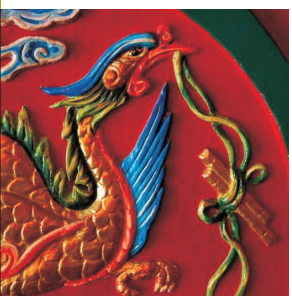
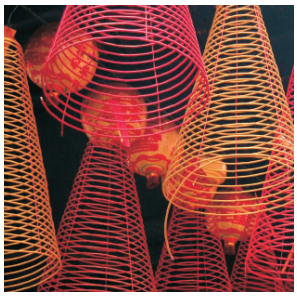
VIETNAM
EMERGING EQUITY FUND

VIETNAM EMERGING EQUITY FUND LIMITED

Annual report
and audited financial statements
for the year ended 31 December

2011

Contents

Annual Report
and audited financial statements
for the year ended 31 December 2011

OBJECTIVE AND HIGHLIGHTS

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

	2011	2010	% change
Financial position at 31 December			
Total Net Assets	US$27.5m	US$29.0m	-5.17%
Participating shares of US$0.05 in issue	8,308,692	6,084,447	36.56%
Net Asset Value ('NAV') per share	US$3.311	US$4.771	-30.60%
Vietnamese Dong ('VND')/US dollar ('US$') exchange rate	21,033	19,498	-7.87%
Viet Nam Index	351.55	484.66	-27.46%
Viet Nam Index adjusted US$ rate	235.54	350.28	-32.76%
Results for the year to 31 December			
Net (loss)/profit for the year	(US$7.90m)	US$0.06m	
Expense ratio[1]	3.24%	3.58%	

RELATIVE PERFORMANCE

	NAV per share[2]	Viet Nam Index[3]
	%	%
Performance for years to 31 December 2011		
1 year	-30.60	-32.76
2 years	-41.40	-37.59
3 years	6.91	-7.59
4 years	-71.76	-71.11
5 years	-64.79	-64.33
6 years	-34.03	-13.55

[1] The expense ratio is calculated as total expenses, excluding brokerage commissions, as a percentage of the average month-end net assets for the year.

[2] NAV per share performance is the total percentage movement in NAV per share for the stated number of years up to 31 December 2011.

[3] Viet Nam Index performance is the total percentage movement in the Viet Nam Index (presented in US dollar terms) for the stated number of years up to 31 December 2011.

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 2011.

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 Company was converted to an open-ended mutual fund effective from 29 January 2010.

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.

PERFORMANCE AND OUTLOOK

Over the financial year to 31 December 2011, the NAV per share of the Company decreased from US$4.771 to US$3.311, a fall of 30.60% compared to a decrease in the Viet Nam Index ('VNI') in US dollar terms of 32.76% over the same period.

The extremely disappointing performance of the Vietnam stock market in 2011 was due in a large part to the effect of domestic macroeconomic factors, although the market was also not immune to the impacts of global economic uncertainty and market turbulence. The year commenced with Vietnam price inflation at 12% year-on-year and accelerating quickly, and with heightened pressure on the Vietnamese Dong (the 'Dong'). The robust growth of the Vietnamese economy over the past decade, averaging over 7% per annum, had been accompanied by a persistent large trade deficit and consequent weakness of the Dong.

The actions taken by the Vietnamese government from early 2011 to tackle the economic troubles included a 9% devaluation of the Dong against the US dollar in February 2011, tightened monetary policies involving interest rate increases and restrictions on credit growth. The limits on 'non-productive' lending hit hardest in the real estate sector, with the booming market of recent years seizing up, prices falling, and many projects being shelved as developers ran short of cash. The stock market suffered from the cut-off of margin lending to local investors and a general lack of optimism in the short-term outlook for Vietnamese equities, with the continued deficit of confidence in the local currency driving investors to hold gold or US dollars instead of Dong-denominated securities.

Although the stock market did not recover during 2011, the signs for cautious optimism were growing as the year drew to a close. The government and State Bank of Vietnam have not retreated from the tight monetary policies and credit growth restrictions, but the economic conditions may facilitate a controlled reduction in interest rates in 2012. After peaking at over 23% year-on-year in August 2011, price inflation has steadily reduced, down to 14% year-on-year by March 2012. The Dong has been relatively stable since the February 2011 devaluation, strengthening by 0.3% over the twelve months to 31 March 2012.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

PERFORMANCE AND OUTLOOK (CONTINUED)

After the year-end, the VNI and the unaudited NAV per share of the Company both increased by around 25% over the three months to 31 March 2012. Market liquidity has returned to the levels last seen in 2009. Turnover continues to be dominated by local investors, but there are indications that foreign investors are recapturing some interest in Vietnam, drawn by the relative value of stocks in the market. In the view of the Directors, there are potential risks to the Vietnamese economy from uncertain global economic conditions and the susceptibility to external shocks such as further increases in the global costs of food and fuel, but the underlying strong prospects for the Vietnamese economy and stock market remain intact.

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 Gregory Hazlett
Mr Antony Jordan
Mr Christopher Vale

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 2011 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 that the accompanying financial statements as set out on pages 9 to 37, 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.

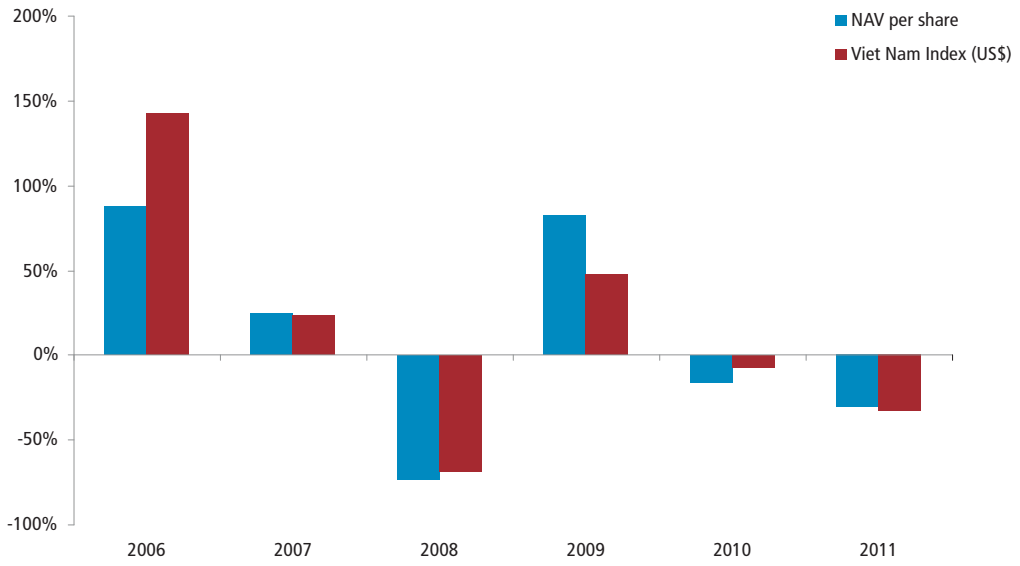
On behalf of the Board of Directors

Antony Jordan
Director
26 April 2012

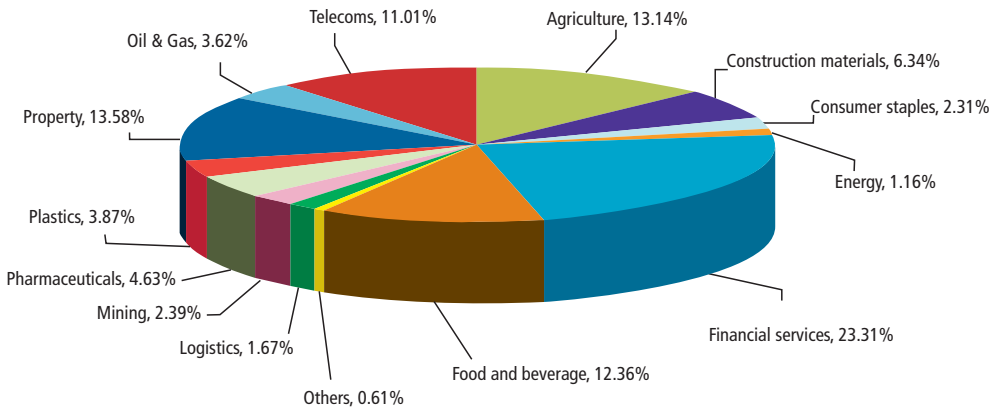
REPORT OF THE INVESTMENT MANAGER

REVIEW OF THE YEAR

During the year under review the Company's Net Asset Value ('NAV') per share decreased by 30.60%, from US$4.771 to US$3.311. This compares with a decrease in the Viet Nam Index ('VNI') of 32.76% in US dollar terms over the same period. The Vietnamese Dong depreciated by 7.87% over the period under review. The table below represents the year-on-year NAV performance as compared to that of the VNI in US dollar terms for the financial years since inception.



An analysis of the portfolio at an industry sector level as at 31 December 2011 is included in Note 6 of the accompanying financial statements and in the chart below.



REPORT OF THE INVESTMENT MANAGER (CONTINUED)

STOCK MARKET

A truly disappointing performance by the Vietnam stock market with macro issues firmly in focus throughout a forgettable year under review for the Company. Whilst the Company's NAV declined by less than the benchmark we do not expect plaudits for the outperformance in such a dismal year.

The 9% devaluation of the Dong against the US dollar in mid-February 2011 derailed what had been a reasonably positive start to the year and once the VNI fell below 500 points a week later it never managed to recover that level in spite of a couple of short-lived attempts to rally in the second and third quarters, closing a couple of points off the traded low for the year.

Fortunately, after further weakness in the first week of January 2012 had taken the index to a 32-month low, the market reversed direction in the second week with no obvious catalyst and with most observers slow to accept a sea-change in sentiment which has propelled the index up a shade over 40% from the 9 January 2012 traded low to the time of writing.

So what has changed? Essentially recognition of the significant easing of the macroeconomic stresses (discussed below) which caused Vietnam-specific weakness last year has played a major role, allowing domestic investors to concentrate on equity valuations, and as global risk appetite has increased foreign investors are also returning to the market.

ECONOMY

The February 2011 devaluation imported additional upward pressure on prices already under stress from global increases in the cost of food and energy, the two highest-weighted components of Vietnam's Consumer Price Index basket. The annual inflation rate peaked in August 2011 at 23.2% and began a steady decline for the remainder of the year and into 2012, which is expected to see inflation year-on-year fall below 12%. Credit for this marked improvement is due to the determined application of a monetary policy shift away from focusing on 'growth above everything' to a high interest rate regime after the devaluation in an attempt to restrain the impact of loose credit growth.

The aggressive adjustment of the US dollar exchange rate mechanism proved timely, however, as although sentiment remained nervous for the remainder of the year the Vietnamese Dong proved remarkably resilient with monetary policy supportive through interest rate management. This in turn gradually began to restore confidence in the currency and as the annual rate of inflation began to decline sharply at around the turn of the year optimism on the interest rate outlook laid the foundation for the strong advance in the stock market.

STRATEGY

Our strategy remains to build and maintain a high conviction portfolio providing Shareholders with access to the highest quality companies listed in Vietnam. We continue to apply a rigorous, research-driven, bottom-up approach to stock selection which we believe will enable Shareholders to maximise returns over the long term.

REPORT OF THE INVESTMENT MANAGER (CONTINUED)

OUTLOOK

Interest rates are coming down as the rate of inflation moderates, resulting in earnings forecasts being raised with the result (if predicted improvements in profitability prove correct) that valuations are not yet becoming stretched by share price increases. Our universe of 120 listed stocks remains just below nine times 2012 earnings at the time of writing which is supportive of further gains in a market which has historically (albeit over less than a dozen years in existence) traded between eight and 35 times earnings. We are confident that the rally has further to go, barring external shocks or backpedalling domestically on an overall monetary policy platform which appears to us designed to put an end to the mini 'boom bust' cycles of the past five years or so. We are convinced that we are now in a structural bull market which, if the index manages to continue to advance in an orderly fashion in a benign global macro environment, could return us to previous highs in a couple of years or so.

On behalf of the Investment Manager

Kevin Snowball
26 April 2012

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 2011, 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.

Directors' 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 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers
26 April 2012

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BALANCE SHEET

	Notes	As at 31 December 2011 US$	As at 31 December 2010 US$
Assets			
Current assets			
Financial assets at fair value through profit or loss	6	27,288,597	29,394,717
Due from brokers		-	79,335
Other receivables and prepayments	8	90,505	19,449
Cash and cash equivalents	9	207,486	97,000
Total assets		**27,586,588**	**29,590,501**
Equity			
Management shares	11	100	100
Total equity		**100**	**100**
Liabilities			
Current liabilities			
Share redemption payables		-	233,340
Accrued fees and other payables	10	72,313	328,427
Total liabilities (excluding net assets attributable to participating shareholders)		**72,313**	**561,767**
Net assets attributable to participating shareholders	11	**27,514,175**	**29,028,634**
Total equity and liabilities		**27,586,588**	**29,590,501**
Net asset value per participating share	16	**3.311**	**4.771**

The notes on pages 14 to 37 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2011	Year ended 31 December 2010
		US$	US$
Interest income		27,645	1,839
Dividend income		1,404,041	564,120
Net losses on financial assets at fair value through profit or loss	6	(8,408,988)	(50,089)
Net investment (loss)/income		**(6,977,302)**	**515,870**
Management fee	12	(532,326)	(248,730)
Custodian, administration and secretarial fees	13	(106,067)	(86,961)
Transaction costs		(84,355)	(6,184)
Directors' fees	12	(27,000)	(41,246)
Foreign exchange loss - net		(118,458)	(7,712)
Other operating expenses	14	(51,918)	(58,019)
Total operating expenses		**(920,124)**	**(448,852)**
(Loss)/profit before tax		**(7,897,426)**	**67,018**
Income tax expense	15	(3,036)	(3,222)
Net (loss)/profit for the year		**(7,900,462)**	**63,796**
Other comprehensive income/(loss)			
Currency translation differences		(1,993,607)	(590,398)
Total comprehensive loss for the year		**(9,894,069)**	**(526,602)**

The notes on pages 14 to 37 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 2010	**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	(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**
Balance at 31 December 2011	**-**	**-**	**-**	**-**	**100**	**100**

The notes on pages 14 to 37 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	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 for the year ended 31 December 2010	**29,555,236**
Balance at 31 December 2010 / 1 January 2011	**29,028,634**
Comprehensive loss	
Net loss for the year	(7,900,462)
Other comprehensive loss	
Currency translation differences	(1,993,607)
Total comprehensive loss for the year ended 31 December 2011	**(9,894,069)**
Transactions with participating shareholders	
Proceeds from redeemable shares issued	14,750,000
Redemption of redeemable shares	(6,370,390)
Total transactions with participating shareholders for the year ended 31 December 2011	**8,379,610**
Balance at 31 December 2011	**27,514,175**

The notes on pages 14 to 37 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Year ended 31 December	
	2011	2010
	US$	US$
Cash flows from operating activities		
Purchases of financial assets	(12,415,418)	(1,169,422)
Proceeds from sales of financial assets	4,112,694	3,233,006
Dividends received	1,334,913	617,931
Interest received	27,645	1,839
Operating expenses paid	(1,092,582)	(311,915)
Income tax paid	(3,036)	(3,222)
Net cash (used in)/generated from operating activities	**(8,035,784)**	**2,368,217**
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	14,750,000	249,930
Proceeds from issue of management shares	-	100
Redemptions of redeemable shares	(6,603,730)	(2,652,762)
Net cash flows generated from/(used in) financing activities	**8,146,270**	**(2,402,732)**
Net increase in cash and cash equivalents	**110,486**	**54,265**
Cash and cash equivalents at beginning of year	97,000	42,735
Cash and cash equivalents at end of year (Note 9)	**207,486**	**97,000**

In the year ended 31 December 2010, there was a significant non-cash transaction involving 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). There were no significant non-cash transactions in the year ended 31 December 2011.

The notes on pages 14 to 37 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 was 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.

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.

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) Revised and amended standards, new and amended interpretations that are effective for the year ended 31 December 2011

'Improvements to IFRSs 2010' is a set of amendments to six standards and one IFRIC interpretation which are effective for the year ended 31 December 2011. The following two amendments could be applicable to the Company:

- Amendment to IFRS 7 *Financial Instruments: Disclosures* emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments, and gives some clarifications related to the disclosure of financial instruments. There is no material impact from this amendment in the financial statements of the Company for the year ended 31 December 2011.

- Amendment to IAS 1 *Presentation of Financial Statements* clarifies that the presentation of an analysis of the components of other comprehensive income by item can be either in the statement of changes in equity or within the notes. There is no impact from this amendment in the financial statements of the Company for the year ended 31 December 2011.

The other amendments to standards and new or amended interpretations that are effective for the year ended 31 December 2011 did not have an impact on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) New and amended standards that are not yet effective and have not been early adopted by the Company

IFRS 9 (2010) *Financial Instruments* is effective from 1 January 2015. There are significant changes to existing guidance in IAS 39, including the multiple classification and measurement models 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* is effective from 1 January 2013. The standard provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements. 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 1 (amendment) *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income* is effective from 1 July 2012. The amendments include a requirement for entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss, and the title of the statement of comprehensive income is changed to 'statement of profit or loss and other comprehensive income'. When the amendment is adopted, the Company will revise the title of its performance statement in line with the amended standard.

There are no other new or amended IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

2.2 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, 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 Dong denominated securities and will be liquidated and realised in Dong.

The Company has adopted the US dollar as its presentation currency, as its shareholders are based outside SR Vietnam and the US dollar is a more widely used and recognised currency than the Dong. The shareholders' investments in the Company are made in US dollar and any redemptions will be paid to the shareholders in US dollar.

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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Foreign currency translation (continued)

(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.

2.3 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(d) Fair value estimation (continued)

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.

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

2.4 Due from and due to brokers

Amounts due from and due to brokers 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 brokers.

2.5 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.

2.6 Redeemable shares

The Company issues 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)

2.7 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.

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 in Vietnam. Equity shares of non-public joint-stock companies and ownership interests in limited liability companies in Vietnam 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 gains/(losses) 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 are subject to 25% withholding tax. Up to 29 February 2012, interest received by the Company from cash deposits at banks operating in Vietnam, interest from Vietnamese bonds and interest from certificates of deposits were subject to 10% withholding tax. Effective from 1 March 2012 the withholding tax rate on interest is changed to 5%. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Current and deferred taxation (continued)

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.

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. Currently most of the investments of the Company are in equity securities of listed Vietnamese companies, resulting in a concentration of market price risk as the value of the financial assets of the Company are particularly heavily dependent on the performance of the Vietnamese stock exchanges.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISKS (CONTINUED)

3.1.1 Market price risk (continued)

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 the Ho Chi Minh City Stock Exchange, the value of the Company's portfolio may change due to general price movements on this exchange. 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 2011, 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$8,100,000 (31 December 2010: US$8,600,000). A 30% drop of the VNI would give an estimated equal but opposite effect on net result and net assets.

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.

For transactions of listed securities in Vietnam, the risk of default is considered minimal as it is a pre-funding market. The availability of cash for a buy trade or securities for a sell trade is confirmed to the relevant broker by the custodian bank before trade execution. Securities are settled through the Vietnam Securities Depository (VSD) and the cash settlement is outsourced to a Vietnamese state-owned bank.

From September 2011, the bank accounts of the Company are held at one bank in Hong Kong that has a Standard & Poor's rating of short-term A-1+, long-term AA- and outlook stable as at 1 March 2012 and in the Vietnam subsidiary of the same bank which does not have a separate credit rating.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISKS (CONTINUED)

3.1.3 Credit risk (continued)

The maximum exposure to credit risk at the balance sheet dates is the carrying amount of the financial assets as set out below.

	As at 31 December	
	2011	2010
	US$	US$
Derivative financial instruments	-	197,033
Due from brokers	-	79,335
Dividends receivable	79,996	10,868
Cash and cash equivalents	207,486	97,000
Total	**287,482**	**384,236**

None of these financial assets is either past due or impaired at the balance sheet dates.

3.1.4 Liquidity risk

The Company is permitted to borrow money and to grant security over its assets. However, the Articles of Association 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISKS (CONTINUED)

3.1.4 Liquidity risk (continued)

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 2011

	Less than one month	One month to 12 months	No stated maturity
	US$	US$	US$
Administration and custodian fees payable	5,450	-	-
Directors' fees payable	-	27,000	-
Legal and professional fees payables and accruals	20,675	19,000	-
Other payables and accruals	188	-	-
Contractual cash out flows	**26,313**	**46,000**	**-**

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 payables and accruals	74,939	20,500	-
Other payables and accruals	2,642	2,260	-
Contractual cash out flows	**452,254**	**109,513**	**-**

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 Dong. Currency risk, as defined in IFRS 7, arises on financial instruments that are denominated in a currency other than the functional currency.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISKS (CONTINUED)

3.1.5 Currency risk and conversion risk (continued)

Currency risk (continued)

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

At 31 December 2011

	Amounts denominated in VND	Amounts denominated in US$	Amounts denominated in Euro	Amounts denominated in Singapore $	Total
	US$	US$	US$	US$	US$
Assets					
Financial assets at fair value	27,088,681	-	147,416	52,500	27,288,597
Receivables and prepayments	79,996	10,509	-	-	90,505
Cash and cash equivalents	86,522	17,456	103,508	-	207,486
Total assets	**27,255,199**	**27,965**	**250,924**	**52,500**	**27,586,588**
Liabilities					
Accrued fees and other payables	-	(72,313)	-	-	(72,313)
Total liabilities	**-**	**(72,313)**	**-**	**-**	**(72,313)**
Net assets/(liabilities)	**27,255,199**	**(44,348)**	**250,924**	**52,500**	**27,514,275**

At 31 December 2010

	Amounts denominated in VND	Amounts denominated in US$	Amounts denominated in Euro	Amounts denominated in Singapore $	Total
	US$	US$	US$	US$	US$
Assets					
Financial assets at fair value	29,281,529	-	-	113,188	29,394,717
Due from brokers	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)

The year-end exchange rates were:

	As at 31 December	
	2011	2010
	US$	US$
Vietnamese Dong/US dollar	21,033	19,498
Euro/US dollar	1.30	1.33
Singapore dollar/US dollar	1.30	1.28

Currency risk - sensitivity analysis

As at 31 December 2011, had the US dollar strengthened by 10% in relation to the Dong, with all other variables held constant, there would be a net exchange loss arising from the receivables, cash and payables denominated in US dollar which is estimated as US$4,000 (31 December 2010: US$49,000). A 10% devaluation of US dollar against the Dong would give an estimated equal but opposite net exchange gain.

Conversion risk

The majority of the Company's investments are denominated in Dong and pay dividends in Dong. Shareholders' investments in the Company are made in US dollar, and the Company converts such US dollar mostly into Dong prior to making investments. The Company will need to convert Dong to US dollar to make distributions to shareholders or to settle redemptions of participating shares, but the Dong 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 Dong 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 Dong against other currencies. If conversion is not effected at all, some of the Company's assets may be denominated in a non-convertible currency.

The Company may seek to hedge against a decline in the value of the Company's investments in US dollar 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 2011.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISKS (CONTINUED)

3.2 Capital risk management (continued)

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).

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

At 31 December 2011

	Level 1	Level 2	Level 3	Total balance
	US$	US$	US$	US$
Financial assets				
Financial assets designated at fair value through profit or loss at inception:				
- Equity securities	25,493,051	-	1,795,546	27,288,597
Total financial assets	**25,493,051**	**-**	**1,795,546**	**27,288,597**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISKS (CONTINUED)

3.3 Fair value estimation (continued)

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	26,655,952	-	2,231,261	28,887,213
- Convertible bonds	-	310,471	-	310,471
Total financial assets	**26,655,952**	**310,471**	**2,428,294**	**29,394,717**

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.

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 amount at 31 December 2010 was a holding of convertible bonds in the equity of one issuer on the Ho Chi Minh City Stock Exchange. The bonds were not listed. They were converted to equity in August 2011, having no option for repayment or to defer conversion. The bonds were valued based on the price of the underlying equity shares.

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 2011 consists of three prelisting equity securities (31 December 2010: three prelisting equity securities).

The methods used for the valuations of the three prelisting equity holdings are:

- property development company: net asset valuation with a market discount;
- telecommunications company: average enterprise value per subscriber of comparable regional companies, with the application of a discount for relative size and competitive positioning and a further marketability discount; and
- pharmaceutical company: earnings multiples with the application of a marketability discount.

The level 3 derivative amount at 31 December 2010 represented rights to acquire shares in two issuers that are listed on the Ho Chi Minh City Stock Exchange. The rights were exercised on 25 January 2011 and 24 February 2011 respectively. The rights were valued using an option pricing model. The rights were previously classified within level 2 but have been reassessed to be within level 3.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISKS (CONTINUED)

3.3 Fair value estimation (continued)

There were no transfers between levels 1 and 2 in the year ended 31 December 2011 (31 December 2010: none).

The following table presents the movement in level 3 instruments by class of financial instrument.

At 31 December 2011

	Derivatives	Equity	Total
	US$	US$	US$
Assets as per balance sheet			
Opening balance	197,033	2,231,261	2,428,294
Exercise of rights	(197,033)	-	(197,033)
Net losses recognised in profit or loss	-	(277,689)	(277,689)
Difference arising on translation to presentation currency	-	(158,026)	(158,026)
Closing balance	**-**	**1,795,546**	**1,795,546**
Total losses for the year included in profit or loss for assets held at the end of the year	**-**	**(277,689)**	**(277,689)**

At 31 December 2010

	Derivatives	Equity	Total
	US$	US$	US$
Assets as per balance sheet			
Opening balance	156,942	988,781	1,145,723
Acquired on acquisition of net assets of Vietnam Lotus Fund Limited	-	2,311,331	2,311,331
Transfers to level 1 - listing of equities	-	(922,672)	(922,672)
Exercise of rights	(156,942)	-	(156,942)
Net gains/(losses) recognised in profit or loss	197,033	(143,118)	53,915
Difference arising on translation to presentation currency	-	(3,061)	(3,061)
Closing balance	**197,033**	**2,231,261**	**2,428,294**
Total gains/(losses) for the year included in profit or loss for assets held at the end of the year	**197,033**	**(143,118)**	**53,915**

The transfer from level 3 to level 1 in the year ended 31 December 2010 related to three prelisting equity holdings for three issuers that were listed on the Ho Chi Minh City Stock Exchange during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISKS (CONTINUED)

3.3 Fair value estimation (continued)

The total losses for the year ended 31 December 2011 and total gains/(losses) for the year ended 31 December 2010 included in profit or loss for assets held at the end of each year are presented in 'Net losses on financial assets at fair value through profit or loss' in the income statement.

4. ESTIMATES AND JUDGEMENTS

4.1 Estimates and assumptions

The key area of estimation and assumption in applying accounting policies that has a significant effect on the amounts recognised in the financial statements is 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.

As at 31 December 2011, the fair value of the three prelisting equity securities held by the Company is US$1,795,546 (31 December 2010: three holdings with fair value of US$2,231,261). This represents a decrease in fair value of the three holdings for the year ended 31 December 2011 of US$435,715 (price decrease of US$277,689 and foreign exchange loss on translation to presentation currency of US$158,026).

The methods used for the valuations of the two prelisting equity holdings with a significant value to the balance sheet of the Company are:

- property development company: net asset valuation with a market discount; and
- telecommunications company: average enterprise value per subscriber of comparable regional companies, with the application of a discount for relative size and competitive positioning and a further marketability discount.

The valuation of the net assets of the property development company as at 31 December 2011 was US$1,961,622 (31 December 2010: US$2,723,488) and the market discount applied was 50% (31 December 2010: 50%). If the net asset valuation was increased/decreased by 20%, this would have resulted in an increase/decrease in value of US$196,000. If the market discount was higher/lower by 20% this would have resulted in a decrease/ increase in value of US$392,000.

The average enterprise value per subscriber of comparable regional companies used in the valuation of the telecommunications company was US$187 (31 December 2010: US$192), the discount applied for relative size and competitive positioning was 52.5% (31 December 2010: 52.5%) and the marketability discount was 25% (31 December 2010: 25%). If the average enterprise value per subscriber of comparable regional companies was increased/decreased by 20%, this would have resulted in an increase/decrease in value of US$251,000. If the discount for relative size and competitive positioning was higher/lower by 20% this would have resulted in a decrease/increase in value of US$529,000.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. ESTIMATES AND JUDGEMENTS (CONTINUED)

4.2 Judgements (continued)

Functional currency

Management considers the Dong 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 Dong denominated securities and will be liquidated and realised in Dong. Expenses of the Company are primarily denominated in US dollar, 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 CEO is responsible for the Company's entire portfolio and makes decisions based on a single, integrated investment strategy with the performance of the Company being evaluated on an overall basis. The internal reports which the CEO uses are prepared on a consistent basis with the recognition and measurement principles of IFRS. Based on the structure of internal reviews, the CEO considers that the Company operates in a single operating segment and there has been no change in the way the Company operates in the years ended 31 December 2011 and 2010.

The Company is domiciled in the Cayman Islands and invests predominantly in Vietnamese companies, which are mostly listed companies.

The Company has a diversified shareholder population. See Note 11 for details of the number of shares held by Citivic Nominees Limited for the purpose of clearance of such shares through Euroclear. There were no other shareholders as at 31 December 2011 or 31 December 2010 who held greater than 20% of the Company's shares.

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2011	**2010**
	US$	**US$**
Financial assets designated at fair value through profit or loss at inception		
- Listed equity securities	25,493,051	26,655,952
- Prelisting equity securities	1,795,546	2,231,261
- Convertible bonds	-	310,471
	27,288,597	29,197,684
Financial assets held for trading		
- Derivatives	-	197,033
	-	197,033
Total financial assets at fair value through profit or loss	**27,288,597**	**29,394,717**

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	
	2011	2010
	US$	US$
Opening balance	29,394,717	11,997,198
Purchases	12,415,418	1,168,111
Acquired on acquisition of net assets of Vietnam Lotus Fund Limited	-	19,991,015
Sales proceeds	(4,033,359)	(3,120,854)
Net losses recognised in profit or loss	(8,408,988)	(50,089)
Difference arising on translation to presentation currency	(2,079,191)	(590,664)
Closing balance	**27,288,597**	**29,394,717**

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

	As at 31 December			
	2011		2010	
	US$	%	US$	%
Agriculture	3,586,339	13.14	4,124,934	14.02
Construction materials	1,729,646	6.34	1,415,850	4.81
Consumer staples	630,271	2.31	1,518,259	5.16
Energy	317,321	1.16	575,906	1.95
Financial services	6,361,198	23.31	6,642,096	22.60
Food and beverage	3,371,653	12.36	3,015,791	10.25
Logistics	456,555	1.67	671,458	2.27
Mining	652,039	2.39	1,184,551	4.02
Packaging	-	-	963,031	3.27
Pharmaceuticals	1,264,290	4.63	2,056,376	7.00
Plastics	1,056,623	3.87	1,498,269	5.10
Property	3,705,867	13.58	4,074,340	13.86
Oil and gas	986,956	3.62	-	-
Telecoms	3,005,583	11.01	1,238,031	4.21
Others	164,256	0.61	415,825	1.48
	27,288,597	**100.00**	**29,394,717**	**100.00**

As at 31 December 2011, the value of one holding in the equity of an issuer within the financial services sector is 11.27% of the net asset value of the Company (31 December 2010: 9.63%). There are no other holdings with value exceeding 10% of the net asset value of the Company as at 31 December 2011 or 31 December 2010.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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	
	2011	2010
	US$	US$
SR Vietnam	27,088,681	29,281,529
Singapore	52,500	113,188
Cayman Islands	147,416	-
	27,288,597	**29,394,717**

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

	Year ended 31 December	
	2011	2010
	US$	US$
Sales proceeds	4,033,359	3,120,854
Less: opening carrying value/cost of sales	(4,648,596)	(3,225,565)
Realised losses on sales of financial assets at fair value	(615,237)	(104,711)
Unrealised (losses)/gains on financial assets at fair value	(7,793,751)	54,622
Net losses recognised in profit or loss	**(8,408,988)**	**(50,089)**

Net losses 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 (in the year ended 31 December 2010).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. FINANCIAL INSTRUMENTS BY CATEGORY

At 31 December 2011

	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	-	27,288,597	27,288,597
Other receivables and prepayments	90,505	-	90,505
Cash and cash equivalents	207,486	-	207,486
Total	**297,991**	**27,288,597**	**27,586,588**

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**

All financial liabilities in the balance sheets at 31 December 2011 and 31 December 2010 were classified as financial liabilities at amortised cost.

8. OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2011	2010
	US$	US$
Dividends receivable	79,996	10,868
Prepayments	10,509	8,581
	90,505	**19,449**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2011	2010
	US$	US$
Current account in VND	86,522	39,575
Current account in US$	17,456	57,425
Current account in Euro	103,508	-
	207,486	**97,000**

10. ACCRUED FEES AND OTHER PAYABLES

	As at 31 December	
	2011	2010
	US$	US$
Management fee payable (Note 12)	-	128,772
Administration and custodian fees payable	5,450	12,561
Directors' fees payable (Note 12)	27,000	86,753
Legal and professional fees payables and accruals	39,675	95,439
Other payables and accruals	188	4,902
	72,313	**328,427**

11. SHARE CAPITAL

Management shares

	Number of issued shares	Amount paid-up
		US$
Balance at 31 December 2011 and 31 December 2010	100	100

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. SHARE CAPITAL (CONTINUED)

Participating shares

	Number of issued shares	Net assets attributable to participating shareholders
		US$
Balance at 31 December 2011	8,308,692	27,514,175
Balance at 31 December 2010	6,084,447	29,028,634

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 were fully paid as at 31 December 2010 and as at 31 December 2011.

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 ensure the equitable allocation of performance fee (if applicable) between participating shares, the Company issues a new series of shares each time there is a subscription. Performance fee (if applicable) is charged to each series separately. At the end of each financial year, every series on which a performance fee is payable in respect to that financial year will be consolidated into the Lead Series.

The Fund's net asset value per participating share as at 31 December 2011 is US$3.311 (31 December 2010: US$4.771). There was no performance fee accrued on any series in issue as at 31 December 2011 and as at 31 December 2010.

The number of participating shares issued, redeemed and outstanding in the year was as follows:

	Year ended 31 December	
	2011	2010
	Number of shares	Number of shares
Opening balance	6,084,447	-
Participating shares issued on conversion to open-ended fund	-	2,132,403
Participating shares issued for cash	3,797,267	56,025
Participating shares issued on acquisition of net assets of Vietnam Lotus Fund Limited	-	4,516,395
Participating shares redeemed	(1,573,022)	(620,376)
Closing balance	**8,308,692**	**6,084,447**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. SHARE CAPITAL (CONTINUED)

Participating shares (continued)

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

As at 31 December 2011, Citivic Nominees Limited held 1,925,007 (23.17%) of the Company's participating shares for the purpose of clearance of such shares through Euroclear (31 December 2010: 3,640,888 participating shares, 59.8%) and two other shareholders held 1,307,189 participating shares (15.73%) (31 December 2010: Nil) and 1,273,236 participating shares (15.32%) (31 December 2010: Nil), respectively.

No other shareholders held more than 10% of the Company's issued capital at one of the balance sheet dates.

As at 31 December 2011, the Investment Manager, PXP Vietnam Asset Management Limited, held a beneficial interest of 679,584 (interest of 8.2%) in the Company's participating shares, of which none were held through Euroclear. As at 31 December 2010, the Investment Manager held a beneficial interest of 679,584 shares (interest of 11.2%) in the Company's participating shares of which 555,643 shares (interest of 9.1%) 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, the Investment Manager holds 100 management shares, representing 100% of the management shares of the Company. 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$532,326 (2010: US$248,730) and there was no outstanding fee payable at 31 December 2011 (31 December 2010: US$128,772).

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 2011 (2010: Nil) and there was no outstanding performance fee as at 31 December 2011 (31 December 2010: Nil).

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 Board as a whole, as set out in the Prospectus of the Company.

The total directors' remuneration for the year ended 31 December 2011 was US$27,000 (2010: US$41,246) and accrued directors' fees as at 31 December 2011 was US$27,000 (31 December 2010: US$86,753).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. CUSTODIAN, ADMINISTRATION AND SECRETARIAL FEES

	Year ended 31 December	
	2011	2010
	US$	US$
Custodian and administration fees and expenses	103,617	82,130
Company secretarial fees and expenses	2,450	4,831
	106,067	**86,961**

14. OTHER OPERATING EXPENSES

	Year ended 31 December	
	2011	2010
	US$	US$
Legal and professional fees	38,318	51,048
Insurance	7,562	3,558
Other expenses	6,038	3,413
	51,918	**58,019**

15. INCOME TAX

	Year ended 31 December	
	2011	2010
	US$	US$
Withholding tax on interest and dividends from investment funds	3,036	3,222

16. NET ASSET VALUE PER SHARE

	As at 31 December	
	2011	2010
Net assets attributable to participating shareholders (US$)	27,514,175	29,028,634
Number of shares in issue (Note 11)	8,308,692	6,084,447
Net asset value per share (US$ per share)	3.311	4.771

The net asset value per share is determined by dividing the net assets attributable to participating shareholders by the number of participating shares issued and outstanding at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 were transferred to the Company and liabilities of Vietnam Lotus Fund Limited assumed by the Company as at 1 December 2010.

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 indentifiable net assets	**20,147,638**

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

18. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 26 April 2012.

DIRECTORY

DIRECTORS OF THE COMPANY
as at 31 December 2011

Mr Gregory Hazlett
Mr Antony Jordan
Mr Christopher Vale

COMPANY SECRETARY AND REGISTERED OFFICE

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(up to 28 July 2011)

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ADMINISTRATOR AND REGISTRAR
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