's other comprehensive income that have not been recognised in their Consolidated Statement of Income, primarily those arising on the revaluation of plant, property and equipment. The Group's share of this change is recognised directly in the Statement of Comprehensive Income.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has legal or constructive obligations, or made payments, on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent

liabilities of an associate recognised at the date of acquisition is recognised as goodwill. Gain on bargain purchase is immediately allocated to the Consolidated Statement of Income as at the acquisition date. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group.

Goodwill is included within the carrying amount of an investment and is assessed for impairment as part of the investment. After the application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in its associates. At each reporting date, the Group determines whether there is any objective evidence that an investment in an associate is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount of the associate and its respective carrying amount.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in an associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

## 3.5 Functional and presentation currency

The Group's consolidated financial statements are presented in United States Dollars (USD) ("the presentation currency"). The financial statements of each consolidated entity are initially prepared in the currency of the primary economic environment in which the entity operates ("the functional currency"), which for most investments is Vietnam Dong. The financial statements prepared using Vietnamese Dong are then translated into the presentation currency of USD. USD is used as the presentation currency because it is the primary basis for the measurement of the performance of the Group (specifically changes in the Net Asset Value of the Group) and a large proportion of significant transactions of the Group are denominated in USD.

## 3.6 Foreign currency translation

In the separate financial statements of the consolidated entities, transactions arising in currencies other than the functional currency of the individual entity are translated at exchange rates in effect on the transaction dates. Monetary assets and liabilities denominated in currencies other than the functional currency of the individual entity are translated at the exchange rates in effect at the reporting date. Translation gains and losses and expenses relating to foreign exchange transactions are recorded in the Consolidated Statement of Income.



# Notes to the Consolidated Financial Statements

## 3. Summary of significant accounting policies (continued)

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction. Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

In the Group's consolidated financial statements all separate financial statements of subsidiaries, if originally presented in a currency different from the Group's presentation currency, are converted into USD. Assets and liabilities are translated into USD at the closing rate of the reporting date. Income and expenses are converted into the Group's presentation currency at the average rates over the reporting period where these rates are approximate the exchange rates at the dates of the transactions or at the exchange rates at the dates of the transactions where such rates fluctuate significantly. Any differences arising from this translation are charged to the currency translation reserve in other comprehensive income.

### 3.7 Revenue recognition

Revenue comprises revenue from the sale of goods of the Group's subsidiary. Revenue is recognised when the amount of revenue can be measured reliably, collection is probable, the costs incurred or to be incurred can be measured

reliably, and when the criteria for each of the Group's activity has been met.

### *Sale of goods*

Revenue from sale of goods is recognised in the Consolidated Statement of Income when the significant risks and rewards of ownership of goods have passed to the buyer. Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied, excluding sales taxes, rebates, and trade discounts.

### *Interest income*

Interest income is recognised on the effective interest rate basis.

### *Dividend income*

Dividend income, other than those from investments in associates, is recorded when the Group's right to receive the dividend is established.

### 3.8 Expense recognition

#### *Borrowing costs*

Borrowing costs, comprising interest and related costs, are recognised as an expense in the period in which they are incurred, except for borrowing costs relating to qualifying assets that need a substantial period of time to get ready for their intended use or sale to the extent that they are directly attributable to the acquisition,

production or construction of such assets.

### *Operating lease payments*

Payments made under operating leases are recognised in the Consolidated Statement of Income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Consolidated Statement of Income as an integral part of the total lease expense.

### 3.9 Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiary companies and associates over the Group's share of the fair value of their identifiable net assets at the date of acquisition.

Goodwill is recognised at cost less any accumulated impairment losses. The carrying value of goodwill is subject to an annual impairment review and whenever events or changes in circumstances indicate that it may not be recoverable. An impairment charge will be recognised in the Consolidated Statement of Income when the results of such a review indicate that the carrying value of goodwill is impaired (see accounting policy 3.15).

Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity disposed of.

# Notes to the Consolidated Financial Statements

## 3. Summary of significant accounting policies (continued)

### 3.10 Investment properties

Investment properties are properties owned or held under finance leases to earn rentals or capital appreciation, or both, or land held for a currently undetermined use. Property held under operating leases (including leasehold land) that would otherwise meet the definition of investment property is classified as investment property on a property by property basis. If a leased property does not meet this definition it is recorded as an operating lease.

Property under construction or development for future use as investment property is treated as investment property and is measured at fair value where the fair value of the investment property under construction or development for future use can be reliably determined.

Investment properties are stated at fair value. At the end of each quarter of the financial year, the fair values of a selection of investment properties are assessed by the Valuation Committee such that the fair values of all investment properties are assessed at least once each financial year. At the date of assessment, two independent valuation companies with appropriately recognised professional qualifications and recent

experience in the location and category being valued undertake a valuation of every property. The fair value is estimated by the independent valuation companies assuming there is an agreement between a willing buyer and a willing seller in an arm's length transaction after proper marketing; wherein the parties have each acted knowledgeably, prudently and without compulsion. The valuations by the independent valuation companies are prepared based upon direct comparison with sales of other similar properties in the area and the expected future discounted cash flows of a property using a yield that reflects the risks inherent therein. The estimated fair values provided by the independent valuation companies are used by the Valuation Committee as the primary basis for estimating each property's fair value. In addition to the reports of the independent valuation companies the Valuation Committee considers information from other sources, including those sources referred to in Note 4, before recommending each property's estimated fair value to the Board for approval. Discount rates from 13% to 20% are considered appropriate for properties in different locations. Gains and losses from changes in fair value are recognised in the Consolidated Statement of Income.

### Leases

Leases under the terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases.

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, unless they are treated as investment properties (see accounting policy 3.10). Where the Group has the use of an asset held under an operating lease, payments made under the lease are charged to the Consolidated Statement of Income on a straight line basis over the term of the lease. Prepayments for operating leases represent property held under operating leases where a portion, or all, of the lease payments have been paid in advance, and the properties cannot be classified as an investment property.

### 3.11 Financial assets

Financial assets are divided into the following categories: loans and receivables, financial assets at fair value through profit or loss, and available for sale financial assets.

# Notes to the Consolidated Financial Statements

## 3. Summary of significant accounting policies (continued)

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired. Where allowed and appropriate management reclassifies its financial assets at each reporting date. The designation of financial assets is based on the investment strategy set out in the Group's Admission Document to the Alternative Investment Market of the London Stock Exchange dated 24 September 2003.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument.

De-recognition of financial assets occurs when the rights to receive cash flows from the investments expires or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised based on the classification of the financial assets.

The Group's financial assets consist primarily of listed and unlisted equities, bonds, loans and receivables, available-for-sale and prepayments for acquisitions of investments.

### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition. Other financial assets at fair value through profit or loss held by the Group include listed and unlisted securities, bonds and trustee loans.

Purchase or sale of financial assets is recognised using trade date accounting. The trade date is the date that an entity commits itself to purchase or sell an asset.

Financial assets at fair value through profit or loss include trustee loans to banks and other parties where the Group receives interest and other income on the loans calculated based on the proceeds from the sales of specific assets held by the counterparties. Fair value is determined based on the expected future discounted cash flows from each loan.

Net changes in fair value of financial assets at fair value through profit or loss includes net unrealised gains in fair value of financial assets and net gains from realisation of financial assets during the year.

### *Loans and receivables*

All loans and receivables, except trustee loans classified as financial assets at fair value through profit or loss, are non-derivative financial assets with fixed or determinable pay-ments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in the Consolidated Statement of Income.

Discounting, however, is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Significant receivables are considered for impairment when they are overdue or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and other available features of shared credit risk characteristics. The percentage of the write-down is then based on recent historical counterparty default rates for each identified group. Impairment of trade and other receivables are presented within "other expenses".

# Notes to the Consolidated Financial Statements

## 3. Summary of significant accounting policies (continued)

### **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are either designed as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. The Group's available-for-sale financial assets are investments in private entities.

After initial recognition, available-for-sale financial assets are measured at fair values. Gains and losses are recognised in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. If the investments do not have a quoted market price in an active market and whose fair value cannot be reliably measured, such investments shall be measured at cost, less provision for impairment. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Impairment losses recognised in profit and loss for an investment in

an equity instrument classified as available-for-sale shall not be reversed through profit or loss. Interest calculated using the effective interest method and dividends are recognised in profit or loss within 'finance income'.

### **3.12 Prepayments for acquisitions of investments**

These represent prepayments made by the Group to investment/property vendors for land compensation and other related costs, and professional fees directly attributed to the projects, where the final transfer of the investment/property is pending the approval of the relevant authorities and/or is subject to either the Group or the vendor completing certain performance conditions set out in agreements. Such prepayments are measured initially at cost until such time as the approval is obtained or conditions are met, at which point they are transferred to appropriate investment accounts.

### **3.13 Financial liabilities**

The Group's financial liabilities include trade and other payables, borrowings and other liabilities.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in finance costs in the Consolidated Statement of Income.

Trade payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest rate method.

Borrowings are raised for support of long-term funding of the Group's investments and are recognised at fair value plus direct transaction costs on initial recognition and thereafter at amortised cost under the effective interest rate method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

### **3.14 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Financing costs are not taken into consideration.

Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.



# Notes to the Consolidated Financial Statements

## 3. Summary of significant accounting policies (continued)

### 3.15 Impairment of assets

The Group's goodwill, available-for-sale financial assets, trade and other receivables, prepayments for acquisitions of investments, investment properties, and interests in associates are subject to impairment testing.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management controls the related cash flows.

Goodwill and intangible assets with an indefinite life are tested for impairment annually, while other assets are tested when there is an indicator of impairment.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount unless the relevant asset is carried at a revalued

amount under the Group's accounting policy, in which case the impairment loss is treated as a revaluation decrease, but only to the extent of the revaluation surplus for that same asset according to that policy. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate at the financial asset's original effective interest rate that reflects current market assessments of the time value of money and the risks specific to the assets.

### 3.16 Taxation

#### *Income tax*

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate based on the taxable profit for the year. Current tax and deferred tax shall be charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity and if the tax relates to items recognised in other comprehensive income, it is recognised in other comprehensive income.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and associates is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability is a transaction other than a business combination that at the time of the transaction affects neither accounting profit or less, nor taxable profit or less.

# Notes to the Consolidated Financial Statements

## 3. Summary of significant accounting policies (continued)

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the reporting date. Most changes in deferred tax assets or liabilities are recognised as a component of tax expense in the Consolidated Statement of Income. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to other comprehensive income are charged or credited directly to other comprehensive income.

Current tax and deferred tax that relates to items recognised in other comprehensive income is recognised in other comprehensive income, and current tax and deferred tax that relates to items recognised directly in equity is recognised directly in equity.

### ***Withholding taxes imposed on investment income***

The Group currently incurs withholding taxes imposed by local jurisdictions on investment income. Such income is recorded gross of withholding taxes in the Consolidated Statement of Income.

### 3.17 Cash and cash equivalents

Cash and cash equivalents include cash in banks and on hand as well as short term highly liquid investments such as money market instruments and bank deposits with original maturity terms of not more than three months.

### 3.18 Non-current assets and liabilities classified as held for sale

When the Group intends to sell a non-current asset or a group of assets (a disposal group), and if the carrying amount will principally be recovered through sale, they are available for immediate sale in their present condition subject only to terms that are usual and customary for sale of such assets and sale is highly probable at the reporting date, the assets are classified as “held for sale” and presented separately in the Consolidated Statement of Financial Position in accordance to IFRS 5 “Non-current assets held for sale and discontinued operations”.

Liabilities are classified as “held for sale” and presented as such in the Consolidated Statement of Financial Position if they are directly associated with a disposal group.

Assets classified as “held for sale” are measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair values less costs to sell. However, some “held for sale” assets such as financial assets or

deferred tax assets, continue to be measured in accordance with the Group’s accounting policy for those assets. No assets classified as “held for sale” are subject to depreciation or amortisation, subsequent to their classification as “held for sale”.

### 3.19 Equity

Share capital is determined using the nominal value of shares that have been issued. Additional paid-in capital includes any premiums received on the initial issuance of the share capital. Any transaction costs associated with the issuing of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Revaluation reserve represents the surplus arising on the revaluation of the Group associates’ property, plant and equipment.

Currency translation differences on net investments in foreign operations are included in the translation reserve.

Retained earnings include all current and prior period results of operations as disclosed in the Consolidated Statement of Changes in Equity.

Changes in ownership interests in a subsidiary that do not result in gaining or losing control of the subsidiary are accounted for as equity transactions and are recorded in other reserve in Equity.

# Notes to the Consolidated Financial Statements

## 3. Summary of significant accounting policies (continued)

### 3.20 Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations are likely to lead to an outflow of economic resources from the Group that can be reliably estimated. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events. Provisions are not re-recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation and there is uncertainty about the timing or amount of the future expenditure require in settlement. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Long-term provisions are discounted to their present values, where the time value of money is material.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate of the Group's management.

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events, that's existence will be confirmed by uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses their existence when inflows of economic benefits are probable, but not certain.

### 3.21 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Parties are considered to be related to the Group if:

1. directly or indirectly, a party controls, is controlled by, or is under common control

with the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

2. a party is a jointly-controlled entity;
3. a party is an associate;
4. a party is a member of the key management personnel of the Group; or
5. a party is a close family member of the above categories.

### 3.22 Segment analysis

An operating segment is a component of the Group:

1. that engages in investment activities from which it may earn revenues and incur expenses;
2. whose operating results are based on internal management reporting information that is regularly reviewed by the Investment Manager to make decisions about resources to be allocated to the segment and assess its performance; and
3. for which discrete financial information is available.

# Notes to the Consolidated Financial Statements

## 3. Summary of significant accounting policies (continued)

### 3.23 Earnings per share and net asset value per share

The Group presents basic earnings per share (“EPS”) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Net asset value (“NAV”) per share is calculated by dividing the net asset value attributable to ordinary shareholders of the Company by the number of outstanding ordinary shares as at the reporting date. NAV is determined as total assets less total liabilities and non-controlling interests.

## 4. Critical accounting estimates and judgements

When preparing the consolidated financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual

results may differ from the judgements, estimates and assumptions made by the Company’s management, and may not equal the estimated results. Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

### ***Fair value of available for sale financial assets***

The fair value of investments in private equities is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. The outcomes may vary from the actual prices that would be achieved in an arm’s length transaction at the reporting date.

### ***Fair value of investment properties***

The investment properties of the Group and its undertakings and its associates are stated at fair value in accordance with accounting policy 3.10. The fair values of investment properties, leasehold land and buildings are based on valuations by independent professional valuers including: CB Richard Ellis, Savills, Jones Lang LaSalle, Colliers, Sallmanns and HVS. These valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

The estimated fair values provided by the independent valuation companies are used by the Valuation Committee as the primary basis for estimating each property’s fair value for recommendation to the Board. In making its judgement, the Valuation Committee considers information from a variety of sources, including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices;
- (iii) recent developments and changes in laws and regulations that might affect zoning and/or the Group’s ability to exercise its rights in respect to properties and therefore fully realise the estimated values of such properties; and



# Notes to the Consolidated Financial Statements

## 4. Critical accounting estimates and judgements (continued)

- (iv) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of external evidence such as current market rents and sales prices for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

### ***Fair value of financial assets at fair value through profit or loss***

Listed securities are quoted at the bid price at each reporting date. For unlisted securities which are traded in an active market, the fair value is the average quoted bid price obtained from a minimum sample of three reputable securities companies at the reporting date.

The fair value of financial assets that are not traded in an active market (for example, unlisted securities where market prices are not readily available) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. Independent valuations are also obtained from appropriately qualified independent valuation

firms to evaluate and adjust valuations. The outcomes may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see Note 29).

### ***Impairment***

#### ***Other assets***

The Group's goodwill, prepayments for acquisitions of investments, other assets and interests in associates are subject to impairment testing in accordance with the accounting policy 3.15.

#### ***Trade and other receivables***

The Group's management determines the provision for impairment of trade and other receivables on a regular basis. This estimate is based on the credit history of its customers and prevailing market conditions.

#### ***Impairment of available-for-sale financial assets***

Whenever there is an indication of impairment of an available-for-sale financial asset, the Valuation Committee and Group's management will assess the need for an impairment adjustment. The estimation of impairment adjustments is based on the same principles used to adjust the periodic independent valuations as mentioned above.

#### ***Business combinations***

On initial recognition, the assets and liabilities of the acquired business are included in the Consolidated Statement of Financial Position at their fair values. In measuring fair value

management uses estimates about future cash flows and discount rates or independent valuation for investment properties and property, plant and equipment.

## 5. Segment analysis

In identifying its operating segments, management generally follows the Group's sectors of investment which are based on internal management reporting information for the Investment Manager's management, monitoring of investments and decision making. The operating segment by investment portfolio include capital markets, real estate (real estate and hospitality), private equity and cash (including cash and cash equivalents, corporate bonds, and short-term deposits) sectors.

Each of the operating segments are managed and monitored individually by the Investment Manager as each requires different resources and approaches. The Investment Manager assesses segment profit or loss using a measure of operating profit or loss from the investment assets. Although IFRS 8 requires measurement of segmental profit or loss the majority of expenses are common to all segments therefore cannot be individually allocated. There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

# Notes to the Consolidated Financial Statements

## 5. Segment analysis (continued)

Segment information can be analysed as follows:

### Consolidated Statement of Income

	Year ended 30 June 2011				
	Capital markets USD'000	Real Estate USD'000	Private equity USD'000	Cash USD'000	Total USD'000
Revenue	-	-	8,797	-	8,797
Finance income	16,334	157	901	4,069	21,461
Share of profits of associates	-	15,413	11	-	15,424
Other income	-	5,876	1,070	-	6,946
Net losses from fair value adjustments of investment properties	-	(301)	-	-	(301)
Net changes in fair value of financial assets at fair value through profit or loss	-	-	-	-	-
– Listed and unlisted securities	(52,575)	-	-	-	(52,575)
– Corporate bonds	55	-	-	-	55
	(36,186)	21,145	10,779	4,069	(193)
Cost of sales	-	-	(7,059)	-	(7,059)
Selling, general and administration expenses					(20,155)
Other expenses					(4,056)
Finance expenses					(4,171)
Loss before income tax					(35,634)
Withholding taxes imposed on investment income					(342)
Corporate income tax					(203)
<b>Net loss</b>					<b>(36,179)</b>

# Notes to the Consolidated Financial Statements

## 5. Segment analysis (continued)

The relevant comparative segment information for the prior year is presented below:

	Year ended 30 June 2011				
	Capital markets USD'000	Real Estate USD'000	Private equity USD'000	Cash USD'000	Total USD'000
Revenue	-	-	9,333	-	9,333
Finance income	12,857	209	241	1,168	14,475
Share of profits of associates	-	12,978	2,289	-	15,267
Other income	2,426	203	4	-	2,633
Net losses from fair value adjustments of investment properties	-	(72)	-	-	(72)
Net changes in fair value of financial assets at fair value through profit or loss					
– Listed and unlisted securities	96,495	-	-	-	96,495
– Corporate bonds	400	-	-	-	400
	112,178	13,318	11,867	1,168	138,531
Cost of sales	-	-	(7,673)	-	(7,673)
Selling, general and administration expenses					(21,374)
Other expenses					(1,600)
Finance expenses					(2,668)
Profit before income tax					105,216
Withholding taxes imposed on investment income					(211)
Corporate income tax					-
Net profit					105,005

# Notes to the Consolidated Financial Statements

## 5. Segment analysis (continued)

### Consolidated Statement of Financial Position

	As at 30 June 2011				
	Capital markets	Real estate	Private equity	Cash, corporate bonds and short-term investments	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
<b>Total assets</b>					
Financial assets at fair value through profit or loss					
– Consumer staples	87,835	-	-	-	87,835
– Construction	48,614	-	-	-	48,614
– Financial services	57,761	-	-	-	57,761
– Rubber and fertiliser	25,898	-	-	-	25,898
– Energy, minerals and petroleum	24,680	-	-	-	24,680
– Pharmaceuticals	11,359	-	-	-	11,359
– Real estate	59,537	5,000	-	-	64,537
– Other securities	51,717	-	-	-	51,717
– Corporate bonds	-	-	-	11,381	11,381
Investment properties	-	3,445	-	-	3,445
Investments in associates	-	195,806	3,773	-	199,579
Long-term loan receivables from related parties	-	51,836	-	-	51,836
Prepayments for acquisitions of investments	-	8,986	-	-	8,986
Available for sale financial assets	-	6,111	10,812	-	16,923
Other long-term assets	-	-	667	-	667
Cash and cash equivalents	-	-	-	62,968	62,968
Short-term investments	-	-	-	27	27
Inventories	-	-	2,380	-	2,380
Other current assets	2,680	31,045	285	-	34,010
	<b>370,081</b>	<b>302,229</b>	<b>17,917</b>	<b>74,376</b>	<b>764,603</b>



# Notes to the Consolidated Financial Statements

## 5. Segment analysis (continued)

The relevant comparative segment information for the prior year is presented below:

	As at 30 June 2011				
	Capital markets	Real estate	Private equity	Cash, corporate bonds and short-term investments	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
Total assets					
Financial assets at fair value through profit or loss					
– Consumer staples	101,608	-	-	-	101,608
– Construction	70,471	-	-	-	70,471
– Financial services	68,626	-	-	-	68,626
– Rubber and fertiliser	27,655	-	-	-	27,655
– Energy, minerals and petroleum	34,853	-	-	-	34,853
– Pharmaceuticals	9,454	-	-	-	9,454
– Real estate	100,199	-	-	-	100,199
– Other securities	36,784	-	-	-	36,784
– Corporate bonds	-	-	-	5,876	5,876
Investment properties	-	6,700	-	-	6,700
Investments in associates	-	170,415	24,273	-	194,688
Long-term loan receivables from related parties	-	47,718	-	-	47,718
Prepayments for acquisitions of investments	-	10,491	-	-	10,491
Other long-term financial assets	-	1,170	-	-	1,170
Available for sale financial assets	-	3,216	3,700	-	6,916
Other long-term assets	-	2	102	-	104
Cash and cash equivalents	-	-	-	50,033	50,033
Short-term investments	-	-	-	428	428
Inventories	-	-	2,437	-	2,437
Other current assets	2,342	11,968	3,299	-	17,609
	451,992	251,680	33,811	56,337	793,820

# Notes to the Consolidated Financial Statements

## 5. Segment analysis (continued)

The Group's revenues, investment income and non-current assets (other than financial instruments, investments accounted for using the equity method, deferred tax assets and post-employment benefit assets) are divided into the following geographical areas:

	Year ended 30 June 2011		Year ended 30 June 2010	
	Revenue and income	Non-current assets	Revenue and income	Non-current assets
	USD'000	USD'000	USD'000	USD'000
Vietnam	(22,289)	20,368	118,542	13,630
Other countries	(274)	-	2,089	-
Total	(22,563)	20,368	120,631	13,630

Revenues and investment income includes revenue from operations, financial income and net gain or loss on fair value adjustments of investment properties and financial assets at fair value through profit or loss, have been identified based on the location of operations and/or investments. Non-current assets are allocated based on their physical locations.

The Group does not rely on major customer therefore information about major customers are excluded from this disclosure.

## 6. Subsidiaries

### ***Additional acquisition of 25% equity interest of American Home Limited***

At 30 June 2010 the Group held 75% interest in American Home Limited, a subsidiary incorporated in Vietnam. The principal activity of this company is to manufacture and sell building materials. In December 2010, the Group acquired a further 25% equity interest for USD0.6 million which brings the Group's total equity interest in the project to 100% at the reporting date. The difference of USD0.4 million between the percentage change in non-controlling interests and the consideration paid has been recognised directly in equity.

### ***Disposal of 50% equity interest in VOF PE Holding 1 Limited***

During the year, the Group disposed its 50% interest in VOF PE Holding 1 Limited, a subsidiary incorporated in BVI for the consideration of USD1.22 million. The fair value of the net assets at the disposal date was USD0.42 million. The resulting gain has been recorded in the Consolidated Statement of Income (Note 21).

### ***Disposal of Vanguard Era Investment Ltd.***

During the year, the Group disposed its 50% interest in Vanguard Era Investment Ltd., a subsidiary incorporated in BVI for the consideration of USD8.5 million. The fair value of the net assets at the disposal date was USD4.23 million. The resulting gain has been recorded in the Consolidated Statement of Income (Note 21).

# Notes to the Consolidated Financial Statements

## 6. Subsidiaries

The details of the Group's subsidiaries as of 30 June 2011 are shown below:

Name	Place of incorporation/ operations	Contributed share capital (USD)	Percentage interest held by the Group	Principal activities
Asia Value Investment Ltd.	BVI	4,730,000	100%	Investment
Vietnam Enterprise Ltd.	BVI	61,460,000	100%	Investment
Vietnam Investment Property Ltd.	BVI	8,750,000	100%	Investment
Vietnam Investment Property Holdings Ltd.	BVI	12,600,000	100%	Investment
Vietnam Investment Ltd.	BVI	19,320,000	100%	Investment
Vietnam Ventures Ltd.	BVI	7,100,000	100%	Investment
VOF Investment Ltd.	BVI	670,700,000	100%	Investment
Vina QSR Limited	BVI	1,610,000	100%	Investment
Indochina Building Supplies Pte. Ltd.	Singapore	2,956,346	100%	Building materials
American Home Limited	Vietnam	23,400,000	100%	Building materials
Indotel Limited	Singapore	17,734,008	100%	Hospitality
Pegasus Leisure Limited	BVI	2,413,592	100%	Property
Saigon Water Park Co. Ltd.	Vietnam	2,475,200	100%	Property
PA Investment Opportunity II Limited	BVI	14,951,368	100%	Investment
VOF PE Holding 2 Limited	BVI	10,100,000	100%	Investment
VOF PE Holding 3 Limited	BVI	-	100%	Investment
DTL Education Holding Ltd.	BVI	15,000,000	100%	Investment
Vinasugar Holding Ltd.	BVI	-	100%	Investment
Vietnam Master Holding 2 Ltd.	BVI	-	100%	Investment
Allright Assets Ltd.	BVI	-	100%	Investment
SE Asia Master Holding 7	Singapore	4,000,000	100%	Investment
VinaLand Heritage Ltd.	BVI	-	100%	Investment

# Notes to the Consolidated Financial Statements

## 7. Investment properties

	Year ended 30 June 2011 USD'000	Year ended 30 June 2010 USD'000
Opening balance	6,700	6,906
Additions during the year	-	201
Reclassified as held for sale (Note 15)	(245)	-
Net losses from fair value adjustments of investment properties	(301)	(72)
Disposals of investment properties <sup>(*)</sup>	(2,344)	-
Translation differences	(365)	(335)
<b>Closing balance</b>	<b>3,445</b>	<b>6,700</b>

<sup>(\*)</sup> This pertains to the disposal of Binh Trieu project for USD2.7 million. The disposal resulted in a gain of USD0.4 million which is presented as part of other income (Note 21).

## 8. Prepayments for acquisitions of investments

	Year ended 30 June 2011 USD'000	Year ended 30 June 2010 USD'000
Opening balance	10,491	14,144
Disposal <sup>(*)</sup>	(1,505)	-
Transferred to Investments in associates	-	(3,000)
Written-off	-	(653)
<b>Closing balance</b>	<b>8,986</b>	<b>10,491</b>

These pertain to payments made by the Group to investment/property vendors where the final transfer of the property/ investment is pending the approval of the relevant authorities and/or is subject to either the Group or the vendor completing certain performance conditions as defined in the respective agreements.

<sup>(\*)</sup> In October 2010, the Group sold its right to invest in Hoi An Development Ltd to VinaLand Limited for USD1.9 million resulting in a gain from disposal amounting to USD0.4 million (Note 21).

## 9. Investments in associates

	Year ended 30 June 2011 USD'000	Year ended 30 June 2010 USD'000
Opening balance	194,688	148,435
Additions	7,038	17,650
Share of profits of associates (Note 26)	15,424	15,267
Share of associates' changes in revaluation reserves, net of tax (Note 17 and Note 26)	6,320	(2,362)
Transferred from prepayments for acquisitions of investments	-	3,000
Transferred to available for sale financial assets (Note 10)	(2,895)	-
Reclassified as held for sale (Note 15)	(12,104)	-
Transferred to financial assets at fair value through profit or loss	(1,912)	-
Transferred from receivables from related parties	-	17,305
Dividends received	(1,500)	(1,534)
Disposals	(5,125)	(2,543)
Written-off	-	(312)
Translation differences	(355)	(218)
<b>Closing balance</b>	<b>199,579</b>	<b>194,688</b>

### Additional capital contributions

During the year, the Group made further contributions of USD7.0 million to Prosper Big Ltd (21<sup>st</sup> Century Project), Phu Hoi City Co Limited (Licogi 16 Project), Cypress Assets Ltd (Sheraton Nha Trang), Saigon Golf JSC (Saigon Golf Project) and Vietnam Property Holding Ltd (Danang Golf Course Project). The Group's levels of interest in these entities are unchanged.



# Notes to the Consolidated Financial Statements

## 9. Investments in associates (continued)

### *Dilution of interest*

During the year, the Group decided not to contribute further to House & Urban Development Financial Investment Co following a call announcement for capital contributions from the entity. This resulted in the dilution of its interest from 30% to 18% as at reporting date. As a result, the Group has lost significant influence over this entity and as a consequence, the carrying value of its investment amounting to USD2.9 million was reclassified to available for sale financial assets.

### *Change in equity interest*

As at 30 June 2010, the Group held 60% equity interest in International School HCMC through VOF PE Holding 1 Limited, Vanguard Era Investment Ltd and VOF PE Holding 3 Limited. As a result of the disposals of VOF PE Holding 1 Limited and Vanguard Era Investment Ltd, the Group's equity interest in International School HCMC was reduced from 60% to 20% and as a result the Group lost significant influence over this entity. As a consequence, the carrying value of its remaining interest amounting to USD2.9 million was reclassified to financial assets at fair through profit or loss at the reporting date.



# Notes to the Consolidated Financial Statements

## 9. Investments in associates (continued)

The details of the Group's significant operating associates and their summarised financial information, extracted from their statutory audited/reviewed and/or management accounts as at 30 June 2011 are as follow:

	Incorporation/ operation	Direct & indirect equity interest held %	Principal activity	Assets USD'000	Liabilities USD'000	Income USD'000	Net profit/ (loss) USD'000
S.E.M Thong Nhat Hotel Metropole <sup>(1)</sup>	Vietnam	50	Hospitality	49,569	12,770	16,892	3,445
Thang Loi Textile & Garment JSC	Vietnam	49	Textile & Garment	9,660	7,380	2,304	83
Hung Vuong Corporation	Vietnam	40.91	Property	38,957	22,804	3,733	893
VinaCapital Commercial Center Limited (Phase I: 12.75%, Phase II: 25%)	BVI	37.75	Property	85,001	36,118	2,726	5,469
Pho Viet Joint Stock Co.	Vietnam	32.5	Food & Beverage	2,943	1,857	2,050	88
Phong Phu Investment Development Ltd	Vietnam	30	Investment	33,107	24,015	158	(80)
Vietnam Property Holding Ltd.	BVI	25	Property	149,918	103,379	39,008	27,038
Prosper Big Ltd.	BVI	25	Property	149,923	72,902	18,835	16,748
VinaCapital Danang Resorts Ltd.	BVI	25	Property	86,152	57,534	22,073	(484)
Roxy Assets Ltd.	BVI	25	Hospitality	27,247	28,583	9,344	(3,023)
Maplecity Investment Limited	BVI	25	Hospitality	55,038	36,767	8,941	(533)
Standbrook Global Ltd.	BVI	25	Property	52,062	53,446	6,535	6,405
VinaLand Espero Limited	BVI	25	Property	91,677	77,231	4,166	4,175
Sunbird Group Ltd.	BVI	25	Property	12,738	15,506	503	175
Pacific Alliance Land Ltd.	BVI	25	Property	112,981	48,057	13,619	10,270
Cypress Assets Ltd.	BVI	23	Hospitality	46,923	86,101	6,542	(8,456)
Kinh Do Property JSC	Vietnam	23	Property	29,718	2,188	87	(7,713)
Saigon Golf JSC	Vietnam	20	Property	7,210	1	330	72
Vina Dai Phuoc Corporation <sup>(2)</sup>	BVI	18	Property	118,376	76,744	961	(1,686)
Phu Hoi City Company Limited <sup>(2)</sup>	Vietnam	17.5	Property	48,238	29,306	3,037	2,492

(1) At the reporting date, the Group effectively has a 50% equity interest in SEM Thong Nhat Hotel Metropole (via the 100% interest in Indotel Limited – Note 6). The Group does not have any control or joint control of this entity due to its limited representation on the board. The Group though has significant influence since it has the power to participate in the financial and operating policies of the entity, and are therefore this investment is treated as an associate.

(2) The Group holds 18%, 17.5% and 15.5% interest, respectively in Vina Dai Phuoc Corporation, Phu Hoi City Company Limited (Licogi 16 project), and Vina Alliance Limited (Vinataba project), respectively. These entities are subsidiaries of VinaLand Limited, however the Group has significant influence since it has the power to participate in the financial and operating policies of the entities, and are therefore treated as associates in the Group consolidated financial statements.

# Notes to the Consolidated Financial Statements

## 10. Available for sale financial assets

	30 June 2011 USD'000	30 June 2010 USD'000
Yen Viet Joint Stock Company	7,112	-
Indochina Industries Food Pte. Ltd.	13,100	13,100
House & Urban Development Financial Investment Co (Note 9)	2,895	-
Thang Loi Land Joint Stock Company	2,889	2,889
AA Corporation	526	526
	<b>26,522</b>	16,515
Impairment losses	(9,599)	(9,599)
	<b>16,923</b>	6,916

### *Investment in Yen Viet Joint Stock Company*

In April 2011, the Group acquired a 20% interest in Yen Viet Joint Stock Company USD7.1 million. The Group does not have significant influence or control over the entity since it has no power to participate in or control over the financial and operating policies of the entity and therefore treated the investment as available for sale financial assets.

In 2009, the Group recognised impairment losses of USD9.4 million and USD0.2 million with respect to its investments in Indochina Industries Food Pte. Ltd. and AA Corporation, respectively. No further indications of impairment were noted after that.

## 11. Trade and other receivables

	30 June 2011 USD'000	30 June 2010 USD'000
Trade receivables	969	2,034
Receivable from matured bonds	3,480	3,808
Interests receivables from related parties	728	1,351
Dividend receivables	1,583	-
Receivable from disposal of investment property	1,958	-
Short-term loan receivable from third parties	2,985	-
Other current assets	1,236	936
	<b>12,939</b>	8,129
Allowance	(4,225)	(2,084)
	<b>8,714</b>	6,045

As all trade and other receivables are short-term in nature, their carrying values are considered reasonable approximation of their fair values at the reporting date.

# Notes to the Consolidated Financial Statements

## 12. Financial assets at fair value through profit or loss

	30 June 2011 USD'000	30 June 2010 USD'000
<b>Financial assets at fair value through profit or loss:</b>		
<b>Financial assets in Vietnam:</b>		
Ordinary shares – listed	241,521	298,675
Ordinary shares – unlisted	93,428	115,422
Corporate bonds (*)	11,381	5,876
<b>Financial assets in countries other than Vietnam:</b>		
Ordinary shares – listed (**)	37,452	35,553
<b>Total financial assets at fair value through profit or loss</b>	<b>383,782</b>	<b>455,526</b>

(\*) Corporate bonds carry fixed interest rates ranging from 8.0% to 15% and will mature in 2012.

(\*\*) During the year, the Group purchased an additional 6,218,269 ordinary shares of VinaLand Limited, bringing the total number ordinary shares held by the Group to 36,216,326 ordinary shares, which represents a 7.24% interests in VinaLand Limited.

The financial assets are denominated in the following currencies:

	30 June 2011 USD'000	30 June 2010 USD'000
Vietnam Dong	346,330	419,973
Other currencies	37,452	35,553
	<b>383,782</b>	<b>455,526</b>

The carrying amounts disclosed above are the Group's maximum possible credit risk exposure in relation to these instruments. See Note 28 for further information on the Group's exposure to financial risk.

## 13. Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of assets and liabilities:

	Note	30 June 2011 USD'000	30 June 2010 USD'000
<b>Financial assets</b>			
<b>Financial assets held for trading (carried at fair value through profit or loss):</b>			
Ordinary shares – listed and unlisted	12	372,401	449,650
Corporate bonds	12	11,381	5,876
		<b>383,782</b>	<b>455,526</b>
Available for sale financial assets (carried at fair value through other comprehensive income)	10	16,923	6,916
<b>Financial assets carried at amortised costs:</b>			
Trade and other receivables	11,26	73,497	65,327
Cash and cash equivalents	14	62,968	50,033
		<b>136,465</b>	<b>115,360</b>
		<b>537,170</b>	<b>577,802</b>
<b>Financial liabilities</b>			
<b>Financial liabilities measured at amortised cost:</b>			
<i>Non-current:</i>			
Other long term liabilities		55	-
<i>Current:</i>			
Trade and other payables	18,26	12,541	9,791
		<b>12,596</b>	<b>9,791</b>

The fair values of financial assets and liabilities are presented in the related notes. The Group's risk management objectives and policies for financial instruments are set out in Note 28.

# Notes to the Consolidated Financial Statements

## 14. Cash and cash equivalents

	30 June 2011 USD'000	30 June 2010 USD'000
Cash on hand	106	18
Cash in banks	42,706	25,405
Cash equivalents	20,156	24,610
	<b>62,968</b>	<b>50,033</b>

Cash equivalents represent short-term deposits with annual interest rates of 0.5% and 14.0% for USD and VND accounts, respectively. These deposits have maturity terms from one to two months from the reporting date.

The cash and cash equivalents are denominated in the following currencies:

	30 June 2011 USD'000	30 June 2010 USD'000
Vietnam Dong	26,620	24,650
United States Dollar	34,204	25,383
Other currencies	2,144	-
	<b>62,968</b>	<b>50,033</b>

## 15. Assets and liabilities classified as held for sale

The summary of the assets/(liabilities) held for sale at the reporting date:

	Assets classified as held for sale  USD'000	Liabilities classified as held for sale  USD'000	Net assets classified as held for sale  USD'000	Attributable to	
				Non- controlling interests  USD'000	Equity shareholders of the parent  USD'000
Hoan My Medical Corporation JSC	12,104	-	12,104	-	12,104
Saigon Water Park Co Ltd	245	-	245	-	245
	<b>12,349</b>	<b>-</b>	<b>12,349</b>	<b>-</b>	<b>12,349</b>

There were no assets and liabilities classified as held for sale at 30 June 2010.



# Notes to the Consolidated Financial Statements

## 15. Assets and liabilities classified as held for sale (continued)

### Hoan My Medical Corporation JSC

As at 30 June 2011, the Group has intention to dispose of its 28.8% interest in Hoan My Medical Corporation JSC and this is supported by an agreement signed in August 2011. The ownership of the equity interest will be passed to the Purchaser when all the terms in the agreement are met which is after the date of approval of the consolidated financial statements. Consequently, the carrying value of the investment was classified as assets held for sale at the reporting date.

### Saigon Water Park Co Ltd

In June 2011, the Group entered into an agreement to dispose its 100% interest in Saigon Water Park Co. Ltd., however, control of the entity will not be passed to the Purchaser when all the terms in the agreement are met which is after the date of approval of the consolidated financial statements. Consequently, the assets and liabilities of Saigon Water Park Co. Ltd. were classified as held for sale assets/liabilities at the reporting date.

## 16. Share capital

	30 June 2011		30 June 2010	
	Number of shares	USD'000	Number of shares	USD'000
Authorised:				
Ordinary shares of USD0.01 each	500,000,000	5,000	500,000,000	5,000
Issued and fully paid:				
Opening balance	324,610,259	3,246	324,610,259	3,246
Closing balance	324,610,259	3,246	324,610,259	3,246

## 17. Revaluation reserve

	Year ended 30 June 2011	Year ended 30 June 2010
	USD'000	USD'000
Opening balance	21,193	25,958
Share of associates' changes in revaluation reserves (Note 9)	6,320	(2,362)
Less: disposal of an associate	-	(2,403)
Closing balance	27,513	21,193

## 18. Trade and other payables

	30 June 2011	30 June 2010
	USD'000	USD'000
Trade payables	1,702	1,205
Deposits received for conditional sale of assets post reporting date	-	760
Tax payable	769	-
Unearned revenues	367	-
Other accrued liabilities	-	728
Other payables	1,094	1,396
	3,932	4,089

As all trade and other payables are short-term in nature, their carrying values are considered reasonable approximation of their fair values.

# Notes to the Consolidated Financial Statements

## 19. Net changes in fair value of financial assets at fair value through profit or loss

	Year ended	
	30 June 2011	30 June 2010
	USD'000	USD'000
<b>Unrealised gains/ (losses) in fair value of financial assets</b>	<b>(74,691)</b>	61,064
<i>Unrealised gains in fair value of financial assets</i>	<b>17,503</b>	88,777
<i>Unrealised losses in fair value of financial assets</i>	<b>(92,194)</b>	(27,713)
<b>Realised gains/ (losses) in fair value of financial assets</b>	<b>22,171</b>	35,831
<i>Realised gains in fair value of financial assets</i>	<b>26,385</b>	38,785
<i>Realised losses in fair value of financial assets</i>	<b>(4,214)</b>	(2,954)
	<b>(52,520)</b>	96,895

During the year, the net unrealised gains/(losses) in fair value of financial assets at fair value through profit or loss of USD74.7 million is consistent with the fair value movement of the Vietnam market through respective reductions in the VN-Index and the HN-Index from 507.66 points and 160.78 points as at 30 June 2010 to 439.7 points and 76.27 points as at 30 June 2011.

## 20. Selling, general and administration expenses

	Year ended	
	30 June 2011	30 June 2010
	USD'000	USD'000
Management fees (Note 26)	<b>14,488</b>	15,372
Professional fees	<b>2,714</b>	2,433
General administration and selling expenses (*)	<b>1,338</b>	1,549
Other expenses	<b>1,615</b>	2,020
	<b>20,155</b>	21,374

(\*) The majority of these expenses relate to operating expenses incurred by the subsidiaries of the Group.

## 21. Other income

	Year ended	
	30 June 2011	30 June 2010
	USD'000	USD'000
Gains on disposal of investments in:	<b>5,876</b>	1,035
<i>Associates (Note 6)</i>	<b>5,092</b>	1,035
<i>Investments properties (Note 7)</i>	<b>356</b>	-
<i>Prepayments for acquisitions of investments (Note 8)</i>	<b>428</b>	-
Consulting income	<b>443</b>	-
Other income	<b>627</b>	1,598
	<b>6,946</b>	2,633

## 22. Finance income and expenses

	Year ended	
	30 June 2011	30 June 2010
	USD'000	USD'000
Interest income	<b>4,142</b>	3,825
<i>From cash and term deposits</i>	<b>1,704</b>	976
<i>From corporate bonds</i>	<b>938</b>	216
<i>From loans to associates</i>	<b>1,298</b>	2,433
<i>From others</i>	<b>202</b>	200
Dividend income	<b>16,725</b>	9,938
Realised gains from foreign currency exchange differences	<b>594</b>	712
<b>Finance income</b>	<b>21,461</b>	14,475
Realised losses on foreign currency exchange differences	<b>(3,055)</b>	(2,151)
Interest expenses	<b>(460)</b>	(265)
Unrealised losses from foreign currency exchange differences	<b>(656)</b>	(252)
<b>Finance expenses</b>	<b>(4,171)</b>	(2,668)

# Notes to the Consolidated Financial Statements

## 23. Corporate income tax

VinaCapital Vietnam Opportunity Fund Limited is domiciled in the Cayman Islands. Under the current laws of the Cayman Islands, there is no income, state, corporation, capital gains or other tax payable by the Company.

The majority of the Group's subsidiaries are domiciled in the British Virgin Islands ("BVI") and so have a tax exempt status. Some of the subsidiaries are established in Singapore and have offshore operations in Vietnam. The income from these offshore operations is also tax exempt in Singapore.

A small number of subsidiaries are established in Vietnam and are subject to corporate income tax in Vietnam. The provision for corporate income tax for these Vietnamese subsidiaries for the year ended 30 June 2011 amounted to USD0.2 million (30 June 2010: nil). The corporate income tax payable at all of the Vietnamese subsidiaries is USD0.6 million (30 June 2011: nil)

Under the laws of Vietnam, tax losses can be carried forward to offset against future taxable income over the next five years from the year the loss was incurred. The Group did not recognise any deferred income taxes from approximately of USD2.8 million of tax losses due to uncertainty over their recoverability.

## 24. Earnings per share

### (a) Basic earnings/(losses) per share

Basic earnings/(losses) per share is calculated by dividing the profits/(losses) attributable to the shareholders of the Group by the weighted average number of ordinary shares in issue during the year.

	30 June 2011	30 June 2010
(Loss)/profit attributable to equity holders of the Company (USD'000)	(36,285)	104,694
Weighted average number of ordinary shares on issue	324,610,259	324,610,259
(Losses)/basic earnings per share (USD per share)	(0.11)	0.32

### (b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has no category of potentially dilutive ordinary shares. Therefore, diluted earnings per share are equal to basic earnings per share.

### (c) Net asset value per share

Net asset value (NAV) per share is calculated by dividing the net asset value attributable to ordinary shareholders of the Company by the number of outstanding ordinary shares as at the reporting date. Net asset value is determined as total assets less total liabilities and non-controlling interests.

	30 June 2011	30 June 2010
Net asset value (USD'000)	751,906	782,501
Number of outstanding ordinary shares	324,610,259	324,610,259
Net asset value per share (USD per share)	2.32	2.41

# Notes to the Consolidated Financial Statements

## 25. Directors' and Management's remuneration

The aggregate director fee amounted to USD195,000 (year ended 30 June 2010: USD193,000), of which there was no outstanding payable at the reporting date (30 June 2010: nil).

The details remuneration for **each director** are summarised below:

	Year ended	
	30 June 2011 USD'000	30 June 2010 USD'000
<i>Short-term benefits</i>		
William Vanderfelt	75	75
Martin Glynn	60	60
Michael Gray	60	58
	<b>195</b>	<b>193</b>

At the EGM on 17 June 2009, the shareholders approved a resolution to increase Directors' remuneration to a maximum amount of USD300,000 per year, subject to the condition that any fees paid in excess of USD60,000 for services rendered from 1 July 2007 shall result in a corresponding reduction in the management fee paid to VinaCapital Investment Management Limited, the Investment Manager (Note 26).

The Board of Management and certain other individuals who act on behalf of the Group are remunerated by the Investment Manager. However, it is not possible to specifically allocate their costs to the Group. Part of the management fees disclosed in Note 26 can be allocated to the remuneration of these individuals.

## 26. Related party transactions and balances

### **Management fees**

During the first half of the current fiscal year, the Group was managed by VinaCapital Investment Management Limited (the "BVI Investment Manager"), a company incorporated in the British Virgin Islands ("BVI"), under a management agreement dated 24 September 2003 (the "Management Agreement"). From 1 January 2011, the Group was managed by VinaCapital Investment Management Limited (the "CI Investment Manager"), a 100% owned subsidiary company of the BVI Investment Manager incorporated and registered as a licenced fund manager in the Cayman Islands ("CI"), under the novation agreement between the BVI Investment Manager and the CI Investment Manager. The Investment Managers receive a fee based on the net asset value of the Group, payable monthly in arrears, at an annual rate of 2% (30 June 2010: 2%).

Total management fees for the year amounted to USD14,487,873 (30 June 2010: USD15,372,000), of which USD5,745,000 (30 June 2010: USD2,242,000) were outstanding at the reporting date.

### **Performance fees**

In accordance with the Management Agreement, the Investment Manager is also entitled to a performance fee equal to 20% of the increase in the net asset value over the higher of a realised return over an annualised compounding hurdle rate of 8% and high watermark.

There were no performance fees payable in the year (30 June 2010: nil) and no amounts were payable to the Investment Manager at the reporting date (30 June 2010: nil).

# Notes to the Consolidated Financial Statements

## 26. Related party transactions and balances (continued)

### Placement fees

When raising capital through the issuance of new Ordinary Share, a commission equal to 3% of the subscription price multiplied by the total number of the shares allotted by the Group on admission is payable by the Group to the Investment Manager. The Investment Manager is responsible for paying placing agents that are engaged in respect to such subscriptions. The net proceeds of share subscriptions are recorded after netting off placement fees.

There were no placement fees payable in the year (30 June 2010: nil) and no amounts were payable to the Investment Manager at the reporting date (30 June 2010: nil).

### Other related party transactions and balances

During the year, the following significant transactions with related parties were recorded as follow:

Related party	Relationship	Transactions (USD'000)			
		Year ended 30 June 2011		Year ended 30 June 2010	
		Share of profits/ (losses)	Share of change in revaluation reserves	Share of profits/ (losses)	Share of change in revaluation reserves
S.E.M Thong Nhat Hotel Metropole	Associate	3,024	6,063	2,249	(2,483)
House & Urban Development Financial Investment Co	Associate	(6)	-	44	-
Hung Vuong Corporation	Associate	868	-	(1,023)	-
Kinh Do Property JSC	Associate	(115)	-	1,599	-
Pho Viet Joint Stock Company	Associate	11	-	5	-
T.D Company	Associate	-	-	(147)	-
Phong Phu Investment Development JSC	Associate	3	-	8	-
Thang Loi Textile & Garment JSC	Associate	157	-	709	-
Saigon Golf JSC	Associate	(14)	-	12	-
International School of Ho Chi Minh City	Associate	1,040	-	1,026	-
Hoan My Medical Corporation JSC	Associate	1,507	-	498	-
Phu Hoi City Company Limited	Associate	208	-	(1,683)	-
Vina Dai Phuoc Corporation	Associate	558	-	3,804	-
VinaLand Limited subsidiaries	Associate	8,183	257	8,166	120
		15,424	6,320	15,267	(2,363)



# Notes to the Consolidated Financial Statements

## 26. Related party transactions and balances (continued)

During the year, the Group engaged VinaSecurities Joint Stock Company, a related party, as a securities broker. An amount of USD4,592 (30 June 2010: USD16,000) had been paid to this broker relating to securities trading transactions which is based on the standard rates.

At 30 June 2011, the details of the non-current receivable balances with related parties are as shown below:

Related party	Relationship	Transactions	Receivables	
			30 June 2011 USD'000	30 June 2010 USD'000
<b>Non-current assets</b>				
VinaLand Limited subsidiaries	Under common management	Loan receivables (*)	47,991	42,631
Hung Vuong Corporation	Associate	Loan	3,845	5,087
			<b>51,836</b>	<b>47,718</b>

(\*) Loan receivables represent the Group's share of loans provided to its associates on joint investments in real estate projects with VinaLand Limited. The loans are unsecured, bear interest at the 6-month SIBOR plus 3%, and are repayable on demand or on disposal of the related investments. The amount of each loan is based on the respective ownership of VNL and the Group in each subsidiary. The loans are carried at amortised cost in the Consolidated Statement of Financial Position. Interest income earned for the year has been waived by the Group.

The details of these loan receivables at the reporting date are as follow:

	30 June 2011 USD'000	30 June 2010 USD'000
VinaCapital Danang Resorts Limited	3,376	3,376
Cypress Assets Limited	721	631
Prosper Big Investment Limited	12,073	12,073
Avante Global Limited	2,998	2,998
VinaLand Espero Limited	9,261	9,261
Maplecity Investments Limited	5,951	5,951
Sunbird Group Limited	1,259	1,259
Vietnam Property Holding Limited	4,765	4,765
VinaCapital Commercial Center Limited	5	5
Standbrook Limited	6,410	1,210
Roxy Assets Limited	2,350	2,279
Others	32	33
	<b>49,201</b>	<b>43,841</b>
Allowance	(1,210)	(1,210)
	<b>47,991</b>	<b>42,631</b>

# Notes to the Consolidated Financial Statements

## 26. Related party transactions and balances (continued)

At 30 June 2011, the details of the current receivables and payables balances with related parties are as shown below:

Related party	Relationship	Transactions	Receivables	
			30 June 2011 USD'000	30 June 2010 USD'000
<b>Current assets</b>				
VinaLand Limited subsidiaries	Under common management	Dividend receivables	613	613
		Others	2,040	1,821
VinaCapital Investment Management Ltd.	Under common management	Advance payments	135	910
Hung Vuong Corporation	Associate	Loan and interest receivable	552	404
SIH Investment Ltd.	Under common management	Loan receivable	1,047	707
Lam Co Company Ltd.	Under common management	Loan receivable	700	700
VinaCapital Danang Golf Course Ltd (Vietnam)	Under common management	Loan and interest receivable	1,000	1,094
Roxy Vietnam Ltd. (Vietnam)	Under common management	Loan interest receivable	400	17
East Ocean Real Estate & Tourist JSC (Vietnam)	Under common management	Loan interest receivable	1,482	69
Vinh Thai Urban Development Corporation (Vietnam)	Under common management	Loan receivable	426	525
Thang Loi Textile & Garment JSC	Associate	Loan receivable	3,578	3,353
Phong Phu Investment Development JSC	Associate	Loan and interest receivables	974	1,351
			<b>12,947</b>	<b>11,564</b>

Related party	Relationship	Transactions	Payables	
			30 June 2011 USD'000	30 June 2010 USD'000
VinaLand Limited subsidiaries	Under common management	Advances for real estate projects	1,689	3,460
VinaCapital Investment Management Ltd.	Under common management and Investment Manager	Management fees	5,745	2,242
		Cash advance	192	-
Dien Phuoc Long Real Estate Limited	Under common management	Corporate advisory fees	983	-
			<b>8,609</b>	<b>5,702</b>

# Notes to the Consolidated Financial Statements

## 27. Commitments

The Group has a broad range of commitments under investment licences it has received for the real estate projects jointly invested with VinaLand Limited and other agreements it has entered into, to acquire and develop, or make additional investments in investment properties and leasehold land in Vietnam. Further investments in any of these arrangements are at the Group's discretion.

## 28. Risk management objectives and policies

The Group invests in listed and unlisted equity instruments, debt instruments, assets and other opportunities in Vietnam and overseas with the objective of achieving medium to long-term capital appreciation and providing investment income.

The Group is exposed to a variety of financial risks: market risk (including currency risk, interest rate risk, and price risk); credit risk; and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group's risk management is coordinated by the Investment Manager who manages the distribution of the assets to achieve the investment objectives.

The most significant financial risks the Group is exposed to are described below:

### Foreign currency risk sensitivity

The Group's exposure to risk resulting from changes in foreign currency exchange rates is moderate as although transactions in Vietnam are settled in Vietnam Dong (VND), the value of the Vietnam Dong has historically been closely linked to that of USD, the reporting currency.

The Group's financial assets and liabilities, exposure to risk of fluctuations in foreign currency exchange rates at the reporting date were as follow:

	Short-term exposure		Long-term exposure	
	VND USD'000	Others USD'000	VND USD'000	Others USD'000
30 June 2011				
Financial assets	377,294	91,144	13,223	55,536
Financial liabilities	(3,987)	(8,609)	-	-
Net exposure	<b>373,307</b>	<b>82,535</b>	<b>13,223</b>	<b>55,536</b>
30 June 2010				
Financial assets	449,616	73,980	6,257	53,122
Financial liabilities	(3,232)	(6,559)	-	-
Net exposure	<b>446,384</b>	<b>67,421</b>	<b>6,257</b>	<b>53,122</b>

### Sensitivity analysis to a reasonably possible change in exchange rates

Property valuations in Vietnam are based on a combination of factors linked to both the USD and VND. Assuming all properties are valued based on VND cash flows, a 5% weakening of the VND against the USD at the end of the year ended 30 June 2011 and 30 June 2010 would have impacted net income of the Group's equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Year ended 30 June 2011 USD'000	Year ended 30 June 2010 (*) USD'000
<b>5% devaluation of the Vietnam Dong</b>		
Statement of Income	<b>18,665</b>	<b>22,319</b>

(\*) Prior year number has been restarted

A 5% strengthening of the VND against USD would have had the equal but opposite effect to the amount shown above, on the basis that all other variables remain constant.

# Notes to the Consolidated Financial Statements

## 28. Risk management objectives and policies (continued)

### Price risk sensitivity

Price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer, or factors affecting all instruments traded in the market. As the majority of the Group's financial instruments are carried at fair value with fair value changes recognised in the Consolidated Statement of Income, all changes in market conditions will directly affect net investment income.

The Group's unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Investment Manager provides the Group with investment recommendations that are consistent with the Group's objectives. The Investment Manager's recommendations are approved by an Investment Committee and/or the Board of Directors of the Group before investment decisions are implemented.

All securities investments present a risk of loss of capital. The Investment Manager manages this risk through the careful selection of securities and other financial instruments within specified limits and by holding a diversified portfolio of listed and unlisted instruments. In addition, the performance of investments held by the Group is monitored by the Investment Manager on a monthly basis and reviewed by the Board of Directors on a quarterly basis.

The Group invests in listed and unlisted equity securities and is exposed to market price risk of these securities. If the prices of the securities were to fluctuate by 10%, the impact on the Consolidated Statement of Income and the Consolidated Statement of Changes in Equity would approximately amount to a gain approximately of USD37.2 million (30 June 2010: gain approximately of USD45.5 million).

### Cash flow and fair value interest rate risk sensitivity

The Group's exposure to interest rate risk is related to interest bearing financial assets and financial liabilities. Cash and cash equivalents, bank deposits and bonds are subject to interest at fixed rates. They are exposed to fair value changes due to interest rate changes. The Group currently has no financial liabilities with floating interest rates. As a result, the Group has limited exposure to cash flow and interest rate risk.

### Credit risk analysis

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred by the Group at the reporting date. The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	30 June 2011 USD'000	30 June 2010 USD'000
<i>Classes of financial assets— carrying amounts:</i>		
Short-term investments	27	428
Long-term loan receivables	51,836	47,718
Prepayment for acquisitions of investments	8,986	10,491
Other long-term financial assets	-	1,170
Trade and other receivables	21,661	17,609
	82,510	77,416

All transactions in listed securities are settled upon delivery using approved brokers. The risk of default is considered low, as delivery of securities sold is only made once the broker has received payment. Payment is made for purchases once the securities have been received by the broker. The trade will be unwound if either party fails to meet its obligations.

# Notes to the Consolidated Financial Statements

## 28. Risk management objectives and policies (continued)

The carrying amount of trade and other receivables and loans represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group has no other significant concentrations of credit risk.

In accordance with the Group's policy, the Investment Manager continuously monitors the Group's credit position on a monthly basis, identified either individually or by group, and incorporates this information into its credit controls.

The Group's Investment Manager reconsiders the valuations of financial assets that are impaired or overdue at each reporting date based on the payment status of the counterparties, recoverability of receivables, and prevailing market conditions.

### **Liquidity risk analysis**

The Group invests in both listed securities that are traded in active markets and unlisted securities that are not actively traded.

The Group's listed securities are considered to be readily realisable, as they are mainly listed on the Vietnam Stock Exchange.

Unlisted securities, which are not traded in an organised public market, may be illiquid. As a result, the Group may not be able to quickly liquidate its investments in these instruments at an amount close to fair value in order to respond to its liquidity requirements or to other specific events such as deterioration in the creditworthiness of a particular issuer. However, the Group has the ability to borrow in the short-term to ensure sufficient cash is available for any settlements due.

At the reporting date, the Group's liabilities have contractual maturities which are summarised below:

	Current		Non-current	
	Within 6 months USD'000	6 to 12 months USD'000	From 1 to 5 years USD'000	Over 5 years USD'000
30 June 2011				
Trade and other payables	3,932	-	55	-
Payable to related parties	8,609	-	-	-
	<b>12,541</b>	<b>-</b>	<b>55</b>	<b>-</b>
30 June 2010				
Trade and other payables	4,089	-	-	-
Payable to related parties	-	5,702	-	-
	<b>4,089</b>	<b>5,702</b>	<b>-</b>	<b>-</b>

The above contractual maturities reflect the gross cash flows, which may differ to the carrying value of the liabilities at the reporting date.

### **Capital management**

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern;
- To provide investors with an attractive level of investment income; and
- To achieve capital growth.



# Notes to the Consolidated Financial Statements

## 28. Risk management objectives and policies (continued)

The Group considers the capital to be managed as equal to the net assets attributable to the holders of ordinary shares. The Group is not subject to externally imposed capital requirement. The Group has engaged the Investment Manager to allocate the net assets in such a way so as to generate investment returns that are commensurate with the investment objectives outlined in the Group's offering documents.

Capital for the reporting periods under audit is summarised as follow:

	30 June 2011 USD'000	30 June 2010 USD'000
Net assets attributable to the holders of ordinary shares	751,906	782,501

## 29. Fair value hierarchy

The Group adopted the amendments to IFRS 7 Improving Disclosures about Financial Instruments effective from 1 January 2011 Financial Instrument: Disclosure. These amendments clarify the disclosure requirement of the standards to remove inconsistencies, duplicative disclosure requirements and specific disclosures that may be misleading. The Group has made sufficient disclosure in compliance with IFRS 7 in the consolidated financial statements.

The following table presents financial assets and liabilities measured at fair value in the Consolidated Statement of Financial Position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

	As at 30 June 2011			
	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
Assets				
Financial assets at fair value through profit or loss				
Financial assets in Vietnam				
- Ordinary share – listed	241,521	-	-	241,521
- Ordinary share – unlisted	-	74,494	18,934	93,428
- Corporate bonds	-	11,381	-	11,381
Financial assets in countries other than Vietnam	37,452	-	-	37,452
	<b>278,973</b>	<b>85,875</b>	<b>18,934</b>	<b>383,782</b>
Liabilities	-	-	-	-
Net fair value	<b>278,973</b>	<b>85,875</b>	<b>18,934</b>	<b>383,782</b>

# Notes to the Consolidated Financial Statements

## 29. Fair value hierarchy (continued)

There have been no significant transfers between Level 1 and 2 during the year.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period as disclosed in Note 3.

In comparison with the last year-end:

	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
<b>Assets</b>				
Financial assets at fair value through profit or loss				
Financial assets in Vietnam				
- Ordinary share - listed	298,675	-	-	298,675
- Ordinary share - unlisted	1,559	98,824	15,039	115,422
- Corporate bonds	-	5,876	-	5,876
Financial assets in countries other than Vietnam				
	35,553	-	-	35,553
	335,787	104,700	15,039	455,526
<b>Liabilities</b>				
	-	-	-	-
Net fair value	335,787	104,700	15,039	455,526

The fair values of the Group's investments in available for sale financial assets cannot be reliably measured and are therefore excluded from this disclosure. Due to numerous uncertainties regarding the future development of these investees, the fair value of the Group's equity interest in these investments cannot be reliably measured and therefore have been stated at cost less impairment charges.

The reconciliation of the carrying amounts of financial instruments classified within Level 3 is as follows:

	Financial assets at fair value through profit or loss	
	Year ended 30 June 2011 USD'000	Year ended 30 June 2010 USD'000
Opening balance	15,039	-
Gain or losses recognised in		
- Statement of Income	1,983	(192)
- Other comprehensive income	1,912	-
Purchases during the year	-	15,231
Closing balance	18,934	15,039

Changing inputs to the level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognised in profit or loss, total assets or total liabilities or total equity.

## 30. Comparative figures

Certain figures for the year ended 30 June 2010, which are included in this year's consolidated financial statements for comparative purposes, have been reclassified to conform to current year's presentation. The reclassification does not have any impact on net assets or net results.



# Investing policy

## 1. Investment objectives

VinaCapital Vietnam Opportunity Fund Ltd is a closed-end investment company incorporated in the Cayman Islands with the primary objective of achieving medium to long-term (3-5 years) capital appreciation and providing an attractive level of income, dividends and other distributions through investment in listed and unlisted companies, debt, private equity, real estate and other investment opportunities in Vietnam (primarily) and surrounding Asian countries Cambodia, Laos and Southern China.

### **Investment manager:**

VOF is managed by VinaCapital Investment Management Ltd (“VCIM” or the “Investment Manager”), a Cayman Islands company. VCIM was established in 2008 and manages a number of listed and unlisted investment companies. More information about the VCIM management team is available here.

## 2. Investing policy

The Company will adhere to the following investment policies:

### **Type of investment:**

Investments will be made in comparatively undervalued assets with the potential for value enhancement and realisation, for instance in listed

and OTC securities, expansion capital for early and mid-stage companies, listed funds, distressed assets, NPL portfolios and Vietnamese assets of distressed overseas investors. The Company will engage in all forms of investment as allowed under the laws of each jurisdiction in which it operates, including but not limited to, listed and non-listed equity, debt, convertible loans, other assets, and other instruments and structures that may be suitable to allow participation in selected investment opportunities.

### **Geographical focus:**

At least 70 percent of the Company’s gross assets will be invested in Vietnam or related to entities in other countries having substantial assets, liabilities, operations, revenues or income derived from Vietnam. Up to a maximum of 30 percent of the gross assets of the Company may also be invested in neighbouring Asian countries (namely China, Cambodia and Laos), should the Directors consider that such investments offer potentially attractive returns or portfolio diversification.

### **Sector focus:**

Investment will primarily be made in key growth sectors of the economy as Vietnam modernises and domestic consumer demand develops with rising income levels, including retail and consumer goods, financial services, property and construction materials. The secondary focus will

be on other expanding sectors such as tourism, manufacturing, infrastructure and export sectors where Vietnam has a comparative advantage.

### **Investment criteria:**

Key investment criteria will include:

- For investment in growth businesses, full use will be made of the established stock selection and analytical skills of the Manager and its advisers and the broad experience of the Directors to select enterprises which, in their opinion, have sound products and good growth prospects.
- The Company will seek to identify businesses with a record of profit growth, with strong and motivated management teams who have adopted proven business models and which have the realistic potential of exit through trade sale, listing in Vietnam or in another country.
- The Investment Manager will utilise its extensive sourcing capabilities in real estate investment and expertise in property development to selectively invest in projects to capitalise on ongoing demand/supply imbalances in the property sector.
- The Directors in conjunction with the Investment Manager will also aim to achieve a balance in its exposure to different sectors. Furthermore, no single investment may at

- the time of investment exceed 20 percent of the Net Asset Value of the Company.
- It is the intention of the Company to be active in the development of a thoroughly researched and carefully selected portfolio of investments. The Directors intend that the portfolio will be developed in such a way as to take, where practicable, relatively large stakes in those enterprises which have met the Investment Manager's criteria.

#### **Exit strategy:**

The Company is a publicly listed investment company on the London Stock Exchange's AIM Market. Investors are free to purchase and sell shares whenever they please. Concerning portfolio investments, the Company will aim to realise individual investments when the Board believes the realisation would be in the best interests of the Company, ideally within a five-year time frame.

#### **Cross holdings:**

The Company may from time to time invest in listed shares of other closed-ended funds focused on Vietnam by selectively acquiring shares of such funds where the shares are currently trading at prices below the intrinsic value of the funds' underlying assets. This includes among others, shares in Vinaland Limited ("VNL") (AIM: VNL) and Vietnam Infrastructure Limited (AIM: VNI), closed-ended investment companies admitted to

trading on the AIM market of the London Stock Exchange plc and also managed by VCIM.

In such cases, VOF will enter into irrevocable arrangements with an independent third party broker to specifically purchase on its behalf and within certain pre-set parameters, ordinary shares in VNL and VNI. VOF intends to acquire and hold shares of VNL and VNI via such arrangements on a rolling basis. Furthermore, only the Independent Directors of the VOF Board shall be authorised to provide instructions to the Independent Broker and to vote on behalf of VOF at any VNL and VNI shareholder meetings.

VOF may waive its right of first refusal to take up to a 25 percent direct stake in new VNL projects, as contained in VNL's admission documents. In addition, VinaCapital Investment Management Limited will rebate the management fees corresponding to the portion of VOF's holding in VNL and VNI Shares to VOF.

#### **Leverage:**

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

#### **Other information:**

- The Company will adhere to the above investment policies, in the absence of unforeseen circumstances, unless these are changed with the approval of a Shareholders resolution. Such changes may be prompted by changes in Government policies or economic conditions which change or introduce additional investment opportunities.
- Cash pending investment, reinvestment or distribution will be placed in bank deposits, bonds or treasury securities, for the purpose of protecting the capital value of the Company's cash assets.
- In order to hedge against interest rate risks or currency risk, the Company may also enter into forward interest rate agreements, forward currency agreements, interest rates and bond futures contracts and interest rate swaps and purchase and write (sell) put or call options on interest rates and put or call options on futures on interest rates.

### **3. Valuation policy**

The Net Asset Value and the Net Asset Value per share shall be calculated (and rounded to two decimal places), in US dollars by the Administrator (or such other person as the Directors may appoint for such purpose from time to time) on a monthly basis (or at such other



# Investing policy

times as the Manager may determine but in any event at least quarterly).

The Net Asset Value shall be the value of all assets of the Company less the liabilities of the Company determined in accordance with the valuation guidelines adopted by the Directors from time to time.

Under current valuation guidelines adopted by the Directors, such values shall be determined as follows:

- The value of any cash in hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest declared or accrued as aforesaid and not yet received shall be deemed to be the full amount thereof, unless in any case the Directors shall have determined that the same is unlikely to be paid or received in full, in which case the value thereof shall be arrived at after making such discount as the Directors may consider appropriate in such case to reflect the true value thereof;
- The value of securities which are quoted or dealt in on any stock exchange (including any securities traded on an “over the counter market”) shall be based on the last traded prices on such stock exchange, or if there is more than one stock exchange on

which the securities are traded or admitted for trading, that which is normally the principal stock exchange for such security, provided that any such securities which are not freely transferable, or which are not regularly traded, or which for any other reason are subject to limited marketability, shall be valued at a discount (the amount of such discount being determined by the Directors in their absolute discretion or in a manner so approved by the Directors);

- As regards unquoted securities;
- Unquoted investments will initially be valued at cost price, which will include any expenses relating to their acquisition;
- A revaluation of unquoted investments to a value in excess of or below cost may be made in the circumstances provided by and in accordance with the guidelines issued by the British Investment Fund Association or any successor body;
- All other assets and liabilities shall be valued at their respective fair values as determined in good faith by the Directors and in accordance with generally accepted valuation principles and procedures;
- Any value other than in US dollars shall be translated at any officially set exchange rate or appropriate spot market rate as the Directors deem appropriate in the circumstances having regard, inter alia,

to any premium or discount which may be relevant and to costs of exchange.

If the Directors consider that any of the above bases of valuation are inappropriate in any particular case or generally, they may adopt such other valuation or valuation procedure as they consider is reasonable in the circumstances provided that such other valuation or valuation procedure has been approved by the Company’s auditors. The Directors may delegate to the Investment Manager any of their discretions under the valuation guidelines.

## 4. Co-investments

The Investment Manager may from time to time manage other funds which have a similar or different investment objective and policy to that of the Company. Nevertheless, circumstances may arise where investment opportunities will be available to the Company and which are also suitable for one or more of the other funds managed by the Investment Manager. Where a conflict arises in respect of an investment opportunity, the Investment Manager will allocate the opportunity on a fair basis. In such event, the allocations will normally be made on a pro rata basis between the Company and the other funds based on the amounts available for investment in each fund at the time the investment opportunity arises. However, the Investment Manager will



be entitled to recommend to the Board the allocation of investment opportunities on a basis otherwise than as set out above if it deems it appropriate. In those circumstances the Board will determine what level of investment the Investment Manager may make on behalf of the Company.

## 5. Ordinary Shares

It is intended that the Company's income will consist wholly or mainly of investment income. The Directors currently intend to reinvest a large part of income to take advantage of opportunities meeting the Company's investment and return objectives, and where suitable opportunities are not available to distribute substantially all of the Company's income and capital gains to holders of the Ordinary Shares. The distribution of dividends may be made in the form of a tender offer to all shareholders at NAV for tax efficiency.

## 6. Life of the Company

The Company does not have a fixed life but the Board considers it desirable that Shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, the Board intends that a special resolution will be proposed every fifth year that the Company ceases to continue as presently constituted. If the resolution is not passed, the Company will continue to operate. If the resolution is passed, the Directors will be required to formulate proposals to be put to Shareholders to reorganise, unitise or reconstruct the Company or for the Company to be wound up. The Board tabled such a special resolution in 2008 and it was not passed, allowing the Company to continue as presently constituted. The next special resolution on the life of the Company will be held in 2013.

# Historical financial information

Years ended 30 June	2005	2006	2007	2008	2009	2010	2011
<b>Statement of Income (USD'000)</b>							
Total income from ordinary activities	4,393	111,529	360,527	(381,067)	29,075	134,263	(8,420)
Total expenses from ordinary activities	(1,522)	(39,958)	(95,164)	(34,465)	(25,869)	(29,047)	(27,214)
Operating profit before income tax	2,871	75,572	265,363	(415,532)	3,206	105,216	(35,634)
Income tax expense	-	-	-	(125)	(108)	211	545
Profit for the year	2,871	75,572	265,363	(415,657)	3,098	105,005	(36,179)
Minority interests	-	523	1,196	1,347	(3,684)	311	106
Profit attributable to ordinary equity holders	2,871	75,049	264,167	(417,004)	6,782	104,694	(36,285)
<b>Statement of financial position (USD'000)</b>							
Total assets	96,943	277,942	924,785	723,614	718,023	793,820	764,603
Total liabilities	702	33,012	103,121	54,727	36,111	11,319	12,697
Net assets	96,241	244,930	821,664	668,877	681,912	782,501	751,906
<b>Share information</b>							
Basic earnings per share (cents per share)	8	76	134	(141)	2	32	(11)
Share price as 30 June	1.58	2.32	3.41	2.16	1.43	1.40	1.57
Ordinary share capital (thousand shares)	75,155	122,657	250,648	324,610	324,610	324,610	324,610
Market capitalisation at 30 June (USD'000)	118,745	283,951	853,456	699,535	462,569	455,428	509,313
Net asset value per ordinary share	1.28	2.00	3.28	2.06	2.10	2.41	2.32
<b>Ratio</b>							
Return on average ordinary share holder's funds	7.4%	58.2%	72.8%	-67.8%	1.1%	17.0%	-6.0%
Dividend pay out as % avr. NAV	0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Investment management fees/avr. NAV	7.6%	12.8%	15.6%	2.9%	2.0%	2.0%	2.0%







# Overview and details

## VOF details

Fund size	USD752 million (NAV as of 30 June 2011).
Fund launch	30 September 2003.
Term of fund	Five years and then subject to shareholder vote to discontinue.
Fund domicile	Cayman Islands.
Legal form	Exempted company limited by shares.
Structure	Single class of ordinary shares trading on the AIM market of the London Stock Exchange plc.
Auditor	Grant Thornton (Vietnam).
Nominated advisor (Nomad)	Grant Thornton Corporate Finance (UK).
Custodian	HSBC Trustee (HK).
Brokers	LCF Edmond de Rothschild (UK), Numis Securities (UK)
Lawyers	Lawrence Graham (UK) Maples and Calder (Cayman Islands).
Management and performance fee	Management fee of 2 percent of NAV. Performance fee of 20 percent of total NAV increase over the higher of an 8 percent compound annual return and the high water mark.
Investment manager	VinaCapital Investment Management Ltd.
Investment policy	Medium to long-term capital gains with some recurring income and short-term profit taking. Primary investment focus areas are: Privately negotiated equity investments; Undervalued/distressed assets; Privatisation of state-owned enterprises; Real estate; and Private placements into listed and OTC-traded companies.
Investment focus by geography	Greater Indochina comprising: Vietnam (minimum of 70 percent), Cambodia, Laos, and southern China.
Registered office	PO Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands.



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