VIETNAM
EMERGING EQUITY FUND

VIETNAM EMERGING EQUITY FUND LIMITED




2010
Annual Report

Contents

Annual Report
for the year ended 31 December 2010

OBJECTIVE AND FINANCIAL SUMMARY

OBJECTIVE

The investment objective of Vietnam Emerging Equity Fund Limited ('the Fund' or 'the Company') is to seek long-term capital appreciation of its assets by investing in a portfolio of equity securities of listed or prelisting Vietnamese companies, whether established with domestic or foreign ownership. The Fund may also invest up to 30% of its assets at the time of investment in the shares of overseas listed companies.

FINANCIAL SUMMARY

	2010	2009	% change
Financial position at 31 December			
Total Net Assets	US$29.0m	US$12.0m	141.6%
Participating shares of US$0.05 in issue	6,084,447	2,132,403	185.3%
Net Asset Value ('NAV') per share	US$4.771	US$5.650	-15.6%
Vietnamese Dong ('VND')/US dollar ('US$') exchange rate	19,498	18,473	-5.5%
Viet Nam Index	484.66	494.77	-2.0%
Viet Nam Index adjusted US$ rate	350.28	377.43	-7.2%
Results for the year to 31 December			
Net profit for the year	US$0.06m	US$12.6m	
Expense ratio	3.63%	3.13%	

RELATIVE PERFORMANCE

Cumulative performance for years to 31 December 2010

	NAV per share	Viet Nam Index [1] (US$)
	%	%
1 year	-15.56	-7.19
2 years	54.05	37.44
3 years	-59.31	-57.03
4 years	-49.27	-46.95
5 years	-4.94	28.56

[1] Viet Nam Index performance is presented in US dollar terms.

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of Vietnam Emerging Equity Fund Limited presents its report together with the audited financial statements for the year ended 31 December 2010.

OVERVIEW

The Company was incorporated in the Cayman Islands on 25 July 2005 under the provisions of the Companies Law, Cap. 22 (Revised) as an exempted company with limited liability. Its Certificate of Incorporation number is CD-152440. Initially it was a closed-end investment company.

The registered office of the Company is located at CARD Corporate Services Ltd., Zephyr House, 122 Mary Street, PO Box 709, Grand Cayman, KY1-1107, Cayman Islands.

PRINCIPAL ACTIVITY

The principal activity of the Company is investment holding with an objective to seek long-term capital appreciation of its assets by investing in a portfolio of the equity securities of listed or prelisting Vietnamese companies, whether established with domestic or foreign ownership. The Company may also invest up to 30% of its assets at the time of investment in the shares of overseas listed companies.

CONVERSION TO AN OPEN-ENDED FUND

At an Extraordinary General Meeting of the Company on 21 December 2009, the shareholders of the Company passed resolutions to adopt amended and restated Memorandum and Articles of the Company and a replacement Prospectus. A resolution was also passed to increase the Company's authorised capital from US$500,000 to US$750,000 and for such authorised capital to be divided into 14,998,000 redeemable participating shares of a par value of US$0.05 each and 100 management shares of US$1 each. These resolutions enabled the Company to convert to an open-ended mutual fund which was effective when the Cayman Islands Monetary Authority issued a certificate of registration dated 29 January 2010 to confirm the registration of the Company under Section 4(3) of the Mutual Funds Law (2009 Revision).

ACQUISITION OF THE NET ASSETS OF VIETNAM LOTUS FUND LIMITED

On 1 December 2010, the Company issued 4,516,395 participating shares to the shareholders of Vietnam Lotus Fund Limited to acquire 100% of the net assets of Vietnam Lotus Fund Limited, which was a closed-end investment company incorporated in the Cayman Islands. The net assets acquisition was in the form of a merger in accordance with the Companies Law (2010 Revision) of the Cayman Islands. A certificate of merger was issued by the Cayman Islands Registrar of Companies to confirm that Vietnam Lotus Fund Limited has merged into the Company effective 1 December 2010. In accordance with the Companies Law (2010 Revision), Vietnam Lotus Fund Limited was struck off the Register of Companies on the merger becoming effective.

THE BOARD OF DIRECTORS

The Board of Directors currently has three directors who are non-executive directors. No director is an employee of the Company. The members of the Board of Directors during the year and to the date of this report were:

Mr Philip Smiley	Chairman	(resigned on 15 December 2010)
Mr Gregory Hazlett	Director	
Mr Antony Jordan	Director	
Mr Christopher Vale	Director	

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

DIRECTORS' INTERESTS

At no time during the year and to the date of this report did any director have a direct or indirect interest in the shares of the Company, and the Company has not been a party to any arrangement to enable the directors of the Company to acquire any direct or indirect interest in the shares of the Company.

CORPORATE GOVERNANCE

The Company is committed to high standards of corporate governance and is accountable to the shareholders. The Company's governance model reflects the need to oversee the activities of the Company, and the Board believes it is appropriate for an open-ended mutual fund. The Board is responsible for the overall policies, control, direction, review, instructions and supervision of the Company and its portfolio of assets. The Board at the date of this report consists of three members, all of whom are independent and act independently of the Investment Manager, PXP Vietnam Asset Management Limited.

The Board of Directors has overall responsibility for the Company's affairs. The Board delegates through the Investment Management Agreement and through specific instructions the day to day management of the Company to the Investment Manager. The Company has no executives or employees.

Matters reserved for the Board's decision include, inter alia: decisions on strategy; establishing investment objectives, policies and restrictions; decisions on allotment of shares; gearing; declaration of dividends; corporate governance; convening general meetings; Board appointments outside of general meetings; and the appointments of the Custodian, the Administrator, the Registrar, the Company Secretary and the Auditor.

The Board meets formally four times a year on average and between these meetings there is regular contact with the Investment Manager. Other meetings are arranged as necessary. The Board considers that it meets sufficiently regularly to discharge its duties effectively. The Board ensures that at all times it conducts its business with the interests of all shareholders in mind and in accord with Directors' duties.

Directors receive the relevant briefing papers in advance of Board meetings. The Board meeting papers are the key source of regular information for the Board, the contents of which are determined by the Board and contain sufficient information on the financial condition of the Company. Key representatives of the Investment Manager attend each Board meeting. All Board meetings are formally minuted.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

STATEMENT OF RESPONSIBILITY OF THE BOARD OF DIRECTORS IN RESPECT TO THE FINANCIAL STATEMENTS

The Board of Directors is responsible for the financial statements which give a true and fair view of the financial position of the Company as at 31 December 2010 and of its financial performance, cash flows and changes in net assets attributable to shareholders for the year then ended. In preparing these financial statements, the Board of Directors is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Board of Directors is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Company and which enable financial statements to be prepared which comply with International Financial Reporting Standards. The Board of Directors is also responsible for safeguarding the assets of the Company and thus for taking reasonable steps for the prevention and detection of fraud and other irregularities.

We confirm to the best of our knowledge:

- The accompanying financial statements as set out on pages 9 to 40, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the financial position, financial performance and cash flows of the Company.

- The Investment Manager's report includes a fair review of the performance and the position of the Company.

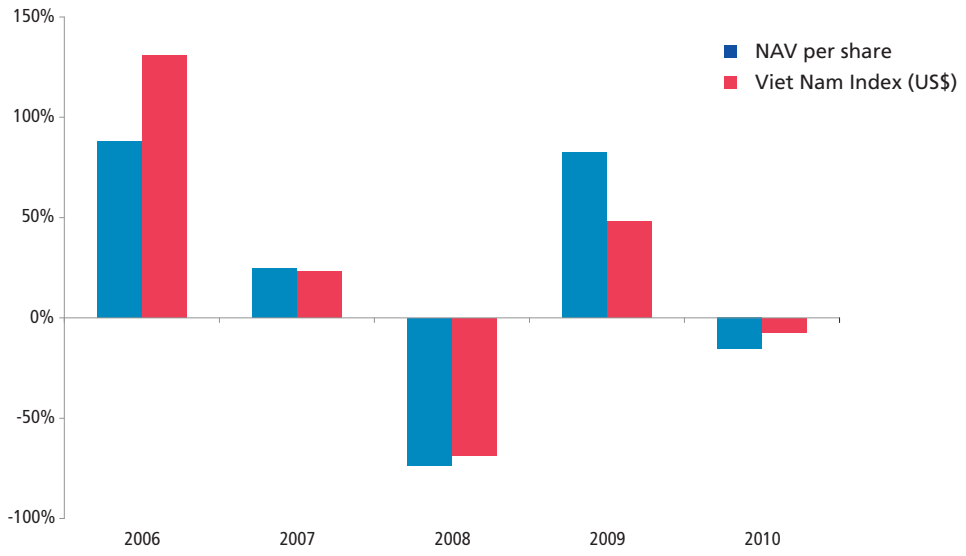
On behalf of the Board of Directors

Antony Jordan
Director
8 June 2011

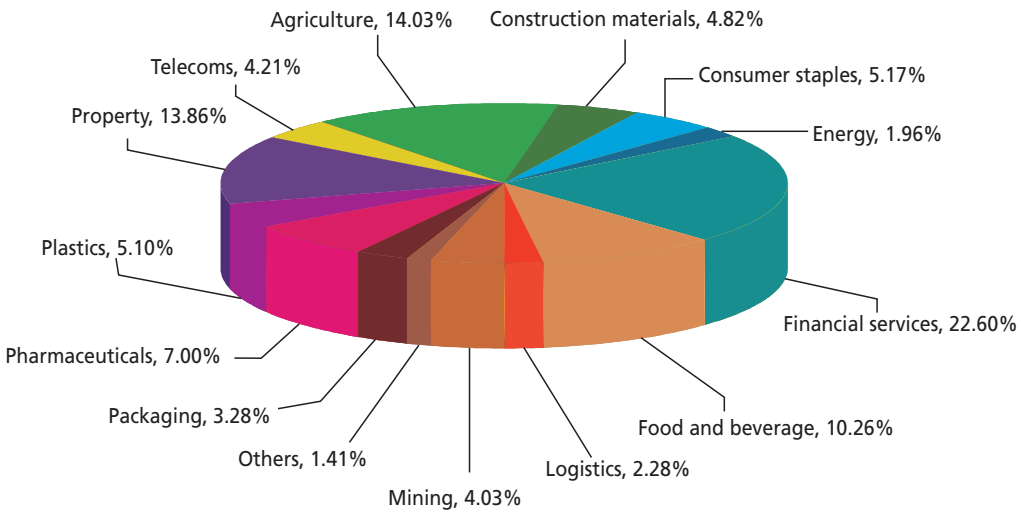
REPORT OF THE INVESTMENT MANAGER

REVIEW OF THE YEAR

During the year under review the Company's Net Asset Value ('NAV') per share decreased by 15.56%, from US$5.650 to US$4.771. This compares with a decrease in the Viet Nam Index ('VNI') of 7.19% in US$ terms over the same period. The Vietnamese Dong ('VND') depreciated by 5.55% over the period under review. The table below represents NAV performance as compared to that of the VNI in US$ terms for the financial years since inception.



An analysis of the portfolio at an industry sector level as at 31 December 2010 is included in Note 6 of the accompanying financial statements and in the chart below.



REPORT OF THE INVESTMENT MANAGER (CONTINUED)

STOCK MARKET

Returns, both absolute and relative, for the Company's 2010 financial year were a disappointment after a strong 2009. The two currency devaluations during the year were responsible for the majority of the decline in the VNI in an otherwise mostly unmemorable year. Relative underperformance can be attributed to a recent phenomenon known locally as 'the ETF effect' with two vehicles of that ilk having attracted the vast majority of new foreign flows into the Vietnamese stock markets and funnelled them into a relatively small number of stocks, the most heavily index-weighted of which do not feature in the Company's portfolio for qualitative reasons. In short, we were lacking exposure to the top three stocks by market capitalisation (which increased by a simple average of roughly 100% during 2010) and were therefore left behind. It is not an omission that we intend to repeat, but it should be noted that if the top three stocks in an index (which now represent over 30% of the VNI) are up an average 100% in a year and the index finishes down, the rest of the market can't have had a very good year. It can, of course, present some very good long-term valuation opportunities and we are confident that as both foreign and domestic investors become more comfortable with the market and more discriminating in terms of what they want to own from a more fundamentally-oriented perspective, there will be an increasing recognition of quality and our lagging performance will begin to rectify itself.

Subsequent to the end of the Company's financial year the index continued along a fairly narrow path - with a net move close to zero for the first 4 ½ months of 2011 - before being violently shaken from its slumber in the middle of May as continuing high interest rates and macro concerns returned to the fore. What began as a partial unravelling of the ETF effect (albeit with negligible declines in the actual size of those vehicles) as domestic investors took profits in the most heavily weighted constituents - which had become favourites for short-term traders adept at anticipating flows – turned into a rout as banks recalled credit lines to brokers in order to ensure compliance with stricter rules on the quality of loan books. Margin calls led to selling which in turn led to further calls and increased selling pressure, with the VNI falling 23.5% from a high of 485 on 12 May to a traded low of 371 on 26 May then rebounding to a traded high of 462 a week later. Whether this price action marks the return of volatile markets or is merely a testing of the boundaries of the trading range remains to be seen, but we are hopeful that the shake-out may have made a few more investors cognisant of the selective value that the Vietnam stock markets offer at these levels.

ECONOMY

The Company's 2010 financial year was one in which macroeconomic commentators were broadly unanimous in identifying accelerating inflation (currently running at 19.8% on a year-on-year basis) and severe currency weakness (unmitigated by the strong inflows experienced in other regional economies) as the core concerns regarding Vietnam's continued progress. A multi-year focus on delivering growth, whilst achieving its primary objective of a broadly-based improvement in living conditions by taking the majority of the population out of the poverty trap, has given way since a 9% devaluation of the currency in February 2011 to the recognition that tighter monetary policy is necessary to prevent the economy from spiralling out of control.

A coherent platform of policies designed to control inflation, primarily through restricting the expansion of money supply has been steadily introduced over the past few months and whilst it is still too early for the impact to be reflected in headline CPI data the government seems determined on its course, accepting a slowdown in economic growth in order to obtain the long-term benefits of a more balanced economy. The first signs of a return of confidence have begun to appear with the two-tier foreign exchange market having been eliminated and the exchange rate currently stable.

STRATEGY

The open-ending of the Company in early 2010 and the merger with Vietnam Lotus Fund on 1 December 2010 has created new challenges which we are excited to meet. Whilst our core focus on finding undervalued stocks with excellent long-term growth prospects is undiminished we understand the need to pay attention to the liquidity requirements and constraints imposed in managing a mutual fund and recent inflows are being deployed accordingly.

REPORT OF THE INVESTMENT MANAGER (CONTINUED)

OUTLOOK

The first few months of the Company's 2011 financial year have seen steady net inflows to the market from abroad and foreigners now account for 15 to 20% of daily turnover on average. A broadening and diversification of the investor base may be under way, a condition that we have long-posited as an essential catalyst to any sustainable advance. We are confident that the market has formed a base over the past six months which will prove a sound foundation for upside appreciation as investor interest returns to Vietnam in reaction to an improving economic environment.

On behalf of the Investment Manager

Kevin Snowball
8 June 2011

Independent Auditor's Report

To the Shareholders of Vietnam Emerging Equity Fund Limited

We have audited the accompanying financial statements of Vietnam Emerging Equity Fund Limited (the "Company"), which comprise the balance sheet as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity, statement of changes in net assets attributable to participating shareholders and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Director's Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers
8 June 2011

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BALANCE SHEET

	Note	As at 31 December 2010 US$	As at 31 December 2009 US$
Assets			
Current assets			
Financial assets at fair value through profit or loss	6	29,394,717	11,997,198
Due from broker		79,335	85,259
Other receivables and prepayments	8	19,449	21,118
Cash and cash equivalents	9	97,000	42,735
Total assets		**29,590,501**	**12,146,310**
Liabilities			
Current liabilities			
Share redemption payables		(233,340)	-
Accrued fees and other payables	10	(328,427)	(98,613)
Total liabilities (excluding net assets attributable to participating shareholders)		**(561,767)**	**(98,613)**
		29,028,734	**12,047,697**
Equity			
Management shares	11	100	-
Ordinary shares	11	-	106,620
Share premium	11	-	22,519,783
Cumulative translation reserve		-	(3,984,495)
Accumulated losses		-	(6,594,211)
Total equity		**100**	**12,047,697**
Net assets attributable to participating shareholders	11	**29,028,634**	**-**
Net asset value per participating share (2009: Net asset value per ordinary share)	16	**4.771**	**5.650**

The notes on pages 14 to 40 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2010	Year ended 31 December 2009
		US$	US$
Interest income		1,839	-
Dividend income		564,120	385,807
Net (losses)/gains on financial assets at fair value through profit or loss	6	(50,089)	12,716,528
Net investment income		**515,870**	**13,102,335**
Management fee	12	(248,730)	(345,111)
Custodian, administration and secretarial fees	13	(86,961)	(49,663)
Transaction costs		(6,184)	(49,553)
Directors' fees	12	(41,246)	-
Foreign exchange (losses)/gains - net		(7,712)	1,028
Other operating expenses	14	(58,019)	(71,239)
Total operating expenses		**(448,852)**	**(514,538)**
Profit before tax		**67,018**	**12,587,797**
Income tax expense	15	(3,222)	(2,747)
Net profit for the year		**63,796**	**12,585,050**
Other comprehensive income/(loss)			
Currency translation differences		(590,398)	(863,422)
Total comprehensive (loss)/income for the year		**(526,602)**	**11,721,628**

The notes on pages 14 to 40 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Ordinary shares	Share premium	Cumulative translation reserve	Accumulated profits/ (losses)	Management shares	Total
	US$	US$	US$	US$	US$	US$
Balance at 1 January 2009	**383,118**	**45,649,918**	**(3,121,073)**	**(19,179,261)**	**-**	**23,732,772**
Comprehensive income						
Net profit for the year	-	-	-	12,585,050	-	12,585,050
Other comprehensive loss						
Currency translation differences	-	-	(863,422)	-	-	(863,422)
Total comprehensive income/(loss) for the year ended 31 December 2009	**-**	**-**	**(863,422)**	**12,585,050**	**-**	**11,721,628**
Transactions with shareholders						
Redemption of ordinary shares (Note 11.1)	(276,568)	(23,130,135)	-	-	-	(23,406,703)
Total transactions with shareholders	**(276,568)**	**(23,130,135)**	**-**	**-**	**-**	**(23,406,703)**
Balance at 31 December 2009	**106,620**	**22,519,783**	**(3,984,495)**	**(6,594,211)**	**-**	**12,047,697**
Transactions with shareholders						
Issuance of management shares	-	-	-	-	100	100
Conversion to open-ended fund (Note 11.2)	(106,620)	(22,519,783)	3,984,495	6,594,211	-	(12,047,697)
Total transactions with shareholders	**(106,620)**	**(22,519,783)**	**3,984,495**	**6,594,211**	**100**	**(12,047,597)**
Balance at 31 December 2010	**-**	**-**	**-**	**-**	**100**	**100**

The notes on pages 14 to 40 are an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO PARTICIPATING SHAREHOLDERS

	Net assets attributable to participating shareholders
	US$
Balance at 1 January 2010	-
Comprehensive income	
Net profit for the year	63,796
Other comprehensive loss	
Currency translation differences	(590,398)
Total comprehensive loss for the year ended 31 December 2010	**(526,602)**
Transactions with participating shareholders	
Conversion to open-ended fund (Note 11.2)	12,047,697
Proceeds from redeemable shares issued	249,930
Redemption of redeemable shares	(2,890,029)
Issue of shares on acquisition of net assets of Vietnam Lotus Fund Limited	20,147,638
Total transactions with participating shareholders	**29,555,236**
Balance at 31 December 2010	**29,028,634**

The notes on pages 14 to 40 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Year ended 31 December	
	2010	2009
	US$	US$
Cash flows from operating activities		
Purchases of financial assets	(1,169,422)	(3,832,434)
Proceeds from sales of financial assets	3,233,006	19,518,642
Dividends received	617,931	475,945
Interest received	1,839	-
Operating expenses paid	(311,915)	(560,091)
Income tax paid	(3,222)	(2,747)
Net cash generated from operating activities	**2,368,217**	**15,599,315**
Cash flows from investing activities		
Cash acquired on acquisition of net assets of Vietnam Lotus Fund Limited	88,780	-
Net cash flows generated from investing activities	**88,780**	**-**
Cash flows from financing activities		
Proceeds from issue of redeemable shares	249,930	-
Proceeds from issue of management shares	100	-
Redemptions of redeemable shares	(2,652,762)	-
Redemptions of ordinary shares	-	(15,922,783)
Net cash flows used in financing activities	**(2,402,732)**	**(15,922,783)**
Net increase/(decrease) in cash and cash equivalents	**54,265**	**(323,468)**
Cash and cash equivalents at beginning of year	42,735	366,203
Cash and cash equivalents at end of year (Note 9)	**97,000**	**42,735**

A significant non-cash transaction in the year ended 31 December 2010 was the issue of 4,516,395 participating shares to the shareholders of Vietnam Lotus Fund Limited to acquire 100% of the net assets of Vietnam Lotus Fund Limited as at 1 December 2010 (see Note 17).

The notes on pages 14 to 40 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Vietnam Emerging Equity Fund Limited ('the Fund' or 'the Company') was incorporated in the Cayman Islands on 25 July 2005. Initially it was a closed-end investment company. The Company converted to an open-ended mutual fund, effective from 29 January 2010.

The principal activity of the Company is investment holding with an objective to seek long-term capital appreciation of its assets by investing in a portfolio of the equity securities of listed or prelisting Vietnamese companies, whether established with domestic or foreign ownership. The Company may also invest up to 30% of its assets at the time of investment in the shares of overseas listed companies.

The financial statements were approved by the Board of Directors on 8 June 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of Vietnam Emerging Equity Fund Limited have been prepared in accordance with International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where the assumptions and estimates are significant to the financial statements are disclosed in note 4.

(a) Amended standards and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Company

- IAS 1 (amendment), 'Presentation of financial statements', classification of the liability component of a convertible instrument that could be settled at the option of the holder by the issue of equity instruments, effective from 1 January 2010;
- IAS 7 (amendment), 'Statement of cash flows', clarification on expenditures that can be classified as a cash flow from investing activities, effective from 1 January 2010;
- IAS 17 (amendment), 'Leases', amending the guidance on leases for land and buildings, effective from 1 January 2010;
- IAS 36 (amendment), 'Impairment of assets', clarification on allocation of goodwill to units, effective from 1 January 2010;
- IAS 39 (amendment), 'Financial instruments: recognition and measurement', providing guidance on whether loan prepayment penalties result in an embedded derivative, clarification on the scope exemption in IAS 39 paragraph 2(g) and clarification on the treatment of gains or losses on a cash flow hedge, effective from 1 January 2010;
- IFRS 2 (amendment), 'Share-based payment – Group cash-settled and share-based payment transactions', effective from 1 January 2010;

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Amended standards and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Company (continued)

- IFRS 3 (revised), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', provide some significant changes to these standards including a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The amended standards are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009;
- IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations', clarification on required disclosures for non-current assets (or disposal groups) classified as held for sale or discontinued operations, effective from 1 January 2010;
- IFRS 8 (amendment), 'Operating segments', clarification that segment information on total assets is required only if such information is regularly reported to the chief operating decision maker, effective from 1 January 2010;
- IFRIC 9 (amendment), 'Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement', effective from 1 July 2009;
- IFRIC 16, 'Hedges of a net investment in a foreign operation', effective from 1 July 2009;
- IFRIC 17, 'Distributions of non-cash assets to owners', effective from 1 July 2009; and
- IFRIC 18, 'Transfers of assets from customers' effective from 1 July 2009.

(b) New standards and amendment issued but not effective for the financial year beginning 1 January 2010 and not early adopted by the Company

IFRS 9 (2010), 'Financial instruments', addresses classification and measurement of financial assets, and is effective for accounting periods beginning on or after 1 January 2013. There are significant changes to existing guidance in IAS 39, including the multiple classification and measurement models for financial assets in IAS 39 being replaced with a single model that has only two classification categories: amortised cost and fair value. Classification under IFRS 9 is driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. Adoption of IFRS 9 will result in changes to the presentation and disclosure of financial assets in the financial statements of the Company, but will not impact on the recognition and measurement of the financial assets.

IFRS 13, 'Fair value measurement', provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements, and is effective for accounting periods beginning on or after 1 January 2013. IFRS 13 applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRSs or address how to present changes in fair value. IFRS 13 will be applicable to the financial assets in the financial statements of the Company, and management will assess the expected impact on the financial statements before the year of adoption of the standard.

IAS 24 (amendment), 'Related party disclosures', is effective for financial statements for periods beginning on or after 1 January 2011. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities; and clarifies and simplifies the definition of a related party. Management expects that the revised definition of a related party will not result in the Company being required to make additional disclosures.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(c) Standards, amendments to standards and interpretations that are not yet effective and are not currently relevant for the Company's operations

- IAS 12 (amendment), 'Income taxes – deferred tax: recovery of underlying assets', effective from 1 January 2012;
- IAS 32 (amendment), 'Financial instruments: presentation – classification of rights issues', effective from 1 February 2010;
- IFRS 7 (amendment), 'Financial instruments: disclosures – transfers of financial assets', effective from 1 July 2011;
- IFRS 10, 'Consolidated financial statements', effective from 1 January 2013;
- IFRS 11, 'Joint arrangements', effective from 1 January 2013;
- IFRS 12, 'Disclosure of interests in other entities', effective from 1 January 2013;
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments', effective from 1 July 2010; and
- IFRIC 14 (amendment), 'Prepayments of a minimum funding requirement', effective from 1 January 2011.

'Improvements to IFRS 2010' were issued in May 2010 and contain numerous amendments to IFRS, which the IASB consider non-urgent but necessary. 'Improvements to IFRS 2010' comprise amendments that result in accounting changes for presentation, recognition or measurement purposes as well as terminology or editorial amendments related to a variety of individual standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2011, with earlier application permitted. No material changes to accounting policies are expected as a result of these amendments.

2.2 Redeemable shares – new accounting policy

Following the conversion of the Company to an open-ended mutual fund with effect from 29 January 2010, the Company has issued one class of participating shares which are redeemable at the holder's option. Participating shares are issued at prices based on the Fund's net asset value per share at the time of issue. Subscription monies received before the subscription dealing day are recorded as advances from shareholders in current liabilities.

Participating shares can be put back to the Company, on the terms set out in the Prospectus, for cash equal to a proportionate share of the Fund's net asset value as adjusted for the applicable redemption fee and any price adjustments and transaction costs as set out in the Prospectus. The Fund's net asset value per share is calculated by dividing the net assets attributable to the holders of participating shares by the total number of outstanding participating shares. In accordance with the Prospectus of the Company, investment positions are based on the last traded market price for the purpose of determining the net asset value per share for subscriptions and redemptions. The participating shares are classified as financial liabilities.

The participating shares are carried at the redemption amount that would be payable at the balance sheet date, before adjustment for the applicable redemption fee and any price adjustments and transaction costs, if the holder had exercised the right to put the share back to the Company on the redemption dealing day directly following the balance sheet date.

If a share redemption order is received and approved by the Fund Administrator, the amount payable is posted to share redemption payables on the relevant redemption dealing day, being the proportionate share of the Fund's net asset value on the relevant valuation point as adjusted for the applicable redemption fee and any price adjustments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The functional currency of the Company is the Vietnamese Dong ('VND'), which reflects the Company's primary activity of investing in equity securities of listed or prelisting Vietnamese companies. The majority of the Company's investments are originally made in VND denominated securities and will be liquidated and realised in VND.

The Company has adopted the United States Dollar ('US$') as its presentation currency, as its shareholders are based outside SR Vietnam and the US$ is a more widely used and recognised currency than the VND. The shareholders' investments in the Company are made in US$ and the Company's net income will be distributed to the shareholders in US$.

The Company's results and financial position are translated from its functional currency to its presentation currency as follows:

(i) assets and liabilities, including participating shares, are translated at the closing rate at the balance sheet date;
(ii) equity items, such as the issuance of ordinary shares, are translated using the exchange rate at the transaction date;
(iii) income and expenses are translated using the exchange rate at the transaction date; and
(iv) all exchange differences arising on translation are recognised within the statement of comprehensive income.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-monetary financial assets and liabilities such as equities at fair value through profit or loss are recognised in the income statement within the fair value net gain or loss.

2.4 Financial assets at fair value through profit or loss

(a) Classification

The Company classifies its investments in equity securities, and related derivatives, as financial assets at fair value through profit or loss. These financial assets are classified as held for trading or designated by the Board of Directors at fair value through profit or loss at inception.

Financial assets or financial liabilities held for trading are those acquired or incurred principally for the purposes of selling or repurchasing in the short term, or those that are part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorised as held for trading. The Company does not classify any derivatives as hedges in a hedging relationship.

Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Company's documented investment strategy. The Company's policy is for the Investment Manager and the Board of Directors to evaluate the information about these financial assets on a fair value basis together with other related financial information.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Financial assets at fair value through profit or loss (continued)

(b) Recognition/derecognition

Regular-way purchases and sales of investments are recognised on the trade date - the date on which the Company commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the income statement. Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement in the period in which they arise.

(d) Fair value estimation

Fair value of listed equity securities is based on their last traded prices at the last official close of the Ho Chi Minh City Stock Exchange or Hanoi Stock Exchange ('the Exchanges') or on quoted market prices at the close of trading at another relevant stock exchange on the relevant valuation day.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at the balance sheet date. Valuation techniques include the use of comparable recent arm's length transactions, earnings multiples, net asset valuations, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

2.5 Due from and due to broker

Amounts due from and due to broker represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the balance sheet date. These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment for amounts due from broker.

2.6 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts, if any, are shown within borrowing in current liabilities on the balance sheet.

2.7 Interest income and dividend income

Interest income is recognised on a time-proportionate basis using the effective interest rate method.

Dividend income is recognised when the Company's right to receive payment is established.

2.8 Transaction costs

Transaction costs are costs incurred to acquire financial assets or financial liabilities at fair value through profit or loss. They include commissions paid to brokers. Transaction costs, when incurred, are immediately recognised as an expense in the income statement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are declared by the Board of Directors.

2.10 Current and deferred taxation

The Company is domiciled in the Cayman Islands. Under the current laws of the Cayman Islands, there is no income, estate, corporation, capital gains or other taxes payable by the Company.

The Company is subject to tax of 0.1% of the gross proceeds when it sells all or part of its investments in domestic securities. Equity shares of non-public joint-stock companies and ownership interests in limited liability companies are not regarded as securities and are subject to 25% income tax on any gain made. The Company classifies tax on sales of securities as a deduction from net (losses)/gains on financial assets in the income statement and tax on sales of interests in non-public joint-stock companies or limited liability companies within income tax expense in the income statement.

Dividends received by the Company from equity investments in Vietnam are not subject to withholding taxes. Dividends received by the Company from holdings in investment funds in Vietnam, interest received by the Company from cash deposits at banks operating in Vietnam, interest from Vietnamese bonds and interest from certificates of deposits are subject to 10% withholding tax. The Company is not liable for Vietnamese taxes on its income derived from outside Vietnam and capital gains derived from sale or other disposal of its non-Vietnamese investments. The Company classifies withholding taxes on dividends from holdings in investment funds and interest within income tax expense in the income statement.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.11 Related parties

Related parties include any entities and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them control or significant influence over the Company. The Company's Directors, Investment Manager, directors and key management personnel of the Investment Manager, including close members of the family of these individuals and entities which are controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, these individuals, also constitute related parties. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer of the Investment Manager.

3. FINANCIAL RISKS

3.1 Financial risk factors

The Company is exposed to certain special risks as well as normal investment risks. All securities investments present a risk of loss of capital. The Board of Directors believes that the Company's investment policy will moderate this risk through a careful selection of securities. The Company is exposed to market price risk, interest rate risk, credit risk, liquidity risk, currency risk and conversion risk. The risk management policies employed by the Company to manage these risks are discussed below.

3.1.1 Market price risk

Market price risk is the risk that the value of a financial asset will fluctuate as a result of changes in market prices, whether or not those changes are caused by factors specific to the individual asset or factors affecting all assets in the market.

The Company is exposed to market price risk on all of its investments. In the case of its investments in listed companies, such market price risk relates to the Ho Chi Minh City Stock Exchange, the Hanoi Stock Exchange and to other exchanges, if any, where such investments are listed.

The Company's Investment Manager, PXP Vietnam Asset Management Limited, provides a continuous investment programme for the Company's assets, including seeking suitable investments for the Company, determining the appropriate time for the disposal of its investments, and the provision of investment research and advice with respect to all securities and investments and cash equivalents comprised in the Company's assets. The performance of investments held by the Company is monitored closely by the Investment Manager. In monitoring the investments, the Investment Manager reviews all relevant financial statements and maintains contact to the extent possible with the Board and Management of the investee companies.

The Company invests across a range of industries. The current intention is to invest no more than 40% of the Company's assets at the time of investment in any one sector.

Market price risk - sensitivity analysis

Since most of the Company's investments are listed on either the Ho Chi Minh City Stock Exchange or the Hanoi Stock Exchange, the value of the Company's portfolio may change due to general price movements on these exchanges. The capitalisation-weighted index comprising the listed shares of every company listed on the Ho Chi Minh City Stock Exchange is the Viet Nam Index ('VNI'). As at 31 December 2010, had the VNI risen by 30%, with all other variables held constant and on the assumption that the Company's financial assets at fair value moved according to the historical correlation with the VNI, it is estimated that net result and net assets would have increased by approximately US$8,600,000 (31 December 2009: US$3,500,000). A 30% drop of the VNI would give an estimated equal but opposite effect on net result and net assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISKS (CONTINUED)

3.1.2 Interest rate risk

Interest rate risk is the risk that the value of interest-bearing assets will fluctuate in value as a result of changes in interest rates.

The majority of the Company's financial assets are non-interest bearing. As a result, the Company is not subject to a significant amount of risk due to fluctuations in the prevailing level of market interest rates.

3.1.3 Credit risk

To the extent that the Company is exposed to the credit of a counterparty on an unsecured basis, it generally will not have a priority claim to any of the counterparty's assets upon a default. If the counterparty has secured creditors, the secured creditors will be entitled to repayment from the counterparty's assets in priority to the Company. Moreover, the Company may have to share the residual value of a defaulting counterparty's assets with other unsecured creditors. Consequently, there can be no assurance that the Company would recover any of the amounts owed to the Company by a defaulting counterparty.

All transactions in listed securities are settled upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet their obligation.

From February 2010, the bank accounts of the Company are held in the Vietnam branch and the Singapore branch of a Germany-based bank that has a Standard & Poor's rating of short term A-1, long term A+ and outlook stable as at 19 October 2010.

The maximum exposure to credit risk at 31 December is the carrying amount of the financial assets as set out below.

	As at 31 December	
	2010	**2009**
	US$	**US$**
Due from broker	79,335	85,259
Dividends receivable	10,868	20,279
Cash and cash equivalents	97,000	42,735
Total	**187,203**	**148,273**

3.1.4 Liquidity risk

The Company is permitted to borrow money and to grant security over its assets. However, the Articles of Incorporation limit such borrowings to a percentage of the latest available net asset value of the Company at the time of the borrowing, such percentage being specified in the current Prospectus of the Company as 25%. No such borrowings have arisen during the year.

It may be considerably more difficult for the Company to exit its investments than it is for investors in more developed geographical regions. The Ho Chi Minh City Stock Exchange and Hanoi Stock Exchange only commenced operations in July 2000 and August 2005, respectively, and have experienced periods of limited liquidity which may recur.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISKS (CONTINUED)

3.1.4 Liquidity risk (continued)

When making investments in prelisting companies, the intention of the Company is that liquidity will be provided by the subsequent listing of the shares of the prelisting company on the Exchanges. However, the length of time before a prelisting company completes a listing of its shares on the Exchanges will usually not be able to be forecasted accurately at the time of investment, and it is possible that in certain cases the prelisting company does not accomplish a listing and the Company will be holding a relatively illiquid investment.

The Company is exposed to monthly cash redemptions of shares. Substantial withdrawals by investors within a short period of time could require the Company to liquidate investments more rapidly than would otherwise be desirable, possibly reducing the value of the Company's assets and/or disrupting the Company's investment strategy.

The policy of the Company is to invest the majority of its assets in investments that are traded in an active market and can be readily disposed. Investments in prelisting equity investments are restricted to no more than 10% of the Company's assets at the time of investment. In order to manage the Company's overall liquidity, the maximum net redemption on each dealing day (usually the first business day in each month) will be restricted to the average daily turnover at the Ho Chi Minh City Stock Exchange of the 10 business days preceding that dealing day.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

At 31 December 2010

	Less than one month	One month to 12 months	No stated maturity
	US$	US$	US$
Share redemption payables	233,340	-	-
Management fee payable	128,772	-	-
Administration and custodian fees payable	12,561	-	-
Directors' fees payable	-	86,753	-
Legal and professional fees accruals	74,939	20,500	-
Other payables and accruals	2,642	2,260	-
Contractual cash out flows	**452,254**	**109,513**	**-**

At 31 December 2009

	Less than one month	One month to 12 months	No stated maturity
	US$	US$	US$
Administration and custodian fees payable	8,429	-	-
Legal and professional fees accruals	-	85,944	-
Other payables and accruals	4,240	-	-
Contractual cash out flows	**12,669**	**85,944**	**-**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISKS (CONTINUED)

3.1.4 Liquidity risk (continued)

Participating shares of the Company may be redeemed on demand at the holder's option on any dealing day after giving notice of 30 business days, for cash equal to a proportionate share of the Fund's net asset value as adjusted for the applicable redemption fee and any price adjustments and transactions costs as set out in the Prospectus. The balance of net assets attributable to holders of redeemable shares may be regarded as having a contractual maturity of 30 business days. The Directors do not envisage that this contractual maturity will be representative of the actual cash outflows, as holders of these instruments typically hold them for the medium to long term.

3.1.5 Currency risk and conversion risk

Currency risk

The functional currency of the Company is the VND. Currency risk, as defined in IFRS 7, arises on financial instruments that are denominated in a currency other than the functional currency.

The table below summarises the Company's exposure to currency risk.

At 31 December 2010

	Amounts denominated in VND	Amounts denominated in US$	Amounts denominated in other currencies	Total
	US$	US$	US$	US$
Assets				
Financial assets at fair value	29,281,529	-	113,188	29,394,717
Due from broker	79,335	-	-	79,335
Receivables and prepayments	10,868	8,581	-	19,449
Cash and cash equivalents	39,575	57,425	-	97,000
Total assets	**29,411,307**	**66,006**	**113,188**	**29,590,501**
Liabilities				
Share redemption payables	-	(233,340)	-	(233,340)
Accrued fees and other payables	(1,405)	(327,022)	-	(328,427)
Total liabilities	**(1,405)**	**(560,362)**	**-**	**(561,767)**
Net assets/(liabilities)	**29,409,902**	**(494,356)**	**113,188**	**29,028,734**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISKS (CONTINUED)

3.1.5 Currency risk and conversion risk (continued)

Currency risk (continued)

At 31 December 2009

	Amounts denominated in VND	Amounts denominated in US$	Amounts denominated in other currencies	Total
	US$	US$	US$	US$
Assets				
Financial assets at fair value	11,847,000	-	150,197	11,997,198
Due from broker	85,259	-	-	85,259
Receivables and prepayments	20,279	839	-	21,118
Cash and cash equivalents	30,278	12,457	-	42,735
Total assets	**11,982,817**	**13,296**	**150,197**	**12,146,310**
Liabilities				
Accrued fees and other payables	(3,138)	(93,364)	(2,111)	(98,613)
Total liabilities	**(3,138)**	**(93,364)**	**(2,111)**	**(98,613)**
Net assets/(liabilities)	**11,979,679**	**(80,068)**	**148,086**	**12,047,697**

The year-end exchange rates were:

	As at 31 December	
	2010	2009
	US$	US$
Singapore Dollar/US$	1.28	1.40
Vietnamese Dong/US$	19,497.5	18,473.0

Conversion risk

The majority of the Company's investments are denominated in VND and pay dividends in VND. Shareholders' investments in the Company are made in US$, and the Company converts such US$ mostly into VND prior to making investments. The Company will need to convert VND to US$ to make distributions to shareholders or to settle redemptions of participating shares, but the VND currently is not a freely convertible currency. There have been frequent occasions when there is limited availability of hard currency in the Vietnam banking system, and this situation is likely to recur. It is possible that the Company may have difficulty accomplishing the conversion of VND into foreign currencies, or such conversion may only be possible at exchange rate levels at which the Company will suffer considerable exchange losses. Any delay in conversion increases the Company's exposure to devaluation of the VND against other currencies. If conversion is not effected at all, some of the Company's assets may be denominated in a non-convertible currency.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISKS (CONTINUED)

3.1.5 Currency risk and conversion risk (continued)

Conversion risk (continued)

The Company may seek to hedge against a decline in the value of the Company's investments in US$ terms resulting from currency depreciation but only if and when suitable hedging instruments are available on a timely basis and on acceptable terms. There is no assurance that any hedging transactions engaged in by the Company will be successful in protecting against currency depreciation. The Company has no outstanding hedging instrument as at 31 December 2010.

Conversion risk - sensitivity analysis

As at 31 December 2010, had the VND devalued by 10% in relation to US$, with all other variables held constant, there would be a net exchange loss arising from the receivables, cash and payables denominated in US$ which is estimated as US$49,000 (31 December 2009: US$8,000). A 10% strengthening of the VND against the US$ would give an estimated equal but opposite net exchange gain.

3.2 Capital risk management

The capital of the Company is represented by the net assets attributable to shareholders. The amount of net assets attributable to holders of participating shares could change significantly on a monthly basis as the Company is subject to monthly subscriptions and redemptions at the discretion of shareholders. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns to shareholders and to maintain a strong capital base to support the development of the investment activities of the Company.

In order to maintain or adjust the capital structure, the Company's policy is to perform the following:

- Monitor the level of monthly subscriptions and redemptions relative to the assets it expects to be able to liquidate within one month; and
- Redeem and issue new shares in accordance with the Prospectus of the Company, which includes the ability to restrict redemptions and require certain minimum holdings and subscriptions.

The Board of Directors and Investment Manager monitor capital on the basis of the value of net assets attributable to shareholders.

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other that quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISKS (CONTINUED)

3.3 Fair value estimation (continued)

The following table presents the Company's financial assets that are measured at fair value:

At 31 December 2010

	Level 1	Level 2	Level 3	Total balance
	US$	US$	US$	US$
Financial assets				
Financial assets held for trading:				
- Derivatives	-	197,033	-	197,033
Financial assets designated at fair value through profit or loss at inception:				
- Equity securities	26,655,652	-	2,231,261	28,887,213
- Convertible bonds	-	310,471	-	310,471
Total financial assets	**26,655,652**	**507,504**	**2,231,261**	**29,394,717**

At 31 December 2009

	Level 1	Level 2	Level 3	Total balance
	US$	US$	US$	US$
Financial assets				
Financial assets held for trading:				
- Derivatives	-	156,942	-	156,942
Financial assets designated at fair value through profit or loss at inception:				
- Equity securities	10,256,448	595,027	988,781	11,840,256
Total financial assets	**10,256,448**	**751,969**	**988,781**	**11,997,198**

The fair values of financial assets traded in active markets are based on their last traded prices at the last official close of the Exchanges or on quoted market prices at the close of trading at another relevant stock exchange on the valuation date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included within level 1. Instruments included within level 1 comprise primarily equities listed on the Exchanges which are designated as financial assets at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISKS (CONTINUED)

3.3 Fair value estimation (continued)

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The level 2 equity amount at 31 December 2010 consists of a holding of convertible bonds in the equity of one issuer on the Ho Chi Minh City Stock Exchange. The bonds are not listed. They will be converted to equity in August 2011 with no option for repayment or to defer conversion. The bonds have been valued based on the price of the underlying equity shares. The level 2 equity amount at 31 December 2009 consisted of two prelisting equity holdings for issuers with approved listings on the Ho Chi Minh City Stock Exchange in January 2010 which were valued based on their listing reference prices.

The level 2 derivative amount at 31 December 2010 represents rights to acquire shares in two issuers that are listed on the Ho Chi Minh City Stock Exchange (31 December 2009: rights to acquire shares in one issuer). The rights are not listed and have been valued using an option pricing model.

If one or more of the significant inputs required to fair value an instrument is not based on observable market data, the instrument is included in level 3. As observable prices are not available for these securities, the Company has used valuation techniques to derive the fair values. The level 3 equity amount at 31 December 2010 consists of three prelisting equity securities (31 December 2009: four prelisting equity securities). The main method used for the valuation of the prelisting holdings of the Company is earnings multiples with the application of an appropriate marketability discount. The holding of the Company in the equity of a property development company has been valued by using a net asset valuation with the application of an appropriate marketability discount.

The following table presents the transfers between levels:

Year ended 31 December 2010

	Level 1	Level 2	Level 3
	US$	US$	US$
Transfers between levels 3 and 1:			
- Equity securities	922,672	-	(922,672)

Year ended 31 December 2009

	Level 1	Level 2	Level 3
	US$	US$	US$
Transfers between levels 3 and 1:			
- Equity securities	160,972	-	(160,972)
Transfers between levels 3 and 2:			
- Equity securities	-	595,027	(595,027)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISKS (CONTINUED)

3.3 Fair value estimation (continued)

The transfer from level 3 to level 1 in the year ended 31 December 2010 relates to three prelisting equity holdings for three issuers that listed on the Ho Chi Minh City Stock Exchange during the year. The transfer from level 3 to level 1 in the year ended 31 December 2009 relates to one prelisting equity holding for an issuer that listed on the Ho Chi Minh City Stock Exchange during the year. The transfer from level 3 to level 2 in the year ended 31 December 2009 relates to two prelisting equity holdings for issuers with approved listings on the Ho Chi Minh City Stock Exchange in January 2010.

The following table presents the movement in level 3 instruments. All level 3 instruments held in the years ended 31 December 2010 and 31 December 2009 were in the equity class of financial instruments.

	Year ended 31 December	
	2010	2009
	US$	US$
Assets as per balance sheet		
Opening balance	988,781	4,100,813
Acquired on acquisition of net assets of Vietnam Lotus Fund Limited	2,311,331	-
Sales proceeds	-	(402,090)
In specie distribution for share redemptions	-	(2,609,512)
Transfers to level 1 - listing of equities	(922,672)	(160,972)
Transfers to level 2 - approved listing of equities	-	(595,027)
Net (losses)/gains recognised in profit or loss	(143,118)	797,454
Difference on translation to presentation currency	(3,061)	(141,885)
Closing balance	**2,231,261**	**988,781**
Total (losses)/gains for the year included in profit or loss for assets held at the end of the year	**(143,118)**	**450,214**

4. ESTIMATES AND JUDGEMENTS

4.1 Estimates

The key areas of estimation and assumption in applying accounting policies that have significant effect on the amounts recognised in the financial statements are noted below.

Fair value of prelisting equity securities

The fair value of equity securities that are not traded in an active market, and do not have an announced listing date which is shortly after the balance sheet date, is determined by using valuation techniques. Management uses its judgement to select suitable valuation methodologies and makes assumptions that are mainly based on market conditions existing at each balance sheet date. The main method used for the valuation of these prelisting holdings of the Company as at 31 December 2010 and 31 December 2009 is earnings multiples with the application of an appropriate marketability discount. The holding of the Company in the equity of a property development company has been valued by using a net asset valuation with the application of an appropriate marketability discount.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. ESTIMATES AND JUDGEMENTS (CONTINUED)

4.1 Estimates (continued)

As at 31 December 2010, the fair value of the three prelisting equity securities held by the Company is US$2,231,261 (31 December 2009: six holdings with fair value of US$1,583,808). This represents a decrease in fair value of the three holdings for the year ended 31 December 2010 of US$146,179 (price decrease of US$143,118 and foreign exchange loss on translation to presentation currency of US$3,061).

The earnings multiples used in the earnings multiples method as at 31 December 2010 were in a range from 6.8 to 7.9. If the price to earnings valuation was increased/decreased by 20%, this would have resulted in an increase/decrease in value of US$1,496,000. If the net asset valuation of the property development company was increased/decreased by 20%, this would have resulted in an increase/decrease in value of US$272,000. The marketability discounts applied were in a range from 25% to 50%.

Fair value of derivative financial instruments

From time-to-time, the Company may hold financial instruments that are not quoted in active markets, such as rights to acquire shares. Fair values of such derivative financial instruments are determined using valuation techniques, usually an option pricing model. Where valuation techniques are used to determine fair values, the inputs to the models and the results arising are reviewed by experienced personnel at the Investment Manager, independent of the valuation team.

4.2 Judgements

The key area of judgement in applying accounting policies that has significant effect on the amounts recognised in the financial statements is noted below.

Functional currency

Management considers the VND the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The Company's primary activity is to invest in equity securities of listed or prelisting Vietnamese companies. The majority of the Company's investments are originally made in VND denominated securities and will be liquidated and realised in VND. Expenses of the Company are primarily denominated in US$, with the largest expenses being based on the net asset value of the Fund which is substantially determined by the value of the investments held.

5. SEGMENT INFORMATION

The Chief Executive Officer ('CEO') of the Investment Manager makes the strategic resource allocations on behalf of the Company. The Company has determined the operating segments based on the reports reviewed by the CEO, which are used to make strategic decisions.

The CEO is responsible for the Company's entire portfolio and considers the business to have a single operating segment. The CEO's asset allocation decisions are based on a single, integrated investment strategy, and the Company's performance is evaluated on an overall basis.

The Company invests in a portfolio of the equity securities of predominantly Vietnamese companies, which are mostly listed companies, with the objective of seeking long-term capital appreciation of its assets.

The internal reporting provided to the CEO for the Company's assets, liabilities and performance is prepared on a consistent basis with the recognition and measurement principles of IFRS.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. SEGMENT INFORMATION (CONTINUED)

There were no changes in the reportable segments in the year.

The Company is domiciled in the Cayman Islands. The Company's income is predominantly from investments in equity securities of Vietnamese companies.

The Company has no assets classified as non-current assets. The Company has a highly-diversified portfolio of investments and no single investment accounts for more than 10% of the Company's income.

The Company also has a diversified shareholder population. However, as at 31 December 2010, Citivic Nominees Limited held 59.8% of the Company's participating shares, for the purpose of clearance of such shares through Euroclear, and the Investment Manager, PXP Vietnam Asset Management Limited, held a beneficial interest of 11.2% in the Company's participating shares of which an interest of 9.1% was held through Euroclear. As at 31 December 2009, Citivic Nominees Limited held 43.9% and Swisstor & Co held 20.4% of the Company's ordinary shares. There were no other shareholders as at 31 December 2010 or 31 December 2009 who held greater than 10% of the Company's shares.

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2010	**2009**
	US$	**US$**
Financial assets designated at fair value through profit or loss at inception		
- Listed equity securities	26,655,952	10,256,448
- Prelisting equity securities	2,231,261	1,583,808
- Convertible bonds	310,471	-
	29,197,684	11,840,256
Financial assets held for trading		
- Derivatives	197,033	156,942
	197,033	156,942
Total financial assets at fair value through profit or loss	**29,394,717**	**11,997,198**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Movements in financial assets at fair value through profit or loss in the year:

	Year ended 31 December	
	2010	2009
	US$	US$
Opening balance	11,997,198	23,399,479
Purchases	1,168,111	3,832,434
Acquired on acquisition of net assets of Vietnam Lotus Fund Limited	19,991,015	-
Sales proceeds	(3,120,854)	(19,603,901)
In specie distribution for share redemptions	-	(7,483,920)
Net (losses)/gains recognised in profit or loss	(50,089)	12,716,528
Difference arising on translation to presentation currency	(590,664)	(863,422)
Closing balance	**29,394,717**	**11,997,198**

Analysis of financial assets at fair value through profit or loss by industrial sector at the balance sheet dates:

	As at 31 December			
	2010		2009	
	US$	%	US$	%
Agriculture	4,124,934	14.02	1,048,117	8.74
Construction materials	1,415,850	4.81	402,871	3.36
Consumer staples	1,518,259	5.16	-	-
Energy	575,906	1.95	-	-
Financials	6,642,096	22.60	3,281,279	27.35
Food and beverages	3,015,791	10.25	1,117,194	9.31
Furniture	59,906	0.26	65,758	0.55
Garments	-	-	47,637	0.39
Logistics	671,458	2.27	639,034	5.33
Mining	1,184,551	4.02	1,188,048	9.90
Packaging	963,031	3.27	477,453	3.98
Pharmaceuticals	2,056,376	7.00	635,317	5.30
Plastics	1,498,269	5.10	726,871	6.06
Property	4,074,340	13.86	1,819,768	15.17
Steel	242,731	0.83	183,541	1.53
Technology	113,188	0.39	150,197	1.25
Telecoms	1,238,031	4.21	214,113	1.78
	29,394,717	**100.00**	**11,997,198**	**100.00**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

The Company does not hold any interests of more than 10% in the equity of the issuers.

Analysis of financial assets at fair value through profit or loss by country of incorporation of the issuer at the balance sheet dates:

	As at 31 December	
	2010	2009
	US$	US$
SR Vietnam	29,281,529	11,847,001
Singapore	113,188	150,197
	29,394,717	**11,997,198**

Net (losses)/gains arising from changes in the fair values of financial assets at fair value through profit or loss in the year:

	Year ended 31 December	
	2010	2009
	US$	US$
Sales proceeds	3,120,854	19,603,901
Value of securities transferred by *in specie* distribution	-	7,483,920
Less: opening carrying value/cost of sales	(3,225,565)	(18,430,295)
Realised (losses)/gains on sales of financial assets at fair value	(104,711)	8,657,526
Unrealised gains on financial assets at fair value	54,622	4,059,002
Net (losses)/gains recognised in profit or loss	(50,089)	12,716,528

Net (losses)/gains arising from changes in the fair values of financial assets at fair value through profit or loss as presented above is calculated with reference to the fair values of assets held at the start of the year, the costs of assets purchased during the year and fair values of assets acquired on the acquisition of net assets of Vietnam Lotus Fund Limited.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. FINANCIAL INSTRUMENTS BY CATEGORY

At 31 December 2010

	Loans and receivables	Financial assets at fair value through profit or loss	Total
	US$	US$	US$
Assets as per balance sheet			
Financial assets at fair value through profit or loss	-	29,394,717	29,394,717
Due from broker	79,335	-	79,335
Other receivables and prepayments	10,868	-	10,868
Cash and cash equivalents	97,000	-	97,000
Total	**187,203**	**29,394,717**	**29,581,920**

At 31 December 2009

	Loans and receivables	Financial assets at fair value through profit or loss	Total
	US$	US$	US$
Assets as per balance sheet			
Financial assets at fair value through profit or loss	-	11,997,198	11,997,198
Due from broker	85,259	-	85,259
Other receivables and prepayments	21,118	-	21,118
Cash and cash equivalents	42,735	-	42,735
Total	**149,112**	**11,997,198**	**12,146,310**

All financial liabilities in the balance sheets at 31 December 2010 and 31 December 2009 were classified as financial liabilities at amortised cost.

8. OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2010	2009
	US$	US$
Dividends receivable	10,868	20,280
Prepayments	8,581	838
	19,449	**21,118**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2010	2009
	US$	US$
Current account in VND	39,575	30,278
Current account in US$	57,425	12,457
	97,000	**42,735**

10. ACCRUED FEES AND OTHER PAYABLES

	As at 31 December	
	2010	2009
	US$	US$
Management fee payable (Note 12)	128,772	-
Administration and custodian fees payable	12,561	8,429
Directors' fees payable (Note 12)	86,753	-
Legal and professional fees accruals	95,439	85,944
Other payables and accruals	4,902	4,240
	328,427	**98,613**

11. SHARE CAPITAL

11.1 Closed-end fund

	Number of issued shares	Ordinary shares	Share premium	Total
		US$	US$	US$
Balance at 31 December 2009	2,132,403	106,620	22,519,783	22,626,403

Prior to 21 December 2009, the Company's authorised share capital was 10,000,000 ordinary shares with a par value of US$0.05 per share. 7,663,750 shares were issued and fully paid before 1 January 2008.

Up to 21 December 2009, the ordinary shares constituted the only class of shares in the Company. All shares had the same rights, whether in regard to voting, dividends, return of share capital and otherwise. Each issued and fully paid ordinary share was entitled to dividends when declared and carried one voting right.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. SHARE CAPITAL (CONTINUED)

11.1 Closed-end fund (continued)

During 2009, the shareholders of the Company passed resolutions that gave shareholders who wished to do so the opportunity to redeem their shares in the Company. Shareholders representing 5,531,347 shares of the Company elected to redeem their shares.

Movements in share capital in the year ended 31 December 2009:

	Ordinary shares	Share premium	Total share capital
	US$	US$	US$
At 1 January 2009	383,188	45,649,918	46,033,106
Capital redeemed during the year, 5,531,347 shares	(276,568)	(23,130,135)	(23,406,703)
At 31 December 2009	**106,620**	**22,519,783**	**22,626,403**

11.2 Open-ended fund

Management shares

	Number of issued shares	Amount paid up	Total
		US$	US$
Balance at 31 December 2010	100	100	100
Balance at 31 December 2009	-	-	-

Participating shares

	Number of issued shares	Net assets attributable to participating shareholders	Total
		US$	US$
Balance at 31 December 2010	6,084,447	29,028,634	29,028,634
Balance at 31 December 2009	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. SHARE CAPITAL (CONTINUED)

11.2 Open-ended fund (continued)

At an Extraordinary General Meeting of the Company on 21 December 2009, the shareholders of the Company passed resolutions to adopt amended and restated Memorandum and Articles of the Company and a replacement Prospectus. A resolution was also passed to increase the Company's authorised capital from US$500,000 to US$750,000 and for such authorised capital to be divided into 14,998,000 participating shares of a par value of US$0.05 each and 100 management shares of US$1 each. These resolutions enabled the Company to convert to an open-ended mutual fund which was effective when the Cayman Islands Monetary Authority issued a certificate of registration dated 29 January 2010 to confirm the registration of the Company under Section 4(3) of the Mutual Funds Law (2009 Revision).

The ordinary shares have been cancelled as at 29 January 2010, with no gain or loss arising on cancellation. The net assets attributable to equity holders as at 29 January 2010 of US$11,883,176 funded the issue of 2,132,403 fully-paid participating shares.

The management shares have been issued to PXP Vietnam Asset Management Limited, the Investment Manager, for the purpose of enabling all the shares to be redeemed without liquidating the Company and to enable the Investment Manager to vote on issues affecting the Company which require the vote of shareholders, but to not materially effect or prejudice the rights attaching to the participating shares. The management shares are not redeemable, do not carry any rights to dividends, and on a winding-up rank only for a return of paid up nominal capital *pari passu* out of the assets of the Company after the return of nominal capital paid up on the participating shares. The management shares are fully paid as at 31 December 2010.

The participating shares are redeemable on the terms set out in the replacement Prospectus, which include a minimum holding period and the Company has the ability to limit monthly cash redemptions in specified circumstances. The participating shares do not carry a right to vote; they carry rights to dividends and rights to share in any surplus assets in a winding up after the return of nominal capital paid up on the management shares. All issued participating shares are fully paid.

To determine the net asset value of the Fund for subscriptions and redemptions, listed equities are valued based on their last traded market prices as of the close of business on the relevant trading day.

The Fund's net asset value per participating share as at 31 December 2010 is US$4.771.

During the year ended 31 December 2010, the number of participating shares issued, redeemed and outstanding was as follows:

	Year ended 31 December 2010
	Number of shares
At 1 January 2010	-
Participating shares issued on conversion to open-ended fund	2,132,403
Participating shares issued for cash	56,025
Participating shares issued on acquisition of net assets of Vietnam Lotus Fund Limited	4,516,395
Participating shares redeemed	(620,376)
At 31 December 2010	**6,084,447**

Movements are shown in the statement of changes in net assets attributable to participating shareholders.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. SHARE CAPITAL (CONTINUED)

11.3 Significant shareholders

The following shareholders hold more than 10% of the Company's issued capital at one of the balance sheet dates:

	Holding as at			
	31 December 2010		31 December 2009	
Shareholder	**Shares**	**%**	**Shares**	**%**
Citivic Nominees Limited	3,640,888	59.8	936,669	43.9
Swisstor & Co	-	-	434,135	20.4

Citivic Nominees Limited holds the Company's participating shares for the purpose of clearance of such shares through Euroclear.

As at 31 December 2010, the Investment Manager, PXP Vietnam Asset Management Limited, held a beneficial interest of 683,584 shares (11.2%) in the Company's participating shares of which 555,643 shares (interest of 9.1%) were held through Euroclear. As at 31 December 2009, the Investment Manager held a beneficial interest in the Company of 135,495 ordinary shares (6.4%) all of which were held through Euroclear.

12. RELATED PARTY TRANSACTIONS

Investment Manager

The Company is managed by the Investment Manager, PXP Vietnam Asset Management Limited, a company incorporated with limited liability under the laws of the British Virgin Islands. As described in Note 11.2, after the Company's conversion to an open-ended mutual fund effective 29 January 2010, 100 management shares were issued to the Investment Manager, representing 100% of the management shares of the Company. The management shares were fully paid on 21 May 2010. The management shares enable the Investment Manager to vote on issues affecting the Company which require the vote of shareholders, but to not materially effect or prejudice the rights attaching to the participating shares.

The Company pays to the Investment Manager a monthly management fee which is equal to one-twelfth of 2% of the net asset value of the Company, is payable monthly in advance and is calculated by reference to the valuation day at the end of the preceding month. The total management fee for the year amounted to US$248,730 (2009: US$345,111) and the outstanding fee payable at 31 December 2010 was US$128,772 (31 December 2009: US$ Nil).

The Investment Manager is also entitled to receive an annual performance fee for increases in the net asset value per share subject to adjustments for the 'high water mark' so that any losses from prior periods must be recouped before a performance fee is earned and a hurdle rate of 8% which is applied to the higher of the opening net asset value or high water mark for each share at the start of each year. Any performance fee payable will be equal to 20% of the excess of the year-end net asset value per share (before deduction of performance fee accrual) above the hurdle for that share. If shares are redeemed during a year, any accrued performance fee on such shares will be payable to the Investment Manager at the time of the share redemption. No performance fee was payable by the Company for the year ended 31 December 2010 (31 December 2009: US$ Nil) and outstanding performance fee as at 31 December 2010 was US$ Nil (31 December 2009: US$ Nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. RELATED PARTY TRANSACTIONS (CONTINUED)

Investment Manager (continued)

PXP Vietnam Asset Management Limited held 135,495 ordinary shares in the Company as at 31 December 2009. On 8 January 2010 and on 1 April 2010 the Investment Manager acquired a further 20,378 participating shares and 40,000 participating shares in the Company, respectively. The Investment Manager was holding 1,071,000 shares in Vietnam Lotus Fund Limited immediately prior to the acquisition of the net assets of Vietnam Lotus Fund Limited. On the acquisition of the net assets of Vietnam Lotus Fund Limited, 487,711 participating shares were issued to the Investment Manager and the 1,071,000 shares in Vietnam Lotus Fund Limited were cancelled, bringing the total holding of the Investment Manager to 683,584 participating shares of the Company.

Directors' remuneration

The Board of Directors of the Company determines the fees payable to each director, subject to a maximum aggregate amount of US$50,000 per annum being paid to the members of the Board.

The total directors' remuneration for the year was US$41,246 (2009: Nil) and accrued directors' fees as at 31 December 2010 was US$86,753 (2009: US$ Nil).

13. CUSTODIAN, ADMINISTRATION AND SECRETARIAL FEES

	Year ended 31 December	
	2010	**2009**
	US$	**US$**
Custodian and administration fees and expenses	82,130	47,213
Company secretarial fees and expenses	4,831	2,450
	86,961	**49,663**

14. OTHER OPERATING EXPENSES

	Year ended 31 December	
	2010	**2009**
	US$	**US$**
Legal and professional fees	51,048	62,579
Insurance	3,558	7,648
Other expenses	3,413	1,012
	58,019	**71,239**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. INCOME TAX

	Year ended 31 December	
	2010	2009
	US$	US$
Withholding tax on dividends from investment funds	3,222	2,747

16. NET ASSET VALUE PER SHARE

	As at 31 December	
	2010	2009
Net assets attributable to participating shareholders (US$)	29,028,634	12,047,697
Number of shares in issue	6,084,447	2,132,403
Net asset value per share (US$ per share)	4.771	5.650

The net asset value per share is determined by dividing the net assets attributable to participating shareholders by the number of participating shares (31 December 2009: net assets divided by the number of ordinary shares) issued and outstanding at the balance sheet date.

17. ACQUISITION OF THE NET ASSETS OF VIETNAM LOTUS FUND LIMITED

On 1 December 2010, the Company issued 4,516,395 participating shares to the shareholders of Vietnam Lotus Fund Limited to acquire 100% of the net assets of Vietnam Lotus Fund Limited, which was a closed-end investment company incorporated in the Cayman Islands. The share exchange ratio was based on the net asset value per share of the respective companies on the valuation date of 29 October 2010. The shareholders of Vietnam Lotus Fund Limited received one participating share of the Company for every 2.195975 ordinary shares of Vietnam Lotus Fund Limited formerly held.

The acquisition of net assets was in the form of a merger in accordance with the Companies Law (2010 Revision) of the Cayman Islands, and Vietnam Lotus Fund Limited ceased to continue as a separate legal entity. The assets of Vietnam Lotus Fund Limited are transferred to the Company and liabilities of Vietnam Lotus Fund Limited assumed by the Company as at 1 December 2010.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. ACQUISITION OF THE NET ASSETS OF VIETNAM LOTUS FUND LIMITED (CONTINUED)

The following table summarises the cost of the net asset acquisition and the amounts of the assets acquired and liabilities assumed recognised at the net asset acquisition date.

	US$
Consideration at 1 December 2010	
Equity instruments (4,516,395 participating shares)	20,147,638
Total consideration transferred	**20,147,638**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	88,775
Financial assets at fair value through profit or loss	19,991,015
Due from broker	106,227
Other receivables and prepayments	49,953
Accrued fees and other payables	(88,332)
Total identifiable net assets	**20,147,638**

The fair value of the 4,516,395 participating shares issued on 1 December 2010 is based on the net asset value per share of the Company on 30 November 2010.

DIRECTORY

DIRECTORS OF THE COMPANY
as at 31 December 2010

Mr Gregory Hazlett
Mr Antony Jordan
Mr Christopher Vale

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