



Interim report (unaudited)  
for the six months ended 30 June 2014

VIETNAM EMERGING EQUITY FUND LIMITED



# Contents

Objective and highlights	1 - 2
Directors' report	3 - 4
Investment Manager's review	5 - 7
Ten largest investments	8
Interim balance sheet	9
Interim statement of profit or loss and other comprehensive income	10
Interim statement of changes in net assets attributable to participating shareholders	11
Interim statement of cash flows	12
Notes to the condensed interim financial information	13 - 24
Directory	25

## OBJECTIVE AND HIGHLIGHTS

### 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 2014	31 December 2013	% change
Total Net Assets	US\$38,750,243	US\$32,329,608	19.9%
Participating shares of US\$0.05 in issue	6,068,797	5,917,598	2.6%
Net Asset Value (“NAV”) per share (average)	US\$6.385	US\$5.463	16.9%
NAV per share (Lead Series)	US\$6.218	US\$5.402	15.1%

Results for the six-month period ended	30 June 2014	30 June 2013
Net profit for the period	US\$5,950,708	US\$5,145,432
Expense ratio <sup>1</sup>	2.34%	2.62%

### RELATIVE PERFORMANCE

Cumulative performance for periods to 30 June 2014	NAV per share <sup>2</sup>	Viet Nam Index <sup>3</sup>
	%	%
6 months	15.1	13.2
1 year	29.2	18.9
2 years	49.2	34.1
3 years	66.2	28.6
4 years	15.3	1.9
5 years	36.8	7.6
6 years	44.3	14.3
7 years	-48.8	-57.3
8 years	-6.0	-15.9

<sup>1</sup> 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.

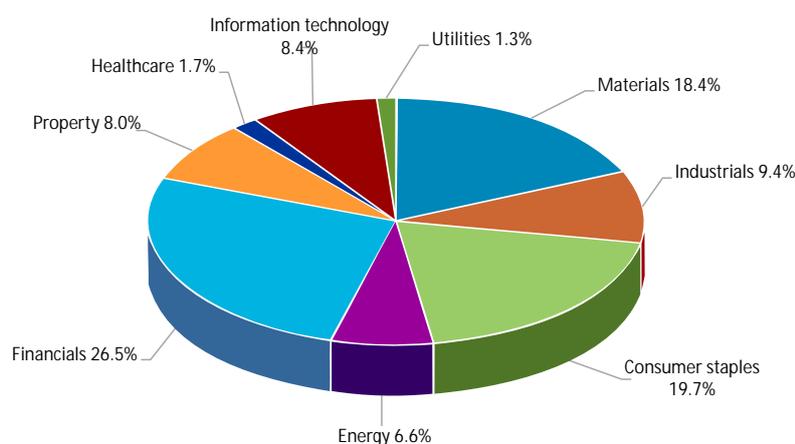
<sup>2</sup> The Company adopted series accounting with effect from 29 July 2011 and from that date onwards the NAV of the Lead Series is the published NAV of the Company. Prior to that date there was a common NAV for all the shares of the Company.

<sup>3</sup> Viet Nam Index performance is presented in US dollar terms.

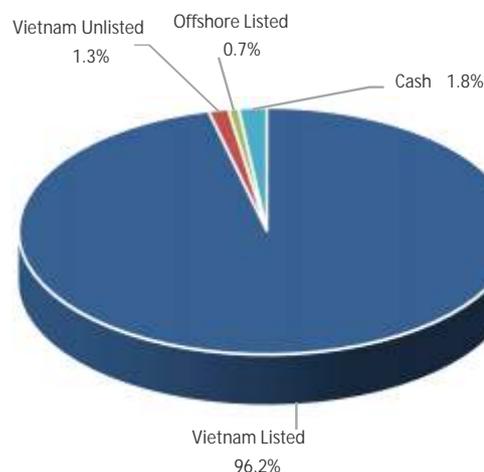
## OBJECTIVE AND HIGHLIGHTS (CONTINUED)

### PORTFOLIO ANALYSIS

Analysis of the portfolio of the Company by sector as at 30 June 2014



Analysis of the portfolio of the Company by segment as at 30 June 2014



### VIETNAM MARKET DATA

	30 June 2014	31 December 2013	% change
Vietnamese dong / US dollar ("US\$") exchange rate	21,328	21,080	1.2%
Viet Nam Index	578.13	504.63	14.6%
Viet Nam Index adjusted US\$ rate	381.99	337.35	13.2%

## DIRECTORS' REPORT

---

### PERFORMANCE AND OUTLOOK

Over the six month period ended 30 June 2014, the Net Asset Value per share for the lead series of Vietnam Emerging Equity Fund Limited increased from US\$5.402 to US\$6.218, a gain of 15.1% compared to an increase in the Viet Nam Index ("VNI") in US dollar terms of 13.2% over the same period.

Vietnam macroeconomic conditions remained stable through this interim period. The relatively low price inflation of 6.0% for the calendar year 2013 reduced to 5.0% year-on-year to June 2014 and a trade surplus for the second consecutive year in 2013 was followed by a surplus of US\$1.3 billion for the first half of 2014. The Vietnamese dong (the "Dong") continued to be relatively stable with a 1.2% depreciation against the US dollar over the interim period which included a 1% adjustment to the official reference rate in June 2014, this being in line with the Government's target of a 1% to 2% annual depreciation in 2014 to support exports. Vietnam GDP growth of 5.2% for the first half of 2014 (compared to the first half of 2013) was the highest level for the corresponding period since 2011, although GDP growth continued to be suppressed by low credit growth in the economy which was at 3.2% for the first half of 2014.

The Vietnam stock markets rallied strongly from the start of the interim period, with the VNI gaining 20% from a close of 504.63 points on 31 December 2013 to reach a high of 607.55 points on 24 March 2014. The pick-up in confidence and involvement from domestic investors over this period was augmented by renewed foreign inflows. In April 2014, the progress of the market was dampened by a tightening of margin lending to domestic retail investors. Then in early May 2014, the siting by a Chinese company of an exploration rig near the disputed Paracel Islands, off the east coast of Vietnam, caused a drop of 8.2% in the VNI over three trading days. After a few days of increased volatility, the market calmed and returned to an upward trend, with the VNI increasing by 13.7% from a traded low of 508.51 points on 13 May 2014 to end the interim period at 578.13 points.

The rally in the market has continued through July and August 2014. The VNI reached 636.65 points on 29 August 2014, representing a gain of 10.1% over two months. The medium-term outlook for the Vietnam stock markets remains positive due to stable economic conditions and the fundamental attractiveness of Vietnamese listed stocks.

### 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 2013, both of which documents may be found in the section relating to the Company on the website of PXP Vietnam Asset Management Limited: [www.pxam.com](http://www.pxam.com).

The siting by a Chinese company of an exploration rig in disputed waters off the coast of Vietnam in May 2014 has highlighted the risks to the Vietnamese economy and stock market from any similar incidents in future, including: uncertainty over the impact on trade with China and the risk that anti-Chinese protests could damage Vietnam's position as a manufacturing and production base.

The Company's other principal risks and uncertainties have not changed materially since the Annual Report for the year ended 31 December 2013 was published and are not expected to change materially for the remaining six months of the Company's financial year.

## DIRECTORS' REPORT (CONTINUED)

---

### RELATED PARTY TRANSACTIONS

Details of related party transactions during the period can be found in Note 12 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 Brook Tellwright

### 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

Brook Tellwright  
Director  
11 September 2014

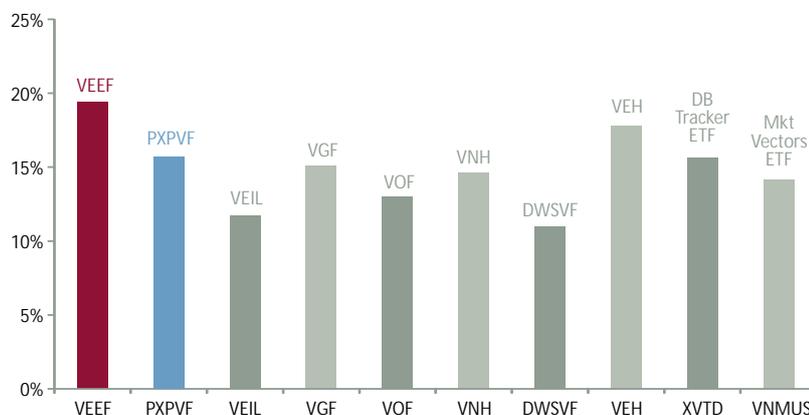
## INVESTMENT MANAGER'S REVIEW



### 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 15.1%, from US\$5.402 to US\$6.218. This compares with an increase in the Viet Nam Index ("VNI") of 13.2% in US dollar terms over the same period. The Vietnamese dong (the "Dong") depreciated by 1.2% over the period under review. The table on page 1 presents NAV performance as compared to that of the VNI in US dollar terms for the stated periods to 30 June 2014. We would note that the performance of the Lead Series Shares is stated net of all fees, including accrued performance fees. Series 1A and Series 1B, which are below their respective High Water Marks and have not incurred performance fees year-to-date, saw their respective Net Asset Values per Share increase by 17.9% in US dollar terms in the period under review.

The chart below provides a comparison of the Net Asset Value performance in US dollars of the Lead Series Shares against the peer group (including closed end and exchange traded funds) for the calendar year to 31 July 2014, the most recent date for which data is available at the time of writing. Over the same period the Net Asset Values of Shares in Series 1A and 1B increased by 23.1%.



### STOCK MARKET

A strong start to the period under review - with the VNI up a little over 20% in the calendar year by 24 March 2014 on increasingly bullish sentiment - was almost completely reversed less than two months later as a healthy early Spring period of consolidation was initially interrupted by the tightening of margin lending facilities to domestic retail investors in mid-April, before China's siting of an exploration rig off the disputed Parcel Islands in the Eastern Sea (known elsewhere as the South China Sea) in early May caused a one-day rout the like of which has rarely been seen in the Vietnam market. The resultant unrest knocked the index to a traded low of 508.51 on 13 May 2014, less than a percent above the level at which it began the year.

We opined elsewhere on 21 May 2014 that the level a week or so earlier "appears to be a point from which the market is willing to build a base as the situation calms down", and subsequent moves would seem to support that view with the VNI now trading at a six-year high.

## INVESTMENT MANAGER'S REVIEW (CONTINUED)

---

### ECONOMY

The Vietnamese Government has undoubtedly made significant progress through the resolute application of consistently strong monetary policy over the past three years or so. The Dong has been among the most stable currencies in Asia during that period, obviously assisted to an extent 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 as trade surpluses become the norm.

The Consumer Price Index rose by 6.04% in 2013, a steady improvement after the 18.6% and 9.3% levels recorded by the General Statistics Office for 2011 and 2012 respectively. The rate of inflation has continued to decline into 2014 with the latest reading, for August 2014, now at 4.31% on an annualised basis.

The move up the value chain driven by higher value add manufacturing as the country diversifies production from garments to electronics made a significant contribution to Vietnam achieving another trade surplus last year after the first for 20 years in 2012. This potentially sustained move from deficit to surplus several years ahead of expectations remains 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 previous three-year boom-bust cycles.

Gross Domestic Product ("GDP") growth picked up to 5.4% in 2013 after 5% in 2012 and we concur with the Government's forecast for an acceleration by a similar amount in 2014. Although this still compares somewhat poorly with the average of 7% achieved over the previous decade we see growth continuing to improve in 2015, returning to the mean by the end of 2016.

### OUTLOOK AND STRATEGY

The VNI broke above the March 2014 high on 5 August and after a couple of weeks' worth of consolidation forged ahead into September on steadily increasing volume, which we equate with heightened interest rather than it representing a reason to be nervous. Having also now exceeded the 2009 high we are in an area of technical confusion last visited way back in 2008 from the other side, when the index was collapsing in an undignified heap. Most of the brokers (who were doing something else back then) have been negative all the way up and are now somewhat stumped for a response since the quasi-religious tract of the technical analyst doesn't appear to be able to answer the question "where do we go from here?" We are beginning to wonder whether the obsession with technical analysis in this market has developed to fill the vacuum of any real understanding of how markets work.

The current leg of the rally is locally-driven, fuelled by generous amounts of margin lending from brokers and banks whilst foreigners have been net sellers for much of the past month or so. System-wide credit growth has been fairly lacklustre year-to-date at less than 5% to the end of August, but certain large brokers have increased margin facilities by 60 to 100%, and much of the lending by banks is off-balance sheet and therefore not included in the totals. These numbers might be considered either encouraging in terms of the positive attitude of local investors towards the stock market, or slightly scary if one considers the possible impact of the taps being turned off. This has, of course, already happened once this year as mentioned above, and the effects then were relatively muted before events off of the eastern coast took over.

## INVESTMENT MANAGER'S REVIEW (CONTINUED)

---

### OUTLOOK AND STRATEGY (CONTINUED)

The relaxation of foreign ownership limits has been pending for a year now, possibly due to a combination of the need to unravel the issue of conflicting legislation with some resistance in the hard core, who perhaps both mistrust foreign investors in general and misunderstand the nature and economic benefits of a stock market. What this delay has led to, unfortunately, is a small number of foreign investors deciding that the existing laws should not apply to them and instead creating structures that allow them to effectively take over locally listed companies with minority shareholders (most of whom are obviously Vietnamese) obtaining no benefit from the change of control whilst large holders are able to exit at a significant premium to market. We are somewhat mystified why the regulators have taken no action to prevent such moves given how transparent the infringement; hopefully something will be done before this type of behaviour becomes a regular occurrence and makes a mockery of the rules.

In any event, we see that the solution to the potential liquidity quandary outlined in the second paragraph above may lie in the third in order to mitigate any short-term concerns regarding the continuation of the stock market's advance. If distribution might be an issue when margin lending is reined in, why not encourage foreigners to assist in the provision of a solution by finally getting round to allowing them to do so? The economic environment remains benign, with the pick-up in GDP growth supportive of further improvements. The stock market remains selectively cheap both in absolute and relative terms and it would appear that any derailment of the long-term advance of the index is going to have to come from unexpected developments elsewhere.

As ever, we will continue with our long-term strategy to build and maintain a high conviction portfolio providing Shareholders with access to the highest quality companies listed in Vietnam and we thank you for your continued support.

On behalf of the Investment Manager

Kevin Snowball  
11 September 2014

## TEN LARGEST INVESTMENTS

Ten largest investments as at 30 June 2014		Valuation	% of NAV
Company and Activities		US\$	%
VNM	Vietnam Dairy Products JSC <sup>4</sup> (Vinamilk) Production and distribution of dairy products	6,690,435	17.3
HPG	Hoa Phat Group JSC Steel production	5,012,175	12.9
HCM	Ho Chi Minh City Securities Corporation Securities brokerage, research and investment banking	4,239,839	10.9
FPT	FPT Corporation Information and communications technology: mobile telephone distribution, systems integration, software outsourcing and development, provision of internet services and education	3,125,781	8.1
STB	Sai Gon Thuong Tin Commercial Joint Stock Bank (Sacombank) Commercial banking	3,032,231	7.8
PVD	Petrovietnam Drilling and Well Services JSC Oil and natural gas drilling, drilling-related services and other technical services	2,514,063	6.5
HAG	Hoang Anh Gia Lai JSC Real estate development, rubber and sugar production, hydropower and mining	1,774,237	4.6
DPR	Dong Phu Rubber JSC Production and processing of rubber latex	1,368,929	3.5
MBB	Military Commercial Joint Stock Bank Commercial banking	1,114,420	2.9
DRC	Da Nang Rubber JSC Tyre production	1,084,175	2.8
		<u>29,956,285</u>	<u>77.3</u>

<sup>4</sup> "JSC" is an abbreviation for "Joint Stock Company"

## INTERIM BALANCE SHEET

	Notes	As at	
		30 June 2014	31 December 2013
		US\$ (Unaudited)	US\$ (Audited)
<b>Assets</b>			
<b>Current assets</b>			
Financial assets at fair value through profit or loss	6	38,411,094	32,538,019
Receivables and prepayments		95,118	65,073
Cash and cash equivalents		714,009	282,529
<b>Total assets</b>		<b>39,220,221</b>	<b>32,885,621</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>			
Performance fee payable	8	392,551	498,002
Accrued expenses		77,427	58,011
<b>Total liabilities (excluding net assets attributable to participating shareholders)</b>		<b>469,978</b>	<b>556,013</b>
<b>Net assets attributable to participating shareholders</b>	7	<b>38,750,143</b>	<b>32,329,508</b>
<b>Total equity and liabilities</b>		<b>39,220,221</b>	<b>32,885,621</b>
<b>Net asset value per participating share (average)</b>	9	<b>6.385</b>	<b>5.463</b>
<b>Net asset value per participating share (Lead Series)</b>	9	<b>6.218</b>	<b>5.402</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 2014	30 June 2013
		US\$ (Unaudited)	US\$ (Unaudited)
<b>Income</b>			
Dividend income		816,425	643,507
Net gains on financial assets at fair value through profit or loss	6	6,095,905	5,332,474
Net investment income		6,912,330	5,975,981
<b>Expenses</b>			
Management fee	12	(381,525)	(292,641)
Performance fee	12	(485,147)	(420,182)
Custodian, administration and secretarial fees		(48,725)	(49,236)
Transaction costs		(15,820)	(16,208)
Directors' fees	12	(13,389)	(13,389)
Foreign exchange gain/(loss)-net		40	(22,572)
Other operating expenses		(17,056)	(16,321)
Total operating expenses		(961,622)	(830,549)
Profit before tax		5,950,708	5,145,432
Income tax expense		-	-
Net profit for the period		5,950,708	5,145,432
<b>Other comprehensive income/(loss):</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Currency translation differences		(432,622)	(496,408)
Total other comprehensive loss for the period		(432,622)	(496,408)
Total comprehensive income for the period		5,518,086	4,649,024

*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 2014	31 December 2013	30 June 2013
	US\$ (Unaudited)	US\$ (Unaudited)	US\$ (Unaudited)
Opening balance	32,329,508	28,899,934	32,614,948
Comprehensive income			
Net profit for the six month period	5,950,708	3,620,825	5,145,432
Other comprehensive income/(loss)	(432,622)	150,311	(496,408)
Total comprehensive income for the period	5,518,086	3,771,136	4,649,024
Transactions with participating shareholders			
Proceeds from redeemable shares issued	5,000,000	4,600,000	200,000
Redemptions of redeemable shares	(4,097,451)	(4,941,562)	(8,564,038)
Total transactions with participating shareholders for the period	902,549	(341,562)	(8,364,038)
Closing balance	38,750,143	32,329,508	28,899,934

*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 2014	30 June 2013
	US\$ (Unaudited)	US\$ (Unaudited)
Cash flows from operating activities		
Purchases of financial assets	(4,430,206)	(244,809)
Proceeds from sales of financial assets	4,231,280	8,965,005
Dividends received	784,866	705,424
Performance fee paid	(590,598)	(137,084)
Other operating expenses paid	(466,411)	(498,666)
Net cash (used in)/generated from operating activities	(471,069)	8,789,870
Cash flows from financing activities		
Proceeds from redeemable shares issued	5,000,000	200,000
Redemptions of redeemable shares	(4,097,451)	(9,705,443)
Net cash generated from/(used in) financing activities	902,549	(9,505,443)
Net increase/(decrease) in cash and cash equivalents	431,480	(715,573)
Cash and cash equivalents at beginning of the period	282,529	1,033,077
Cash and cash equivalents at end of the period	714,009	317,504

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

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

---

## 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. It is registered under Section 4(3) of The Mutual Funds Law (2009 Revision), with registration number 17399.

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 11 September 2014.

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 2014 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 2013, 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 2013, as described in those annual financial statements.

The following amendments to standards are mandatory for the first time for the year beginning 1 January 2014 and have been adopted by the Company in this condensed interim financial information:

*Investment Entities* (Amendments to IFRS 10, IFRS 12 and IAS 27). The amendments apply to a particular class of business that qualify as investment entities. The Investment Entities amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

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

---

### 3. ACCOUNTING POLICIES (CONTINUED)

The Company is deemed to meet the definition of an investment entity per IFRS 10 as the following conditions exist:

- (a) the Company has obtained funds for the purpose of providing investors with investment management services;
- (b) the Company's business purpose, which was communicated directly to investors, is investing solely for returns from capital appreciation and investment income; and
- (c) the performance of investments made by the Company is measured and evaluated on a fair value basis.

However the Investment Entities amendments have no impact on the condensed interim financial information, as the Company has not become, or ceased to be, an investment entity in this interim period and the Company does not have any subsidiaries, does not control any structured entities and does not provide financial or other support to any unconsolidated structured entities.

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 2014 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 2013.

### 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 2013.

There have been no changes in the risk management policies employed by the Company since 31 December 2013.

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

### 5. FINANCIAL RISKS (CONTINUED)

#### 5.2 Liquidity risk

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.

	Less than one month	One month to 12 months
	US\$	US\$
<i>At 30 June 2014</i>		
Performance fee payable	-	392,551
Accrued expenses	45,565	31,862
	<u>45,565</u>	<u>31,862</u>
Contractual cash out flows	<u>45,565</u>	<u>424,413</u>
<i>At 31 December 2013</i>		
Performance fee payable	-	498,002
Accrued expenses	36,711	21,300
	<u>36,711</u>	<u>21,300</u>
Contractual cash out flows	<u>36,711</u>	<u>519,302</u>

#### 5.3 Fair value estimation

Financial instruments carried at fair value are analysed using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement, as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The table on the next page presents the Company's financial assets (by class) that are measured at fair value.

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

### 5. FINANCIAL RISKS (CONTINUED)

#### 5.3 Fair value estimation (continued)

	Level 1	Level 2	Level 3	Total balance
	US\$	US\$	US\$	US\$
<i>At 30 June 2014</i>				
Financial assets designated at fair value through profit or loss at inception:				
- Equity securities	37,906,260	-	504,834	38,411,094
Total financial assets measured at fair value	37,906,260	-	504,834	38,411,094
<i>At 31 December 2013</i>				
Financial assets designated at fair value through profit or loss at inception:				
- Equity securities	31,921,175	128,844	488,000	32,538,019
Total financial assets measured at fair value	31,921,175	128,844	488,000	32,538,019

All fair value measurements disclosed are recurring fair value measurements.

#### Transfers between levels

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.

In the interim period to 30 June 2014, there were no reclassifications of financial assets and no transfers between levels. In the interim period to 30 June 2013, there were no reclassifications of financial assets and no transfers between Levels 1 and 2 or between Levels 2 and 3. Transfers between Levels 1 and 3 in the interim period to 30 June 2013 are shown in the Level 3 reconciliation on page 18.

#### Financial instruments in Level 1

The fair values of financial assets traded in active markets are based on their closing prices at the last official close of the relevant stock exchange on or before the balance sheet date. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily equities listed on the Ho Chi Minh City Stock Exchange or Hanoi Stock Exchange which are designated as financial assets at fair value through profit or loss.

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

---

### 5. FINANCIAL RISKS (CONTINUED)

#### 5.3 Fair value estimation (continued)

##### Financial instruments in Level 2

The Level 2 financial asset as at 31 December 2013 was a holding in the redeemable shares of an open-ended fund which are not traded in an active market. The fair values of investments in shares of funds that are not traded in an active market are based on the NAV per share of the funds. Management uses its judgement to assess if a premium or discount, if any, should be applied to the NAV figures. As this fund permits its shares to be redeemed on a fortnightly basis with one day's notice at NAV per share, the investment in redeemable shares held in this fund was valued at the latest published NAV per share at the balance sheet date. The holding was redeemed in full in April 2014.

##### Financial instruments in Level 3

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 30 June 2014 consists of three unlisted equity securities (31 December 2013: four unlisted equity securities). The methods used for the valuations of the three unlisted equity holdings at 30 June 2014 are:

- property development company: net asset valuation with a market discount;
- pharmaceutical company: earnings multiple valuation with the application of a marketability discount; and
- telecommunications company: written-down to US\$1.

##### *Fair value of unlisted equity securities*

The valuation of the holding of shares in a property development company as at 30 June 2014 was US\$458,850 (31 December 2013: US\$448,340) after applying a market discount of 50% (31 December 2013: 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\$92,000 (31 December 2013: US\$90,000). If the market discount was higher/lower by 20% this would have resulted in a decrease/increase in value of US\$184,000 (31 December 2013: US\$179,000).

The holding of shares in a pharmaceutical company is valued at US\$45,983 as at 30 June 2014 (31 December 2013: US\$39,658) and reasonable possible changes to the unobservable inputs in the valuation for this holding would not change fair value significantly.

The valuation of the holding of shares in a telecommunications company as at 30 June 2013 was based on an estimate of the value of the telecoms licence, deduction of estimated liabilities and application of a marketability discount of 70% to give a valuation of US\$165,391. Due to increased uncertainty over the ability of the company to exploit its telecoms licence, this valuation was marked down to US\$1 as at 31 December 2013 and is unchanged during the interim period to 30 June 2014.

No interrelationships between unobservable inputs used in the Company's valuation of its Level 3 equity investments have been identified.

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

### 5. FINANCIAL RISKS (CONTINUED)

#### 5.3 Fair value estimation (continued)

##### Financial instruments in Level 3 (continued)

##### *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.

##### *Movement*

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

	Derivatives	Equity	Total
	US\$	US\$	US\$
<i>Period to 30 June 2014</i>			
Opening balance	-	488,000	488,000
Total gains recognised in profit or loss, included in "Net gains on financial assets at fair value through profit or loss"	-	133,775	133,775
Total losses recognised in other comprehensive income, included in "Currency translation differences"	-	(5,601)	(5,601)
Sales proceeds	-	(111,340)	(111,340)
Closing balance	-	504,834	504,834
Change in unrealised gains or losses for Level 3 assets held at the period-end and included in "Net gains on financial assets at fair value through profit or loss"	-	22,436	22,436
<i>Period to 30 June 2013</i>			
Opening balance	9,521	1,000,206	1,009,727
Exercise of rights	(9,521)	-	(9,521)
Total losses recognised in profit or loss, included in "Net gains on financial assets at fair value through profit or loss"	-	(116,238)	(116,238)
Total losses recognised in other comprehensive income, included in "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)
Closing balance	-	661,275	661,275
Change in unrealised gains or losses for Level 3 assets held at the period-end and included in "Net gains on financial assets at fair value through profit or loss"	-	(116,238)	(116,238)

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

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

	As at	
	30 June 2014	31 December 2013
	US\$	US\$
Financial assets designated at fair value through profit or loss at inception		
- Listed equity securities	37,906,260	31,921,175
- Unlisted equity securities	504,834	616,844
<b>Total financial assets at fair value through profit or loss</b>	<b>38,411,094</b>	<b>32,538,019</b>

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

	Six months ended	
	30 June 2014	30 June 2013
	US\$	US\$
Opening balance	32,538,019	32,658,741
Purchases	4,430,206	244,809
Sales proceeds	(4,231,280)	(8,830,048)
Net gains recognised in profit or loss	6,095,905	5,332,474
Difference arising on translation to presentation currency	(421,756)	(504,961)
<b>Closing balance</b>	<b>38,411,094</b>	<b>28,901,015</b>

Analysis of financial assets at fair value through profit or loss by industrial sector:

	As at			
	30 June 2014		31 December 2013	
	US\$	%	US\$	%
Consumer staples	7,577,846	19.7	7,462,929	22.9
Energy	2,549,336	6.6	1,797,380	5.5
Financials	10,164,902	26.5	8,321,594	25.6
Healthcare	658,577	1.7	850,276	2.6
Industrials	3,628,447	9.4	2,365,692	7.3
Information technology	3,207,480	8.4	2,411,610	7.4
Materials	7,072,489	18.4	5,758,614	17.7
Property	3,069,722	8.0	3,146,861	9.7
Utilities	482,294	1.3	423,062	1.3
Telecommunication services	1	0.0	1	0.0
<b>Total</b>	<b>38,411,094</b>	<b>100.0</b>	<b>32,538,019</b>	<b>100.0</b>

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

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

As at 30 June 2014, the value of one holding in the equity of an issuer within the consumer staples sector is 17.3% of the net asset value of the Company (31 December 2013: 18.6%), the value of one holding in the equity of an issuer within the materials sector is 12.9% (31 December 2013: 10.1%) and the value of one holding in the equity of an issuer within the financials sector is 10.9% (31 December 2013: 8.5%). There are no other holdings with value exceeding 10% of the net asset value of the Company as at 30 June 2014 or 31 December 2013.

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

Analysis of financial assets at fair value through profit or loss by country of incorporation of issuers:

	As at	
	30 June 2014	31 December 2013
	US\$	US\$
SR Vietnam	38,149,771	32,200,362
Cayman Islands	179,625	270,442
Singapore	81,698	67,215
Total	<u>38,411,094</u>	<u>32,538,019</u>

Analysis of financial assets at fair value through profit or loss by currency of denomination:

	As at	
	30 June 2014	31 December 2013
	US\$	US\$
Vietnamese dong	38,149,771	32,200,362
Euro	179,625	270,442
Singapore dollar	81,698	67,215
Total	<u>38,411,094</u>	<u>32,538,019</u>

Exchange rates at the balance sheet dates were:

	As at	
	30 June 2014	31 December 2013
Vietnamese dong / US dollar	21,328	21,080
Euro / US dollar	0.73	0.73
Singapore dollar / US dollar	1.25	1.26

## 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 2014	30 June 2013
	US\$	US\$
Net realised gains on the sales of equity securities	1,185,245	1,515,594
Net unrealised gains on equity securities	4,910,660	3,816,880
Net gains recognised in profit or loss	<u>6,095,905</u>	<u>5,332,474</u>

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 2014 and at 31 December 2013 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 2014	31 December 2013	30 June 2013
Beginning of the period	5,917,598	6,008,574	7,885,354
Participating shares issued for cash	820,749	918,438	41,920
Participating shares redeemed	(655,529)	(1,004,873)	(1,918,700)
Participating shares decreased on consolidation or transfers between series	(14,021)	(4,541)	-
End of the period	<u>6,068,797</u>	<u>5,917,598</u>	<u>6,008,574</u>

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

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

### 7. SHARE CAPITAL (CONTINUED)

Holdings over 10% of the Company's issued capital

As at 30 June 2014, two shareholders held 2,202,631 participating shares (36.3%) (31 December 2013: 1,395,661 participating shares (23.6%)) and 927,134 participating shares (15.3%) (31 December 2013: 918,438 participating shares (15.5%)) respectively.

As at 30 June 2014, the Investment Manager, PXP Vietnam Asset Management Limited, and the owners of the ultimate holding company of the Investment Manager, Mr Kevin Snowball and Ms Joelle Daumas-Snowball, held a combined beneficial interest of 788,598 shares (13.0%) (31 December 2013: 787,598 shares (13.3%)) in the Company's participating shares.

No other shareholders held more than 10% of the Company's issued capital as at 30 June 2014 or 31 December 2013.

### 8. PERFORMANCE FEE PAYABLE

The Investment Manager is entitled to receive an annual performance fee from the Company 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% per annum 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 above the hurdle for that share.

For the interim financial information, performance fee payable is calculated as 20% of the excess of the net asset value per share at the interim balance sheet date above the hurdle for that share which is pro-rated to the interim balance sheet date at 8% per annum. Performance fee is only actually paid if the full year performance exceeds the 8% per annum hurdle, or if shares are redeemed during a year, in which case any accrued performance fee on such shares will be payable to the Investment Manager at the time of the share redemption.

See Note 12.2 for information on amounts paid out and accrued.

### 9. NET ASSET VALUE PER SHARE

	As at	
	30 June 2014	31 December 2013
Net assets attributable to participating shareholders (US\$)	38,750,143	32,329,508
Number of shares in issue	6,068,797	5,917,598
Net asset value per share (US\$ per share) (average)	6.385	5.463

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

### 9. NET ASSET VALUE PER SHARE (CONTINUED)

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

	As at	
	30 June 2014	31 December 2013
	US\$	US\$
Series 1A	6.541	5.548
Series 1B	6.541	5.548
Series 1 (Lead Series)	6.218	5.402
Series 2 *	-	5.332
Series 3 *	-	5.278
Series 4 *	-	5.332
Series 8 *	-	5.441
Series 10 *	-	5.460
Series 11 *	-	5.522
Series 12	6.387	5.549
Series 13	6.351	-

\* At the beginning of 2014, these series on which a performance fee was payable in respect to the year ended 31 December 2013 were consolidated into the Lead Series.

### 10. 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 2014.

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.

### 11. 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)

---

### 12. RELATED PARTY TRANSACTIONS

#### 12.1 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 2014.

Directors' remuneration accrued for the six month period to 30 June 2014 amounted to US\$13,389 (six month period to 30 June 2013: US\$13,389).

#### 12.2 Investment Manager

There has been no change to the basis of calculation of management fee in the six month period to 30 June 2014. Management fee for the six month period to 30 June 2014 amounted to US\$381,525 (six month period to 30 June 2013: US\$292,641) and there was no outstanding fee payable at 30 June 2014 and 31 December 2013.

There has been no change to the basis of calculation of performance fee in the six month period to 30 June 2014. Performance fee paid out during the six month period to 30 June 2014 was US\$590,598 (six month period to 30 June 2013: US\$137,084) being US\$498,002 in respect to performance in 2013 and US\$92,596 in respect to performance on shares that were redeemed during the six month period to 30 June 2014. Performance fee accrued as at 30 June 2014 is US\$392,551 (31 December 2013: US\$498,002).

Mr Kevin Snowball, one of the owners of the ultimate holding company of the Investment Manager, purchased 1,000 participating shares of the Company during the six month period to 30 June 2014 (six month period to 30 June 2013: Nil). See Note 7 for details of shares held by the Investment Manager and related parties at the balance sheet dates.

# DIRECTORY



## COMPANY SECRETARY AND REGISTERED OFFICE

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

## INVESTMENT MANAGER

PXP Vietnam Asset Management Limited  
PO Box 957  
Offshore Incorporations Centre  
Road Town, Tortola  
British Virgin Islands  
[www.pxpam.com](http://www.pxpam.com)

## ADMINISTRATOR AND REGISTRAR

HSBC Trustee (Cayman) Limited  
PO Box 484  
HSBC House  
68 West Bay Road  
Grand Cayman, KY1-1106  
Cayman Islands

## ADMINISTRATOR'S AND REGISTRAR'S DELEGATE

HSBC Institutional Trust Services (Asia) Limited  
1 Queen's Road Central  
Hong Kong

## CUSTODIAN

HSBC Institutional Trust Services (Asia) Limited  
1 Queen's Road Central  
Hong Kong

## VIETNAM SUB-CUSTODIAN

HSBC Bank (Vietnam) Ltd.  
The Metropolitan  
235 Dong Khoi Street  
District 1, Ho Chi Minh City  
Vietnam

## LEGAL ADVISER TO THE COMPANY ON CAYMAN ISLANDS' LAW

Charles Adams Ritchie & Duckworth  
Zephyr House, 122 Mary Street  
PO Box 709  
Grand Cayman, KY1-1107  
Cayman Islands

## INDEPENDENT AUDITORS

PricewaterhouseCoopers  
Strathvale House  
90 North Church Street  
Grand Cayman, KY1-1104  
Cayman Islands

[www.pxpam.com](http://www.pxpam.com)

