



# VIETNAM EMERGING EQUITY FUND LIMITED



Interim report (unaudited)  
for the six months ended 30 June 2013



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## OBJECTIVE AND FINANCIAL SUMMARY

### OBJECTIVE

The investment objective of Vietnam Emerging Equity Fund Limited ("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 Company may also invest up to 30% of its assets at the time of investment in the shares of overseas listed companies.

### FINANCIAL SUMMARY

Financial position	30 June 2013	31 December 2012	% change
Total Net Assets	US\$28,900,034	US\$32,615,048	-11.4%
Participating shares of US\$0.05 in issue	6,008,574	7,885,354	-23.8%
Net Asset Value ("NAV") per share (average)	US\$4.810	US\$4.136	16.3%
NAV per share (Lead Series)	US\$4.814	US\$4.137	16.4%

Results for the six-month period ended	30 June 2013	30 June 2012
Net profit for the period	US\$5,145,432	US\$6,773,736
Expense ratio*	2.62%	2.30%

Vietnam market data	30 June 2013	31 December 2012	% change
Vietnamese Dong/US Dollar ("US\$") exchange rate	21,098	20,835	1.3%
Viet Nam Index	481.13	413.73	16.3%
Viet Nam Index adjusted US\$ rate	321.36	279.83	14.8%

\* The expense ratio is calculated as total expenses for the period, excluding brokerage commissions and performance fee, as a percentage of the average month-end net assets for the period, and is presented on an annualised basis.

## DIRECTORS' REPORT

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### PERFORMANCE AND OUTLOOK

Over the six month period ended 30 June 2013, the Net Asset Value per share for the lead series of Vietnam Emerging Equity Fund Limited increased from US\$4.137 to US\$4.814, a gain of 16.4% compared to an increase in the Viet Nam Index ("VNI") in US dollar terms of 14.8% over the same period. There was a notable contribution to this performance from the Company's highest weighted stock, Vinamilk, with a 48% return over the interim period.

Growth in the Vietnam economy slowed in the first half of 2013, with Gross Domestic Product growth at 4.9% year-on-year. The Vietnamese Government's GDP growth target for the full year 2013 is 5.5% which would be higher than the 2012 outturn of 5% but below the 7% per annum experienced on average over the previous decade. The substantial progress made by the Government's policies to restrain inflation and uphold a more stable currency continued into this interim period, with price inflation staying below 7% year-on-year throughout the period, although pressure on the Vietnamese dong (the "Dong") in June led to the State Bank of Vietnam adjusting the Dong to US dollar exchange rate by 1% on 28 June 2013, which was the first such adjustment since February 2011.

The interim period began in the midst of a rally in the Vietnam stock markets which was supported by the Government's announcements of its intentions to deal with the high level of non-performing loans in the banking system and to initiate a recovery in the real estate sector. Despite the delay in the launch of the Vietnam Asset Management Company ("VAMC") which will take debt from banks with non-performing loans in excess of 3% of total lending in return for bonds, the general upward trend in the market continued, with the VNI reaching an intraday high of 533.15 on 10 June 2013. Reports that the Government was considering increases to foreign ownership limits of listed companies had contributed to the positivity in the market. The weakness in global markets in June, on speculation of the extent and timing of US Federal Reserve tapering of asset purchases and concerns over a possible slowdown in China, impacted on the Vietnam market in particular via outflows from the two Vietnam-focused Exchange Traded Funds, and the VNI ended the interim period at 481.13 points.

The immediate outlook for the Vietnam stock markets will be influenced by global market conditions and investor risk appetite. If the start of activities of the VAMC on 26 July 2013 can set in motion a revival of bank lending, this may stimulate economic growth and improve investor confidence. The decisions to be made by the Government on the form and timing of the increases to foreign ownership limits should have a significant impact on the short-term trend of the Vietnam stock markets.

### PRINCIPAL RISKS AND UNCERTAINTIES

The Company's assets consist mainly of listed securities and the principal risks are market related such as price volatility and foreign exchange risk. The Company is exposed to market price risk on all of its investments. 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 Vietnam stock markets. Other risks faced by the Company include performance risks, regulatory risks and control systems risks. These risks are described in the Prospectus of the Company dated January 2010 and updated in September 2011 and more details on the market risks are included in the Financial Risks note in the Annual Report for the year ended 31 December 2012, both of which documents may be found in the section relating to the Company on the website of PXP Vietnam Asset Management Limited: [www.pxpam.com](http://www.pxpam.com). The Company's principal risks and uncertainties have not changed materially since the Annual Report for the year ended 31 December 2012 was published and are not expected to change materially for the remaining six months of the Company's financial year.

## DIRECTORS' REPORT (CONTINUED)

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### RELATED PARTY TRANSACTIONS

Details of related party transactions during the period can be found in Note 11 to the accompanying condensed interim financial information.

### THE BOARD OF DIRECTORS

The members of the Board of Directors during the period and to the date of this report were:

Mr Antony Jordan  
Mr Christopher Vale  
Mr Gregory Hazlett (resigned 23 July 2013)  
Mr Brook Tellwright (appointed 2 September 2013)

### DIRECTORS' INTERESTS

At no time during the period 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.

### STATEMENT OF RESPONSIBILITY OF THE BOARD OF DIRECTORS IN RESPECT TO THE INTERIM REPORT

We confirm that the condensed interim financial information has been properly prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

On behalf of the Board of Directors

**Antony Jordan**  
Director  
23 September 2013

## INVESTMENT MANAGER'S REVIEW

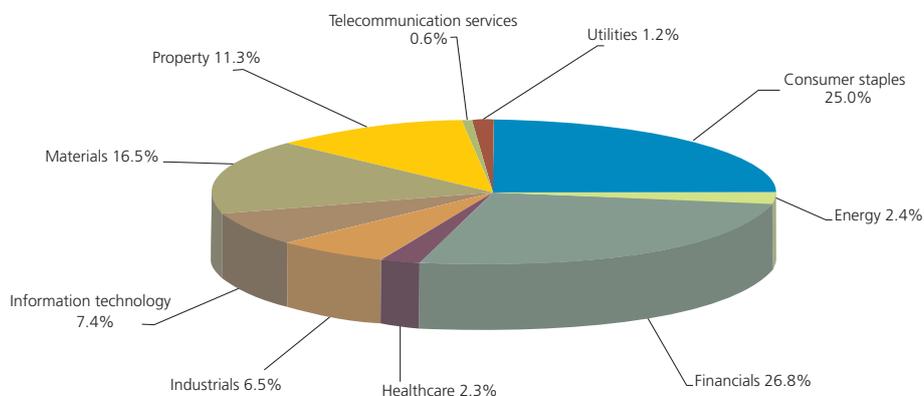


### REVIEW OF THE INTERIM PERIOD

During the period under review the Company's Net Asset Value ("NAV") per share for the lead series increased by 16.4%, from US\$4.137 to US\$4.814. This compares with an increase in the Viet Nam Index ("VNI") of 14.8% in US dollar terms over the same period. The Vietnamese dong (the "Dong") depreciated by 1.3% over the period under review. The table below represents NAV performance as compared to that of the VNI in US dollar terms for the stated periods to 30 June 2013:

	NAV <sup>†</sup>	VNI (US\$)
	%	%
<b>6 months</b>	16.4	14.8
<b>1 year</b>	15.5	12.8
<b>2 years</b>	28.6	8.2
<b>3 years</b>	-10.7	-14.3
<b>4 years</b>	5.9	-9.5
<b>5 years</b>	11.7	-3.8
<b>6 years</b>	-60.3	-64.1
<b>7 years</b>	-27.2	-29.2

An analysis of the portfolio at an industry sector level as at 30 June 2013 is included in Note 6 of the accompanying interim financial information and in the chart below.



<sup>†</sup> The Company adopted series accounting with effect from 29 July 2011 and from that date onwards the NAV of the Lead Series is the published NAV of the Company. Prior to that date there was a common NAV for all the shares of the Company.

## INVESTMENT MANAGER'S REVIEW (CONTINUED)

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### STOCK MARKET

The Company delivered a solid return and outperformed the Viet Nam Index in the first six months of the Financial Year. Last year was the first positive year for the Ho Chi Minh City Stock Exchange since 2009, and the market has added to those gains in 2013, with the VNI having gained 13.9% in US dollar terms year-to-date at the time of writing, representing a pull-back of a shade over 1% from its level at the end of the period under review.

The index gained 16.0% in January 2013 after having added 9.5% the previous month on improved sentiment after steady inflows into the Exchange Traded Funds ("ETFs") from the end of November 2012 had marked the bottom of the market and gradually attracted the attention of domestic investors. This continuation of the rally into 2013 was underpinned by increasing optimism as the Government made clear its intentions to resolve the issue of non-performing loans in the domestic banking sector whilst also addressing the overdue reorganisation of state-owned enterprises in order to promote more efficient use of capital in future and indicating a desire to create an investment environment more welcoming to foreign investors. The market has essentially spent the seven-and-a-half months since the end of January awaiting concrete progress to justify the New Year optimism, with very little selling pressure below the 470 level on the VNI suggesting a reluctance to turn too negative, but conversely no real enthusiasm or follow through in the four breaks above the 500 level. The 533.15 level touched on 10 June 2013 was a three-year traded high, however, and we feel that recent news flow is supportive of a sustainable move to the upside.

### ECONOMY

The Vietnamese Government has undoubtedly made significant macroeconomic progress through the resolute application of consistently strong monetary policy over the past two and a half years. The Dong has been among the most stable currencies in Asia during that period, obviously assisted by the managed exchange rate against the US dollar but the pressures previously caused by high inflation and large trade deficits have been negated for the time being at least, and both are expected to continue to improve, the latter more so, and particularly over the longer term.

Inflation was running at an annualised 7.5% in August 2013 but positive base effects for the remainder of the year suggest that 2013 inflation is likely to come in at approximately 6.5%, a steady improvement after the 18.6% and 9.3% levels recorded by the General Statistics Office for 2011 and 2012 respectively. The move up the value chain discussed in the Company's Annual Report for the year ended 31 December 2012, driven by higher value add manufacturing as the country diversifies production from garments to electronics will, we believe, make a significant contribution to Vietnam achieving another surplus in 2013 after the first in 20 years last year.

This potentially sustained move from deficit to surplus several years ahead of expectations is at the core of our bullishness from a macroeconomic standpoint, assisting the Government to attain its objectives of keeping inflation under control and the currency stable for considerably longer than the recent three-year boom-bust cycles.

Gross Domestic Product ("GDP") growth continued anaemic in the first half of 2013 at 4.9% after reaching 5% for the whole of 2012. Although this compares somewhat poorly with the average of 7% achieved over the previous decade we are confident that the second half of 2013 will show a distinct improvement and that this will continue into 2014, returning to the mean by the end of 2016. Foreign direct investment into the higher end manufacturing sector is picking up pace and although industrial production growth has also been rather disappointing year-to-date it can be argued that Vietnam's industrial base is in a period of retooling and retraining and that it will emerge ready to pick up the pace. It is easy to draw a relatively depressing picture from lagging indicators, an option that most commentators continue to choose, but we prefer to look ahead and are able to extrapolate the positives into a very optimistic medium to long-term outlook.

## INVESTMENT MANAGER'S REVIEW (CONTINUED)

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### ECONOMY (CONTINUED)

The Vietnamese Government's commitment to resolving the ongoing problem of non-performing loans ("NPLs") and reducing inefficiencies at state-owned enterprises appears to remain a priority. The Vietnam Asset Management Company ("VAMC") eventually brought into operation in July 2013 has so far been partially-funded and staffed to start the task of resolving bad loans. The delays evident in the slow progress to date have hampered economic growth but the first bond issuance by the VAMC should begin to restore confidence in the Government's determination to follow through with its plans. If not much else, the mere existence of the VAMC has already stimulated the resumption of lending. System-wide credit growth was 6.45% year-on-year to the end of August, continuing the improvement over the past several months and increasing the likelihood that the 2013 limit of 12% overall growth is attainable, and this will ultimately have the desired positive impact on GDP growth.

### OUTLOOK AND STRATEGY

We have been present at and contributed to discussions with both the State Securities Commission and the Ho Chi Minh City Stock Exchange within the past week and have been extremely impressed with the determination of both bodies to push for reforms in order to improve both overall liquidity and access for foreigners in Vietnam's still relatively nascent capital markets. A recommendation to the Ministry of Finance to petition the Prime Minister to approve the increase of foreign ownership limits to 60% in non-sensitive sectors from the current 49% is likely to be submitted in the very near term (if it hasn't been already) and, with a minimum time frame to implementation of three months, is possible by the end of the year. The possibility of introducing non-voting depository receipts ("NVDRs") appears to have been disregarded, at least for non-sensitive sectors (a definition of which has apparently been suggested by the stock exchange, but not published); not because there is anything wrong with them per se but because ideologically we can't have both an increase in the limit and NVDRs. To clarify; if we were to have 60% foreign limits plus 10% of shares converted to NVDRs then foreigners could hold 60% of 90% of voting shares which is 66.6% of total votes, more than the 65% which defines overall control in Vietnam. We do not believe that the Government is yet prepared to allow foreigners to control listed companies. That may change over time, and our view remains that we will eventually see the complete removal of limits in non-sensitive sectors, since it is already possible for foreigners to own 100% of non-public companies. Needless to say, the performance of the Company's portfolio, with an approximate 43% current weighting toward stocks already at the foreign ownership limits, should benefit from increased foreign availability.

Our opinion remains that we are in the early stages of a structural bull-market. As progress is made in remedying the ailments of the banking sector, making state-owned enterprises more efficient and opening up access to foreigners within an improving macroeconomic environment, an index achieving new highs for the year is, in our opinion, eminently plausible by the end of December with further gains to follow in 2014 and beyond.

On behalf of the Investment Manager

**Kevin Snowball**

23 September 2013

## TEN LARGEST INVESTMENTS

Ten largest investments as at 30 June 2013		Valuation	% of NAV
Company and Activities		US\$	%
<b>VNM</b>	<b>Viet Nam Dairy Products JSC<sup>‡</sup> (Vinamilk)</b> Production and distribution of dairy products	5,849,771	20.2
<b>STB</b>	<b>Sai Gon Thuong Tin Commercial Joint Stock Bank (Sacombank)</b> Commercial banking	2,591,111	9.0
<b>HPG</b>	<b>Hoa Phat Group JSC</b> Steel production	2,289,479	7.9
<b>FPT</b>	<b>FPT Corporation</b> Information and communications technology: mobile telephone distribution, systems integration, software outsourcing and development, provision of internet services and education	2,069,795	7.2
<b>HAG</b>	<b>Hoang Anh Gia Lai JSC</b> Real estate development, rubber and sugar production, hydropower and mining	1,965,863	6.8
<b>DPR</b>	<b>Dong Phu Rubber JSC</b> Production and processing of rubber latex	1,678,002	5.8
<b>HCM</b>	<b>Ho Chi Minh City Securities Corporation</b> Securities brokerage, research and investment banking	1,591,740	5.5
<b>MBB</b>	<b>Military Commercial Joint Stock Bank</b> Commercial banking	1,021,192	3.5
<b>VFMVF1</b>	<b>Vietnam Securities Investment Fund</b> Investment fund	899,689	3.1
<b>ABT</b>	<b>Bentre Aquaproduct Import and Export JSC</b> Aquaculture, processing and exporting seafood products	715,190	2.5
	<b>Total</b>	<b>20,671,832</b>	<b>71.5</b>

<sup>‡</sup> "JSC" is an abbreviation for "Joint Stock Company"

## INTERIM BALANCE SHEET

	Notes	As at	
		30 June 2013	31 December 2012
		US\$ (Unaudited)	US\$ (Audited)
<b>Assets</b>			
<b>Current assets</b>			
Financial assets at fair value through profit or loss	6	28,901,015	32,658,741
Due from brokers		-	134,958
Other receivables and prepayments		8,007	63,445
Cash and cash equivalents		317,504	1,033,077
<b>Total assets</b>		<b>29,226,526</b>	<b>33,890,221</b>
<b>Equity</b>			
Management shares	7	100	100
<b>Total equity</b>		<b>100</b>	<b>100</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Share redemptions payable		-	1,141,405
Accrued fees and other payables		326,492	133,768
<b>Total liabilities (excluding net assets attributable to participating shareholders)</b>		<b>326,492</b>	<b>1,275,173</b>
<b>Net assets attributable to participating shareholders</b>	7	<b>28,899,934</b>	<b>32,614,948</b>
<b>Total equity and liabilities</b>		<b>29,226,526</b>	<b>33,890,221</b>
<b>Net asset value per participating share (average)</b>	8	<b>4.810</b>	<b>4.136</b>
<b>Net asset value per participating share (Lead Series)</b>	8	<b>4.814</b>	<b>4.137</b>

The attached Notes 1 to 12 form an integral part of this condensed interim financial information.

## INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended	
		30 June 2013	30 June 2012
		US\$ (Unaudited)	US\$ (Unaudited)
Dividend income		643,507	847,255
Net gains on financial assets at fair value through profit or loss	6	5,332,474	6,430,467
<b>Net investment income</b>		<b>5,975,981</b>	<b>7,277,722</b>
Management fee	11	(292,641)	(329,458)
Performance fee	11	(420,182)	(98,313)
Custodian, administration and secretarial fees		(49,236)	(38,575)
Transaction costs		(16,208)	(11,581)
Directors' fees	11	(13,389)	(13,352)
Foreign exchange (loss)/gain – net	12	(22,572)	2,912
Other operating expenses		(16,321)	(15,619)
<b>Total operating expenses</b>		<b>(830,549)</b>	<b>(503,986)</b>
<b>Profit before tax</b>		<b>5,145,432</b>	<b>6,773,736</b>
Income tax expense		-	-
<b>Net profit for the period</b>		<b>5,145,432</b>	<b>6,773,736</b>
<b>Other comprehensive (loss)/income:</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Currency translation differences		(496,408)	151,711
<b>Total other comprehensive (loss)/income for the period</b>		<b>(496,408)</b>	<b>151,711</b>
<b>Total comprehensive income for the period</b>		<b>4,649,024</b>	<b>6,925,447</b>

The attached Notes 1 to 12 form an integral part of this condensed interim financial information.

# INTERIM STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO PARTICIPATING SHAREHOLDERS

	Six months ended		
	30 June 2013	31 December 2012	30 June 2012
	US\$ (Unaudited)	US\$ (Unaudited)	US\$ (Unaudited)
<b>Opening balance</b>	32,614,948	34,339,850	27,514,175
<b>Comprehensive income/(loss)</b>			
Net profit/(loss) for the six month period	5,145,432	(408,183)	6,773,736
Other comprehensive income/(loss)	(496,408)	103,187	151,711
<b>Total comprehensive income/(loss) for the period</b>	<b>4,649,024</b>	<b>(304,996)</b>	<b>6,925,447</b>
<b>Transactions with participating shareholders</b>			
Proceeds from redeemable shares issued	200,000	-	1,250,000
Redemptions of redeemable shares	(8,564,038)	(1,419,906)	(1,349,772)
<b>Total transactions with participating shareholders for the period</b>	<b>(8,364,038)</b>	<b>(1,419,906)</b>	<b>(99,772)</b>
<b>Closing balance</b>	<b>28,899,934</b>	<b>32,614,948</b>	<b>34,339,850</b>

The attached Notes 1 to 12 form an integral part of this condensed interim financial information.

## INTERIM STATEMENT OF CASH FLOWS

	Six months ended	
	30 June 2013	30 June 2012
	US\$ (Unaudited)	US\$ (Unaudited)
<b>Cash flows from operating activities</b>		
Purchases of financial assets at fair value	(244,809)	(3,831,093)
Proceeds from sales of financial assets at fair value	8,965,005	3,394,025
Dividends received	705,424	891,843
Operating expenses paid	(635,750)	(439,567)
<b>Net cash generated from operating activities</b>	<b>8,789,870</b>	<b>15,208</b>
<b>Cash flows from financing activities</b>		
Proceeds from redeemable shares issued	200,000	1,250,000
Redemptions of redeemable shares	(9,705,443)	(1,349,772)
<b>Net cash used in financing activities</b>	<b>(9,505,443)</b>	<b>(99,772)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(715,573)</b>	<b>(84,564)</b>
Cash and cash equivalents at beginning of the period	1,033,077	207,486
<b>Cash and cash equivalents at end of the period</b>	<b>317,504</b>	<b>122,922</b>

*The attached Notes 1 to 12 form an integral part of this condensed interim financial information.*

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

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## 1. GENERAL INFORMATION

Vietnam Emerging Equity Fund Limited ("the Company") was incorporated in the Cayman Islands on 25 July 2005 under the Companies Law, Cap. 22 (Revised) as an exempted company with limited liability. Its Certificate of Incorporation number is CD-152440.

Initially the Company was a closed-end investment company. The Company converted to an open-ended mutual fund effective from 29 January 2010.

The address of the Company's registered office is:

CARD Corporate Services Ltd.  
Zephyr House, 122 Mary Street  
PO Box 709  
Grand Cayman, KY1-1107  
Cayman Islands

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 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.

This condensed interim financial information was approved for issue on 23 September 2013.

This condensed interim financial information has neither been audited nor reviewed by the auditors.

## 2. BASIS OF PREPARATION

This condensed interim financial information for the six months ended 30 June 2013 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The condensed interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

### 2.1 Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue its business, with its stated objectives and strategy, for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing this condensed interim financial information.

## 3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2012, except as described below.

The following standard and amendment to a standard are mandatory for the first time for the financial year beginning 1 January 2013 and have been adopted by the Company in this condensed interim financial information:

- IFRS 13 *Fair Value Measurement*. The disclosures about fair value of financial instruments required by IAS 34 paragraph 16A(j) have been included. See Note 5.3.

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

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### 3. ACCOUNTING POLICIES (CONTINUED)

- IAS 1 (amendment) *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income*. The items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met are presented separately 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".

There are no other new or amended IFRSs or IFRIC interpretations that are mandatory for the first time for the financial year beginning 1 January 2013 that have an impact on the condensed interim financial information of the Company.

### 4. ESTIMATES AND JUDGEMENTS

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed interim financial information, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2012.

### 5. FINANCIAL RISKS

#### 5.1 Financial risk factors

The Company invests in equity securities for the long term so as to achieve its investment objective, as set out in Note 1. In pursuing this objective, the Company is exposed to a variety of risks that could result in a reduction in the Company's net assets. These risks include market price risk, interest rate risk, credit risk, liquidity risk, currency risk and conversion risk.

The interim condensed financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's financial statements as at 31 December 2012.

There have been no changes in the risk management policies employed by the Company since 31 December 2012.

#### 5.2 Liquidity risk

The table on the next page 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.

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

### 5. FINANCIAL RISKS (CONTINUED)

#### 5.2 Liquidity risk (continued)

	Less than one month	One month to 12 months
	US\$	US\$
<b>At 30 June 2013</b>		
Performance fee accrual	-	287,633
Administration and custodian fees payable	15,450	-
Directors' fees accruals	-	13,389
Legal and professional fees accruals	-	9,918
Other payables and accruals	102	-
	<b>15,552</b>	<b>310,940</b>
Contractual cash out flows	<b>15,552</b>	<b>310,940</b>
<b>At 31 December 2012</b>		
Share redemptions payable	1,141,405	-
Management fee payable	49,882	-
Performance fee payable	-	4,535
Administration and custodian fees payable	30,750	-
Directors' fees payable	27,000	-
Legal and professional fees accruals	-	21,000
Other payables and accruals	601	-
	<b>1,249,638</b>	<b>25,535</b>
Contractual cash out flows	<b>1,249,638</b>	<b>25,535</b>

#### 5.3 Fair value estimation

The table on the next page 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 than 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 CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

### 5. FINANCIAL RISKS (CONTINUED)

#### 5.3 Fair value estimation (continued)

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

	Level 1	Level 2	Level 3	Total balance
	US\$	US\$	US\$	US\$
<b>At 30 June 2013</b>				
Financial assets designated at fair value through profit or loss at inception:				
- Equity securities	28,239,740	-	661,275	28,901,015
Total financial assets	<b>28,239,740</b>	-	<b>661,275</b>	<b>28,901,015</b>
<b>At 31 December 2012</b>				
Financial assets held for trading				
- Derivatives	-	-	9,521	9,521
Financial assets designated at fair value through profit or loss at inception:				
- Equity securities	31,649,014	-	1,000,206	32,649,220
Total financial assets	<b>31,649,014</b>	-	<b>1,009,727</b>	<b>32,658,741</b>

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between Levels 1 and 2 or between Levels 2 and 3 during the period. Transfers between Levels 1 and 3 are described in the Level 3 reconciliation below.

#### Level 3 fair values

The Level 3 equity amount at 30 June 2013 consists of holdings in four unlisted equity securities (31 December 2012: four unlisted equity securities). The methods used for the valuations of the four unlisted equity holdings at 30 June 2013 are:

- property development company: net asset valuation with a market discount;
- telecommunications company: estimate value of the telecoms licence, deduct estimated liabilities and apply a marketability discount;
- pharmaceutical company: earnings multiple valuation with the application of a marketability discount; and
- securities company: price to book ratio valuation with the application of a marketability discount.

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

### 5. FINANCIAL RISKS (CONTINUED)

#### 5.3 Fair value estimation (continued)

##### Level 3 fair values (continued)

The Level 3 derivative amount at 31 December 2012 represented rights to acquire shares in one issuer that is listed on the Ho Chi Minh City Stock Exchange. The rights were exercised on 14 January 2013. The rights were valued using an option pricing model.

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

	Derivatives	Equity	Total
	US\$	US\$	US\$
Balance at 1 January 2013	9,521	1,000,206	1,009,727
Exercise of rights	(9,521)	-	(9,521)
Total unrealised losses recognised in profit or loss:			
- Net losses on financial assets at fair value through profit or loss	-	(116,238)	(116,238)
Total losses recognised in other comprehensive income:			
- Currency translation differences	-	(15,906)	(15,906)
Transfer from Level 1 - delisted equity	-	13,039	13,039
Transfer to Level 1 - listed equity	-	(219,826)	(219,826)
Balance at 30 June 2013	-	<b>661,275</b>	<b>661,275</b>

The Company transferred one equity holding from Level 1 to Level 3 after the shares of the issuer were delisted from the Ho Chi Minh City Stock Exchange on 25 March 2013 and transferred one equity holding from Level 3 to Level 1 after the shares of the issuer were listed on the Stuttgart Stock Exchange on 3 April 2013.

##### Valuation process

The research team of the Investment Manager performs the valuations of financial assets required for financial reporting purposes, including Level 3 fair values. The valuations are reviewed by the Chief Financial Officer of the Investment Manager. The valuations are reviewed and approved by the Board of the Company on a quarterly basis.

##### Fair value of unlisted equity securities

The valuation of the holding of shares in a property development company as at 30 June 2013 was US\$448,013 (31 December 2012: US\$454,247) after applying a market discount of 50% (31 December 2012: 50%) to the net asset valuation of the company. The assets of the company comprise a mix of in-progress development projects and land bank. The valuation is based on a sum-of-the-parts valuation of each project of the company, of which the development properties are valued by taking the estimated cash inflows from property sales minus outstanding costs and the land bank is valued based on comparable market prices. If the net asset valuation was increased/decreased by 20%, this would have resulted in an increase/decrease in value of US\$90,000. If the market discount was higher/lower by 20% this would have resulted in a decrease/increase in value of US\$179,000.

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

### 5. FINANCIAL RISKS (CONTINUED)

#### 5.3 Fair value estimation (continued)

##### Level 3 fair values (continued)

##### Fair value of unlisted equity securities (continued)

The valuation of the holding of shares in a telecommunications company as at 30 June 2013 is based on an estimate of the value of the telecoms licence, deduction of estimated liabilities and application of a marketability discount of 70% (31 December 2012: 40%) to give a valuation of US\$165,391 (31 December 2012: US\$334,908). The discount has been increased in the period to 30 June 2013 due to increased uncertainty over the ability of the company to exploit its telecoms licence. If the estimate of the value of the telecoms licence was increased/decreased by 20%, this would have resulted in an increase/decrease in value of US\$72,000. If the marketability discount was higher/lower by 20% this would have resulted in a decrease/increase in value of US\$110,000.

The other holdings in unlisted equity securities are valued at US\$47,871 in total as at 30 June 2013.

### 6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at	
	30 June 2013	31 December 2012
	US\$	US\$
Financial assets designated at fair value through profit or loss at inception		
- Listed equity securities	28,239,740	31,649,014
- Unlisted equity securities	661,275	1,000,206
	<u>28,901,015</u>	<u>32,649,220</u>
Financial assets held for trading		
- Derivatives	-	9,521
	<u>-</u>	<u>9,521</u>
Total financial assets at fair value through profit or loss	<u><b>28,901,015</b></u>	<u><b>32,658,741</b></u>

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

	Six months ended	
	30 June 2013	30 June 2012
	US\$	US\$
Opening balance	32,658,741	27,288,597
Purchases	244,809	3,831,093
Sales proceeds	(8,830,048)	(3,394,025)
Net gains recognised in profit or loss	5,332,474	6,430,467
Difference arising on translation to presentation currency	(504,961)	156,001
	<u>28,901,015</u>	<u>34,312,133</u>
Closing balance	<u><b>28,901,015</b></u>	<u><b>34,312,133</b></u>

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

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

Analysis of financial assets by country of incorporation of issuers at the balance sheet dates:

	As at	
	30 June 2013	31 December 2012
	US\$	US\$
SR Vietnam	28,617,036	32,406,939
Singapore	64,153	65,499
Cayman Islands	219,826	186,303
Total	<b>28,901,015</b>	<b>32,658,741</b>

Analysis of financial assets between industry group of issuers at the balance sheet dates:

	As at			
	30 June 2013		31 December 2012	
	US\$	%	US\$	%
Consumer discretionary	-	-	20,984	0.1
Consumer staples	7,233,846	25.0	5,892,810	18.0
Energy	696,458	2.4	1,396,703	4.3
Financials	7,745,596	26.8	8,075,250	24.7
Healthcare	650,253	2.3	1,547,222	4.7
Industrials	1,889,023	6.5	3,004,558	9.2
Information technology	2,133,949	7.4	2,151,575	6.6
Materials	4,780,488	16.5	6,649,661	20.4
Property	3,256,654	11.3	3,268,257	10.0
Telecommunication services	165,391	0.6	334,908	1.0
Utilities	349,357	1.2	316,813	1.0
	<b>28,901,015</b>	<b>100.0</b>	<b>32,658,741</b>	<b>100.0</b>

As at 30 June 2013, the value of one holding in the equity of an issuer within the consumer staples sector is 20.2% of the net asset value of the Company (31 December 2012: 12.8%). There are no other holdings with value exceeding 10% of the net asset value of the Company as at 30 June 2013 or 31 December 2012.

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

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

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

Net gains arising from changes in the fair values of financial assets in the periods:

	Six months ended	
	30 June 2013	30 June 2012
	US\$	US\$
Net realised gains on sales of equity securities	1,515,594	1,102,282
Net unrealised gains on equity securities	3,816,880	5,328,185
	<b>5,332,474</b>	<b>6,430,467</b>

Net gains arising from changes in the fair values of financial assets as presented above is calculated with reference to the fair values of equity securities held at the start of the period and the costs of equity securities purchased during the period.

### 7. SHARE CAPITAL

The Company's authorised share capital at 30 June 2013 and at 31 December 2012 was US\$2,000,000 which was divided into 39,998,000 participating shares of a par value of US\$0.05 each and 100 management shares of US\$1 each.

The 100 management shares were issued to the Investment Manager, PXP Vietnam Asset Management Limited, and are fully-paid.

Number of participating shares issued, redeemed and outstanding:

	Six months ended		
	30 June 2013	31 December 2012	30 June 2012
Beginning of the period	7,885,354	8,264,515	8,308,692
Participating shares issued for cash	41,920	-	308,034
Participating shares redeemed	(1,918,700)	(379,161)	(352,211)
	<b>6,008,574</b>	<b>7,885,354</b>	<b>8,264,515</b>

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

As at 30 June 2013, one shareholder held 1,273,236 participating shares (21.2%) (31 December 2012: 1,273,236 participating shares (16.1%)) and the Investment Manager held a beneficial interest of 679,584 shares (11.3%) (31 December 2012: 679,584 shares (8.6%)) in the Company's participating shares.

Another shareholder who held 1,307,189 participating shares (16.6%) as at 31 December 2012 redeemed the whole amount of participating shares in February 2013.

No other shareholders held more than 10% of the Company's issued capital as at 30 June 2013 or 31 December 2012.

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

### 8. NET ASSET VALUE PER SHARE

	As at	
	30 June 2013	31 December 2012
Net assets attributable to participating shareholders (US\$)	28,899,934	32,614,948
Number of shares in issue	6,008,574	7,885,354
Net asset value per share (US\$ per share) (average)	4.810	4.136

Net asset value per share for each series in issue at the balance sheet dates:

	As at	
	30 June 2013	31 December 2012
	US\$	US\$
Series 1A	4.858	4.137
Series 1B	4.858	4.137
Series 1 (Lead Series)	4.814	4.137
Series 2	4.746	4.137
Series 3	4.698	4.095
Series 4	4.746	4.137
Series 5	4.737	4.136
Series 6	4.748	4.138
Series 8	4.851	-
Series 9	4.859	-

The shares in Series 7 were redeemed in full in the year ended 31 December 2012.

### 9. 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 interim period to 30 June 2013.

The Company invests in a portfolio of the equity securities of predominantly Vietnamese companies, which are mostly listed companies. The Company has a diversified shareholder population.

### 10. SEASONALITY

Due to the nature of its business, the Company is not subject to any seasonal fluctuations that have a material impact on the results of the Company within a financial year.

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

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### 11. RELATED PARTY TRANSACTIONS

#### 11.1 Directors

There has been no change to the basis of calculation of Directors' remuneration or to the amounts payable per annum in the six month period to 30 June 2013.

Directors' remuneration accrued for the six month period to 30 June 2013 amounted to US\$13,389 (six month period to 30 June 2012: US\$13,352).

#### 11.2 Investment Manager

There has been no change to the basis of calculation of management fee in the six month period to 30 June 2013. Management fee for the six month period to 30 June 2013 amounted to US\$292,641 (six month period to 30 June 2012: US\$329,458) and there was no outstanding fee payable at 30 June 2013 (31 December 2012: US\$49,882).

There has been no change to the basis of calculation of performance fee in the six month period to 30 June 2013. Performance fee paid out during the six month period to 30 June 2013 was US\$137,084 (six month period to 30 June 2012: US\$ Nil) being US\$4,535 in respect to performance in 2012 and US\$132,549 in respect to performance on shares that were redeemed during the six month period to 30 June 2013. Performance fee accrued as at 30 June 2013 is US\$287,633 (31 December 2012: US\$4,535).

### 12. FOREIGN EXCHANGE (LOSS)/GAIN – NET

The foreign exchange loss of US\$22,572 in the six month period to 30 June 2013 (six month period to 30 June 2012: gain of US\$2,912) arose mainly from share redemption payables that were denominated in US dollar.

# DIRECTORY

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