



**VIETNAM HOLDING**

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## **VietNam Holding Limited**

(a company incorporated with limited liability in the Cayman Islands)

**Unaudited Financial Statements** for the six month period from 1 July 2009 to 31 December 2009

## Chairperson's statement

### Overview

The second half of 2009 was an eventful and rewarding time for VietNam Holding (VNH) on a number of fronts. First, with regard to the Company's performance, there was a 22.6% increase in net asset value (NAV) during the latter half of 2009; markedly higher than the 10.4% rise shown by the benchmark VNI. VNH has outperformed its benchmark index every month in the latest half-year period.

*"There was a 22.6% increase in net asset value (NAV); VNH has outperformed its benchmark index every month in the latest half-year period".*

### SRI Orientation

Since its launch, VNH has pursued a long-term value approach to investing. As evidenced by our consistently strong performance, this has served the Company well. Our value approach also provides a strong platform on which to embark on a new chapter in the Company's strategic development, as it becomes a fully dedicated sustainable and responsible investor. At the Annual General Meeting held in November 2009, shareholders voted to endorse the comprehensive alignment of VNH's investment policy with the UNPRI's (the United Nations Principles for Responsible Investment) principles for responsible investing. As a consequence, environmental, social and corporate governance (ESG) factors will now be fully incorporated into our investment analysis and portfolio management procedures. This new orientation is a natural progression from the Company's 'VNH Forum' initiative, which is a cornerstone of our strong corporate governance focus, as well as the work of the VNH Foundation, which is dedicated to a social responsibility agenda.

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Not only does this SRI conversion mark an important new chapter for VNH, it is also a timely one in the context of Vietnam's own economic and social development. Awareness of ESG issues have come to the forefront in Vietnam during 2009. While Vietnam's economy proved to be surprisingly resilient despite the global economic downturn, there is a growing recognition within the country that rapid economic growth should be equitably balanced with social and environmental concerns. This highlights a new 'triple bottom line' approach for the Vietnamese economy and corporate sector as a whole.

### Vietnam

Vietnam's rich biodiversity is coming under increasing pressure, and a number of recent mishaps have served to underline the damage being inflicted on the environment by unbridled economic growth. As in any developing country with limited resources, the institutional capacity of government agencies to regulate and enforce ESG issues is constrained. It is therefore important that the corporate and financial community seeks to play a proactive role in cooperation with international donors. Vietnam's policy makers are currently preparing a socio-economic development strategy for the next ten years, with the aim of Vietnam becoming an 'industrialized' economy by 2020. Crucial to the chances of success will be the extent to which future economic development in Vietnam is pursued in a more sustainable fashion. VNH is dedicated to playing a key role in that pursuit.

### ESG Compliance

As part of this expansion of VNH's investment policy, the Company and the Investment Manager are introducing a series of measures intended to translate the ESG policy approach into tangible actions. This will result in both our existing portfolio of investee companies, and all future investments, undergoing a comprehensive ESG compliance and analysis process. In addition, VNH is actively pursuing other important initiatives intended to promote a greater understanding of sustainable and responsible investing in Vietnam. VNH is a co-founder of the Vietnam Business Council for Sustainable Development. And recently, VNH became a signatory to UNPRI. These consist of six principles that

*"Not only does this SRI conversion mark an important new chapter for VNH, it is also a timely one in the context of Vietnam's own economic and social development".*

provide a means of incorporating ESG issues into mainstream investment decision-making and ownership practices. In further support of our new strategic emphasis, the Investment Manager has become a founding member of the recently established Global Compact Network in Vietnam. The Global Compact is a strategic policy initiative, managed by the United Nations, for companies that

wish to align their activities with ten principles in the fields of human rights, labour, the environment and anti-corruption.

Let me conclude by saying that VNH is looking forward to further implementing its new ESG strategy in 2010, and is pleased to be doing so at a time when global economic prospects seem brighter, and the fundamentals of Vietnam's domestic economy appear stronger, than they did just one year ago.

**Min-Hwa Hu Kupfer**

Chairperson

VietNam Holding Ltd.

5 March 2010

# Investment manager's report

## World markets

It is a period of rebuilding and increased promise for world financial markets. A year ago, the global economy was fully engulfed in a growing financial crisis. The stress in even the largest and most powerful economies was severe. Together with other emerging markets, Vietnam was unable to escape the resulting downward pressures on investors, investor confidence, and securities markets.

Fortunately, bold and aggressive measures, particularly those taken in the United States and Europe, were able to stem a tide which seemed inexorably headed to a global economic and financial depression. As a result, a strong market recovery brought higher prices and greatly improved indices to relieved investors around the world. Vietnam was equally positive in its reaction, and successful with the measures it adopted. The government enacted an aggressive economic stimulus package including significant tax deferrals and new budget spending of more than \$3.4 billion. You will read in the next section of this report that the Vietnamese economy has responded very positively to this stimulus and has performed above all expectations during the second half of 2009.

## VNH performance

*"We are proud of this performance and of the staff that produced it. Despite the cost-effective reductions we made early last year in staff size and office facilities, we continue to set the pace in the investment fund market in Vietnam."*

In this challenging environment, the improvement of the Vietnam Holding portfolio exceeded that of the major Vietnam indices and most of its peer funds. During the first half of this fiscal year, our portfolio out-performed the benchmark VNI every month. Our Annual Report later this year will provide more details of this success and discuss the largest investee companies with which we approach a promising future.

We are proud of this performance and of the staff that produced it. Despite the cost-effective reductions we made early last year in staff size and office facilities, we continue to set the pace in the investment fund market in Vietnam. We are also thankful for the important role played in this success by our Advisory Council. Their continuing advice and counsel are vital to our future.

## SRI focus

As noted in our Chairperson's letter, Vietnam Holding has enthusiastically adopted a sustainable and responsible investment (SRI) approach. ESG (Environmental, Social, and Governance) considerations will now guide all of our investment decisions. This significant decision, proposed by the fund management and endorsed by our shareholders at the AGM in November, will add to the importance of the work of our staff, the value of the input of our advisors, and the reward realized by the fund's shareholders.

This enhanced strategy has come about as a natural extension of the socially responsible and transparent approach that has guided us from our inception. The corporate governance education of our many VNH Forums and the good work of the VNH Foundation are evidence. The ESG sensitive character of the most successful sectors of our portfolio is ample proof.

This move to comprehensive sustainability will not be without challenges. As an emerging market, Vietnam is early in the development of environmental sensitivity and awareness. Despite its sincere best efforts, there is a long way to go before its industry and its people will give the planet all the consideration it requires. Vietnam Holding is fully committed to playing a major role in the process by which that goal is met.

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We eagerly accept the responsibility we have as a key market participant. We will aggressively help Vietnam and its industries build both sensitivity to and the deliverance of the kind of sustainability that ensures the future of the country, its people, and the planet.

## **Expanded new mission**

*"We eagerly accept the responsibility we have as a key market participant. We will aggressively help Vietnam and its industries build both sensitivity to and the deliverance of the kind of sustainability that ensures the future of the country, its people, and the planet."*

We are not content with simply reflecting sustainability in our portfolio; we will actively help to grow and promote it throughout the Vietnam marketplace. As we do so, our primary focus and our principal goal remain the growth of your shareholder value. All of our experience to date in Vietnam has convinced us that companies that demonstrate sensitivity to environmental, social and corporate governance issues are smart and successful companies. They recognize, as we do, that consideration of how they impact the places they operate in and the people they operate with are critical to their long term success.

Thank you for your continued support of VietNam Holding and our efforts to build value in your portfolio, in your shareholding, and in our growing and promising market.

### **Donald Van Stone**

Chairman  
VietNam Holding Asset Management  
5 March 2010

# Vietnam economy and capital market overview

## The economic recovery

The latter half of 2009 was a period of sustained recovery for the Vietnamese economy and the resident corporate sector. Having hit bottom in the first quarter of 2009, economic momentum was regained in 2H2009, with GDP growth of 5.8% and 6.9% in the final two quarters of the year, respectively. This helped Vietnam attain GDP growth of 5.3% for all of 2009, markedly higher than many of the country's regional peers.

Factors behind the economy's strong performance were three-fold. The first was the bold economic stimulus package that was pursued in 2009, with both monetary and fiscal components. The reduced tax burden in 1H2009 had a positive impact, as did the subsidized lending scheme that ran throughout the year. The prime rate of interest, set by the State Bank of Vietnam, was held at 7% for all but the last month of 2H2009, with a 100 bps rise unveiled in December. But the 4% subsidy on commercial lending rates meant that the cost of borrowing for eligible corporate borrowers was actually below 7% for much of 2009.

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The second factor was the strength of the domestic economy, and Vietnamese consumers in particular. The country is often viewed, in rather simplistic terms, as an export-oriented manufacturing platform and commodity producer. But with a population close to 90 million, and having passed the US\$1,000 per capital GDP milestone in 2008, Vietnam is on the cusp of becoming a major consuming economy in its own right.

*"With a population close to 90 million, and having passed the US\$1,000 per capital GDP milestone in 2008, Vietnam is on the cusp of becoming a major consuming economy in its own right."*

The third factor was the robust export performance. Although global prices for many commodities declined in 2009, which impacted adversely on Vietnam's export earnings, actual export volumes held up relatively well. Thus, for all of 2009, Vietnam generated export income of US\$56.3bn, compared with US\$60.6bn the year before; a modest decline of just 7%, despite the grim global economic backdrop. Imports also contracted, from US\$78.8bn in 2008 to US\$68.1bn in 2009, resulting in a trade deficit of US\$11.7bn, compared with the more worrisome US\$18.1bn in 2008.

## The stock market and investor sentiment

Vietnam's macro-economic performance was broadly mirrored by the stock market, at least in 3Q2009, with both the Ho Chi Minh City and Hanoi indices rising during the latter half of 2009. In Ho Chi Minh City, the VNI commenced 2H2009 at 430, then rose to 624 in late October, and ended the year at 495. In Hanoi, the smaller HNX rose from just 150 in July to a peak of 218 in late October, before retreating to end the year at 168. For all of 2009, the VNI was up 57%, while the Hanoi index rose 60%.

*"For all of 2009, the VNI was up 57%."*

The guarded pull back in the two indices during the last two months of 2009 reflected three inter-related investor concerns that merit some mention. The first pertains to a possible return of inflation in 2010, as the economy picks up added momentum – the Government is aiming for 6.5% GDP growth in the coming year. However, so far such inflation-related worries have been unfounded. The consumer price index rose by an acceptable 6.5% in 2009.

The second concern relates to the balance of payments, the result of Vietnam's perennial trade deficit, a marked decline in capital inflows from foreign direct and portfolio investors in 2009, and reduced inward remittances by overseas Vietnamese. There are also the costs of the economic stimulus package, which resulted in a higher budget deficit. This concern is a legitimate one, although the international donor community pledged substantially larger sums of development assistance to Vietnam in the latter part of 2009, which should help cushion the blow.

The third worry for investors relates to the strength of the local currency, which, has come under downward pressure, partly due to the factors cited above. In late November, the State Bank of Vietnam enacted a 5.4% devaluation in the Dong, while also reducing the latitude in the daily trading band. This took the Dong to around 18,500 to the US dollar in the official market, but was not sufficient to remove investor anxiety. As a result, the 'black market' rate for the Dong has tended to remain above 19,000, even though trading outside of the regulated band is officially prohibited.

Looking to 2010, the government will need to carefully finesse an end to what remains of the economic stimulus package. A wary eye will also need to be kept on the health of the banking and finance sector, after the 35% credit growth registered in 2009, which was driven in part by the subsidized loan programme. Such strong loan growth is likely to impact adversely on non-performing loan levels in 2010, as may the widely anticipated future hikes in the central bank's lending rate.

## VIETNAM HOLDING – Vietnam’s SRI Fund

From its inception four years ago, VietNam Holding Ltd. has incorporated the essential principles of long term sustainability in both its operating philosophy and in its portfolio management. There has been a particular emphasis on high quality governance, and this topic has been the focus of five VNH Forums held since 2007. Social concern has been a staple of our own principles and a prominent goal of the investee companies we have worked with. The most obvious example of our social conscience is the VNH Foundation, whose operating budget is funded by contributions from VietNam Holding Asset Management and generous private donors. The charitable work done in the last three years by the Foundation and its partners is a testimony to the underlying belief of the entire VNH organization that we are identified by how we interact with the society in which we live and work. This concern for our host market has also resulted in the exclusion from our portfolio of industries and businesses that impact negatively on the environment and on the people of Vietnam.

*“From its inception four years ago, VietNam Holding Ltd. has incorporated the essential principles of long term sustainability in both its operating philosophy and in its portfolio management.”*

The recommendation by management and decision by shareholders to fully embrace ESG components into our investment policy was not taken lightly or without sound business rationale. We believe that companies which consider how their operations impact the environment and the people they encounter, and which do so in an open and transparent way, operate better businesses. Their smarter managers examine risk and reward from a broader perspective. They put emphasis on the creation and maintenance of long term value. We are convinced that in future, even more than in the past, this will characterize the best performing companies.

*“The process of integrating ESG in our portfolio selection and management has begun in earnest. In doing so, we are realistic about the market in which we operate, and the capacity it and the world have for change.”*

The process of integrating ESG in our portfolio selection and management has begun in earnest. In doing so, we are realistic about the market in which we operate, and the capacity it and the world have for change. We also do so with the firm conviction that our example and our engagement with committed investee companies will leave Vietnam a better place, its people better served, and our shareholders more fully rewarded.

An ESG assessment has begun with our existing portfolio on a sector by sector basis. We have studied the industries in the portfolio and in the available market from the viewpoint of the three ESG factors. The result has been several additions to our investment exclusion list, as now incorporated formally in our Investment Policy, and a more comprehensive understanding of these important elements of the market.

This is not a desktop exercise. Our new SRI orientation will involve extensive and direct communications with our investee companies. Our goal will not be limited to building an ESG sensitive portfolio. Rather, we will work cooperatively to help our portfolio companies expand and improve the ESG principles in their operations and organization. We will be actively engaged shareholders, focused on companies with a will to be better corporate citizens. Their willingness and capacity to do so will be a fundamental part of our portfolio selection process. As we continue in this significant new direction, our eye remains on the ball of maximized shareholder value. It is our firm conviction that these two goals are mutually supportive, and in the best interests of both our investors and Vietnam.

*“We will be actively engaged shareholders, focused on companies with a will to be better corporate citizens. Their willingness and capacity to do so will be a fundamental part of our portfolio selection process”.*

## Balance sheet

As at December 31, 2009 (unaudited)

		<b>Unaudited As at 31.12.09</b>	<b>Unaudited As at 31.12.08</b>	<b>Audited As at 30.06.09</b>
	<b>Note</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>
<b>Assets</b>				
Cash and cash equivalents	2	4,485,008	4,374,779	5,070,762
Investments in securities at fair value	2	77,600,814	47,499,422	61,851,629
Accrued interest on bonds and dividends due		-	16,030	46,509
Other assets		-	-	-
<b>Total assets</b>		<b>82,085,822</b>	<b>51,890,231</b>	<b>66,968,900</b>
<b>Liabilities</b>				
Accrued expenses		287,209	440,614	369,187
Other liabilities		52,677	-	-
<b>Total liabilities</b>		<b>339,886</b>	<b>440,614</b>	<b>369,187</b>
<b>Net assets attributable to shareholders</b>		<b>81,745,936</b>	<b>51,449,617</b>	<b>66,599,713</b>

The financial statements on pages 8 to 19 were approved by the Board of Directors on 5 March 2010 and were signed on its behalf by Min-Hwa Hu Kupfer, Chairperson of the Board of Directors and Nguyen Quoc Khanh, Chairman of the Audit Committee.

Min-Hwa Hu Kupfer  
Chairperson of the Board of Directors

Nguyen Quoc Khanh  
Chairman of the Audit Committee

The notes on pages 12 to 20 form an integral part of these financial statements.

## Income statement

for the 6 month period from July 1, 2009 to December 31, 2009

		<b>Unaudited 01.07.09- 31.12.09</b>	<b>Unaudited 01.07.08 - 31.12.08</b>	<b>Audited 01.07.08 - 30.06.09</b>
	Notes	USD	USD	USD
<b>Income</b>				
Interest income	5	174	27,857	82,052
Dividend income from equity securities designated at fair value through profit or loss		617,584	1,468,340	3,085,819
Realised gain/(loss) on investments		1,948,796	-3,219,206	-6,495,525
Net foreign exchange (loss)/gain	2	-542,187	-327,229	-137,957
Movement in unrealised gain on investments	2	14,411,651	-14,285,095	3,820,731
<b>Net investment income</b>		<b>16,436,018</b>	<b>-16,335,333</b>	<b>355,120</b>
<b>Expenses</b>				
Investment Management fee	6	803,496	716,660	1,211,751
Performance fee	6	-	-	-
Advisory fees		60,500	87,500	116,538
Accounting fees	8	50,000	50,410	100,000
Custodian fee	7	56,500	53,725	129,056
Director fees and expenses	6	150,000	180,000	320,704
Brokerage fees		7,800	5,000	13,711
Audit fees		30,000	32,500	50,022
Publicity and investor relations fees		40,500	100,000	161,271
Insurance fees		22,500	18,500	37,000
Risk management expenses		42,000	92,500	271,277
Technical assistance		7,500	-	-
Other operating fees		84,396	110,000	-21,746
<b>Total operating expenses</b>		<b>1,355,192</b>	<b>1,446,795</b>	<b>2,389,584</b>
<b>Change in net assets attributable to shareholders</b>		<b>15,080,826</b>	<b>-17,782,128</b>	<b>-2,034,464</b>

The notes on pages 12 to 20 form an integral part of these financial statements.

## Statement of changes in net assets attributable to shareholders

for the 6 month period from July 1, 2009 to December 31, 2009

	Notes	Unaudited 01.07.09 - 31.12.09 USD	Unaudited 01.07.08 - 31.12.08 USD	Audited 01.07.08 - 30.06.09 USD
<b>Net assets at the beginning of the period</b>		66,665,110	69,231,745	68,634,177
Change in net assets attributable to shareholders as a result of operations		15,080,826	-17,782,128	-2,034,464
Issue of shares during the period	4	-	-	-
Adjustment from bid prices to last traded prices	*			65,397
<b>Net assets at the end of the period</b>		<b><u>81,745,936</u></b>	<b><u>51,449,617</u></b>	<b><u>66,665,110</u></b>

The net asset per share at December 31, 2009 was USD 1.453 (31.12.2008: USD 0.915)

\* the audited values are calculated based on bid market prices

The notes on pages 12 to 20 form an integral part of these financial statements.

## Statement of cash flows

for the 6 month period from July 1, 2009 to December 31, 2009

	<b>Unaudited 01.07.09 - 31.12.09</b>	<b>Unaudited 01.07.08 - 31.12.08</b>	<b>Audited 01.07.08 - 30.06.09</b>
		USD	USD
<b>Cash flows from operating activities</b>			
Increase/(decrease) in net assets attributable to shareholders	15,080,826	-17,782,128	-2,034,464
Adjustments for:			
Interest income	-174	-27,857	-82,052
Dividend income	-617,584	-1,468,340	-3,039,310
Net realised gain on investments	-1,948,796	3,219,206	6,495,525
Net unrealised loss/(gain) on debt and equity instruments	-14,411,651	14,285,095	-3,820,731
Unrealised foreign currency loss	-443,759	-93,011	119,133
	<b>-2,341,138</b>	<b>-1,867,035</b>	<b>-2,361,899</b>
Net increase/(decrease) in amounts due from brokers	-	-	-
Net increase/(decrease) in other receivables and payables	-100,728	184,004	-107,970
Cash used in operations	<b>-2,441,866</b>	<b>-1,683,031</b>	<b>-2,469,869</b>
Interest received	174	27,857	82,052
Dividends received	617,584	1,468,340	3,039,310
<b>Net cash used in operating activities</b>	<b>-1,824,108</b>	<b>-186,834</b>	<b>651,493</b>
<b>Cash flows from investing activities</b>			
Purchase of investments	-4,278,365	-13,488,595	-17,203,422
Proceeds from sale of investments	5,072,960	3,627,503	7,412,130
<b>Net cash from investing activities</b>	<b>794,595</b>	<b>-9,861,092</b>	<b>-9,791,292</b>
<b>Cash flows from financing activities</b>			
Proceeds from redeemable units	-	-	-
Redemption of redeemable units	-	-	-
<b>Net cash from financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net decrease in cash and cash equivalents	<b>-1,029,513</b>	<b>-10,047,926</b>	<b>-9,139,799</b>
<b>Cash and cash equivalents at the beginning of the period</b>	5,070,762	14,329,694	14,329,694
Effect of exchange rate fluctuations on cash held	443,759	93,011	-119,133
<b>Cash and cash equivalents at the end of the period</b>	<b>4,485,008</b>	<b>4,374,779</b>	<b>5,070,762</b>

The notes on pages 12 to 20 form an integral part of these financial statements.

# Notes to the Financial Statements

## 1 THE COMPANY

VietNam Holding Limited (the “Company”) is a closed-end investment holding company incorporated on April 20, 2006 as an exempt company under the Companies Law in the Cayman Islands and commenced its operations on June 15, 2006, to invest principally in securities of former State-owned Entities (“SOEs”) in Vietnam, prior to, at or after the time such securities become listed on the Vietnam stock exchange, including the initial privatisation of the SOEs. The Company may also invest in the securities of private companies in Vietnam, whether Vietnamese or foreign owned, and the securities of foreign companies if a significant portion of their assets are held or operations are in Vietnam.

The objective of the Company is to achieve long-term capital appreciation by investing in a diversified portfolio of companies with a significant presence in Vietnam. The main focus is on those SOEs that the Vietnamese government has identified for partial divestment and listing on the two domestic securities trading centers. Target companies must combine measurable value with high growth potential.

The Company through its Investment Manager, VietNam Holding Asset Management Limited, will actively incorporate ESG (Environmental, Social and Governance) considerations into its ownership policies and practices. It will seek an active dialogue with the management of the entities in which it invests and will seek appropriate disclosure of ESG issues.

Credit Suisse Zurich has been appointed to act as custodian of the Company’s assets (as can be legally held outside of Vietnam). Vietnamese law requires that the Company’s shares in listed companies must be held by a custodian registered as such in Vietnam and these assets will therefore be held by the Vietnam sub-custodian. HSBC (Vietnam) has been appointed to act as sub-custodian. Credit Suisse Asset Management Fund Service (Luxembourg) S.A. has been appointed to act as the administrator of the Company.

The registered office of the Company is Card Corporate Services Ltd., Fourth Floor, Zephyr House, 122 Mary Street, PO Box 709 GT, Grand Cayman, KY1-1107, Cayman Islands.

## 2 PRINCIPAL ACCOUNTING POLICIES

### (a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board.

### (b) Basis of preparation

The financial statements are presented in USD and rounded to the nearest USD. They are prepared on a fair value basis for financial assets and financial liabilities are reported at fair value through the profit or loss account or stated at amortised cost.

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based in historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from the estimates.

The estimated and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Company is organised and operates as one segment. Consequently, no segment reporting is provided in the Company’s financial statements.

**(c) Foreign currency translation**

Transactions in foreign currencies other than the functional currency are translated at the rate ruling on the dates of the transactions. Monetary assets and liabilities, denominated in foreign currencies are re-translated to USD at the rates ruling on the year-end date.

Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are included in the income statement.

Foreign currency exchange differences relating to financial instruments held-for-trading are included in the realised and unrealised gains and losses on those investments. All other foreign currency exchange differences relating to other monetary items, including cash and cash equivalents, are included in net foreign exchange gain and losses in the income statement.

**(d) Financial instruments**

***(i) Classification***

The category of financial assets and financial liabilities at fair value through profit and loss comprises:

Financial instruments held-for-trading. These include forward contracts, options and liabilities from short sales of financial instruments. All derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as financial assets held-for-trading. All derivatives in a net payable position (negative fair value), as well as options written, are reported as financial liabilities held-for-trading.

The Company designated all its investments into the financial assets at fair value through profit and loss category.

Financial instruments designated at fair value through profit and loss upon initial recognition. These include financial assets that are not held for trading purposes and which may be sold. These are investments in exchange-traded debt and equity instruments, unlisted offshore open-ended investments funds, unlisted equity instruments and commercial paper.

Financial assets that are classified as loans and receivables include balances due from brokers, receivables from reverse repurchase agreements and accounts receivable.

Financial liabilities that are not at fair value through profit and loss include balances due to brokers, payables under repurchase agreements, accounts payable and financial liabilities arising on redeemable shares.

***(ii) Recognition***

The Company recognises financial assets held for trading on the trade date, being the date it commits to purchase the instruments. From this date, any gains and losses arising from changes in fair value of the assets or liabilities are recorded.

Financial liabilities are not recognised unless one of the parties has performed.

***(iii) Derecognition***

A financial asset is derecognised when the Company no longer has control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered.

Assets held-for-trading that are sold are derecognised, and corresponding receivables from the buyer for the payment are recognised on the trade date, being the date the Company commits to sell the assets.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

The weighted average method is used to determine realised gains and losses on derecognition.

***(iv) Measurement***

The financial statements are prepared on a fair value basis for derivative financial instruments, financial assets and liabilities held for trading. Other financial assets and liabilities not at fair value through profit and loss and non-financial assets and liabilities are stated at amortised cost.

Valuation

Marketable securities are recorded at fair value. The fair value of the securities is based on their quoted price at the balance sheet date without any deduction for transaction costs.

If quoted market prices are unavailable or do not, in the opinion of the Board of Directors, represent probable realisable values, or if the securities are not listed, the value of the relevant securities is ascertained by the Board of Directors in good faith using valuation methods which it considers fair in the circumstances including quotes received from brokers and other third party sources where possible.

As at December 31, 2009, 17% (December 31, 2008: 24%) of the net assets of the Company was based on quotes obtained from brokers.

Any increases or decreases in values are recognized in the Income statement as an unrealised gain or loss.

***(v) Gains and losses on subsequent measurement***

Gains and losses arising from a change in the fair value of financial instruments are recognised in the income statement.

***(vi) Impairment***

Financial assets that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the income statement as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the income statement.

***(vii) Specific instruments***

***Cash and cash equivalents***

Cash comprises current deposits with banks, fixed deposits and bank overdrafts. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

***Reverse repurchase transactions***

Securities purchased under agreements to resell (reverse repurchase agreements) are reported as receivables and are carried in the balance sheet at amortised cost. Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements is recognised as interest income or interest expense, over the life of each agreement using the effective interest method.

***Forward foreign exchange contracts***

Forward foreign exchange contracts are stated at market value, with the resulting net realised and unrealised gains and losses reflected in the income statement.

**(e) Interest income and expense**

Interest income and expense is recognised in the income statement on an accruals basis.

Interest income includes the amortisation of any discount or premium on zero coupon bonds, which is taken as income on the basis of yield to redemption, from the date of purchase.

**(f) Formation expenses**

Costs attributable to the establishment of the Company have been expensed in full.

**(g) Offsetting**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Company has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis or simultaneously, e.g. through a market clearing mechanism.

**(h) Amounts due to/from brokers**

Amounts due to/from brokers represent security purchases and sales transactions which are contracted for but not yet delivered at the end of the accounting period.

**(i) Taxation**

At present, no income, profit, capital, or capital gain taxes are levied in the Cayman Islands, and accordingly, no provision for such taxes has been recorded by the Company in the accompanying financial statements.

In the event that such taxes are levied, the Company has received an undertaking from the Governor in Cabinet of the Cayman Islands exempting it from all such taxes for a period of twenty years from May 2, 2006.

**(j) Adoption of new and revised standards**

The IASB has issued several standards, amendments to standards and interpretations that will be effective for the Company as from 1 January 2009 or after. The Company has not elected to adopt these standards, amendments to existing standards or interpretations.

*IFRS 2 Share-based payment – Vesting Conditions and Cancellations.* Amendments to IFRS 2 are required to be applied from 1 January 2009. These amendments clarify the definition of vesting conditions, introduce the concept of non-vesting conditions, require non-vesting conditions to be reflected in grant-date fair value and provide the accounting treatment for non-vesting conditions and cancellations.

*IFRS 8 Operating Segments* replaces IAS 14 Segment Reporting. IFRS 8 is required to be applied from 1 January 2009. This IFRS sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which they operate, and its major customers. IFRS 8 will require additional disclosures on these items.

*IAS 1 Presentation of Financial Statements* (as revised in 2007) supersedes IAS 1 Presentation of Financial Statements (as revised in 2003 and amended in 2005). The revised IAS 1 introduces new terminology throughout IFRSs and is required to be applied from 1 January 2009, but earlier application is permitted. The IFRS is aimed at improving users ability to analyse and compare the information given in financial statements. IAS 1 (Revised) will affect the presentation of owner changes in equity and of comprehensive income.

*IAS 23 Borrowing Costs* (as revised in 2007) supersedes IAS 23 Borrowing Costs (issued in 1993). The revised IAS 23 is required to be applied from 1 January 2009, but earlier application is permitted. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed.

*Amendments to IAS 32 and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation.* Amendments to IAS 32 and IAS 31 are required to be applied from 1 January 2009. These amendments to the standards require that some puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity.

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Company.

Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purpose, will come into effect not earlier than 1 January 2009. The Company

has not yet analysed the likely impact of the improvements on its financial position or performance.

### 3 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

Financial assets of the Company include investments, receivables from reverse repurchase agreements, cash at banks and with brokers and debtors, prepaid expenses and accrued income. Financial liabilities include bank loans and overdrafts, creditors and accrued charges. Accounting policies for financial assets and liabilities are set out in note 2.

The Company's investment activities expose it to various types of risk that are associated with the financial instruments and the markets in which it invests. The most important types of financial risk to which the Company is exposed are market risk, currency risk, credit risk and liquidity risk.

Asset allocation is determined by the Company's Investment Manager who manages the distribution of the assets to achieve the investment objectives. Divergence from target asset allocations and the composition of the portfolio is monitored by the Investment Manager.

#### Market risk

Market 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 predominately exposed to market risk within its securities purchased on the Vietnamese market.

Furthermore, there is no certainty that the market price of the ordinary shares of the Company will fully reflect their underlying net asset value. Shares of closed-end investment companies frequently trade at a discount to net asset value. This characteristic of shares of a closed-end investment company is a risk separate and distinct from the risk that the net asset value may decrease.

The overall market positions are monitored continuously by the Investment Manager and at least quarterly by the VNH Board of Directors.

The Company's investments in securities are exposed to market risk and are disclosed by the following generic investments types:

Description	31.12.2009		31.12.2008		30.06.09	
	Fair value in USD	% of net assets	Fair value in USD	% of net assets	Fair value in USD	% of net assets
Bonds and similar investments	-	-	-	-	-	-
Shares and similar investments – listed	64,315,432	78.68%	35,196,496	68.41%	50,174,427	75.34%
Shares and similar investments - unlisted	13,285,382	16.25%	12,302,926	23.91%	11,677,202	17.53%
	<u>77,600,814</u>	<u>94.93%</u>	<u>47,499,422</u>	<u>92.32%</u>	<u>61,851,629</u>	<u>92.87%</u>

At December 31, 2009 a 5% reduction in the market value of the portfolio would have led to a reduction in net asset value of 4.75% or USD 3,880,040. A 5% increase in market value would have led to an equal and opposite effect.

#### Currency risk

The Company may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency of USD. Consequently, the Company is exposed to risks that the exchange rate of its currency relative to other currencies may change and have an adverse effect on the value of the Company's assets or liabilities denominated in currencies other than USD.

The Company's net assets are calculated every month based on the most up to date exchange rates while the general economic and foreign currency environment is continuously monitored by the investment manager and reviewed by the VNH Board of Directors at least once per quarter.

The Company may enter into arrangements to hedge currency risks if such arrangements become desirable and practicable in the future in the interest of efficient portfolio management.

As at December 31, 2009 the Company had the following currency exposure:

	Assets Fair value 31.12.09 USD	Assets Fair value 31.12.08 USD	Assets Fair value 30.06.09 USD
Currency			
Vietnamese Dong	76,838,148	49,426,017	62,269,190
Euro	1,004,706	-	1,686,427
	77,842,854	49,426,017	63,955,617

At December 31, 2009 a 5% reduction in the value of the Vietnamese Dong would have lead to a reduction in net asset value of 4.76% or USD 3,892,143. A 5% increase in value would have lead to an equal and opposite effect.

#### **Credit risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company.

At December 31, 2009, the following financial assets were exposed to credit risk: cash and cash equivalents, investments in debt instruments, receivables from reverse repurchase agreements, accrued interest, amounts due from brokers and other receivables. The total amount of financial assets exposed to credit risk amounted to USD 4,485,008 (31.12.08: USD 4,390,809).

Substantially all of the assets of the Company are held by Credit Suisse. Bankruptcy or insolvency of the bank and custodian may cause the Company's rights with respect to cash and securities held by the bank and custodian to be delayed or limited. The Company monitors its risk by monitoring the credit quality and financial positions of the bank and custodian the Company uses.

#### **Liquidity risk**

The Company, a closed-end investment company, will invest in companies through listings on the Vietnam stock exchange or on other stock exchanges. There is no guarantee however that the Vietnam stock exchange will provide liquidity for the Company's investments in unlisted companies. The Company may have to resell such investments in privately negotiated transactions.

The Company's overall liquidity risks are monitored on at least a quarterly basis by the Board of Directors. The Company is a closed-end Investment Company so shareholders cannot redeem their shares directly from the Company.

#### **Interest rate risk**

The Company could be exposed to interest rate risk, due to any investment in fixed interest rate bonds. The prices of these securities are sensitive to interest rate fluctuations, and unexpected fluctuations in interest rates could cause the valuations of the fixed interest rate bonds to move in a direction which was not anticipated.

There were no securities exposed to interest rate risk as at December 31, 2009.

#### 4 SHARE CAPITAL

The ordinary shares have been created pursuant to the Companies Law in the Cayman Islands. The Company was incorporated with an authorised share capital of USD 100,000,000 divided into 100,000,000 ordinary shares of USD 1.00 each. The one ordinary share in issue was transferred to the Investment Manager on April 28, 2006 and purchased by the Company on June 15, 2006 for USD 1.00 and was immediately cancelled.

On June 6, 2006, the Board resolved that 56,250,000 ordinary shares would be allotted at a placing price of USD 2.00 per ordinary share at, but conditional upon, admission. The ordinary shares' ISIN number is KYG9361X1043. No shares have been issued or redeemed since June 6, 2006.

The Company strives to invest the capital raised to meet the Company's investment objectives which are to achieve long term capital appreciation through a diversified portfolio of companies that have high potential in Vietnam. The Company achieves this aim by investing principally in securities of former State-owned Entities ("SOEs") in Vietnam prior to, at or after such securities becoming listed on the Vietnam stock exchange.

The Company does not have any externally imposed capital requirements.

#### **Redeemable shares**

The Company's general intention is to reinvest the capital received on the sale of investments. However, the Board may from time to time and in its discretion, either use the proceeds of sales of investments to meet the Company's expenses or distribute them to shareholders. Alternatively, the Board may redeem ordinary shares with such proceeds for shareholders pro rata to their shareholding upon not less than 30 calendar days' notice to shareholders (subject always to applicable law) or repurchase ordinary shares at a price not exceeding the last published net asset value per share.

#### 5 INTEREST INCOME

	31.12.09	31.12.08	30.06.09
Interest income arising from financial assets that are not at fair value through profit or loss:			
Cash and cash equivalents	174	27,857	607,574
Investment in other debt securities and receivables from reverse repurchase agreements	-	-	569,132
Total	<u>174</u>	<u>27,857</u>	<u>1,176,706</u>

#### 6 RELATED PARTY TRANSACTIONS

##### **Investment Management fees**

The Investment Manager is entitled to an investment management fee of 2% per annum on the monthly net assets under management. The fee is payable monthly in advance and is calculated by reference to the NAV at the end of the preceding month. In addition, the Investment Manager is reimbursed by the Company for administrative functions that it performs on behalf of the Company.

The Company will pay to the Investment Manager a performance bonus each year at the rate of 20% of the annual increase in net asset value over the higher of an annualised hurdle rate of 5% and a "high water mark" requirement.

The total fees accruing to the Investment Manager for the period to December 31, 2009 were USD 803,495 (31.12.08: USD 716,660) as management fee.

No performance fee was due as at December 31, 2009 (31.12.08: USD 0).

### **Directors' fees and expenses**

The Board will determine the fees payable to each Director, subject to a maximum aggregate amount of USD 350,000 per annum being paid to the Board as a whole. The Company will also pay reasonable expenses incurred by the Directors in the conduct of the Company's business including travel and other expenses. The Company will pay for directors and officers liability insurance coverage.

The charges for the six month period to December 31, 2009 for the Directors fees were USD 87,750 (31.12.08: USD 180,000) and expenses were USD 43,882 (31.12.08: USD 0).

### **Directors' ownership of shares**

As at December 31, 2009, Min-Hwa Hu Kupfer held 20,000 ordinary shares of the Company representing 0.04% of the total shares outstanding.

#### 7 CUSTODIAN FEES

The custodian will receive a fee of 0.16% per annum of the value of the assets held by it. The custodian will also charge fees for transactions and is entitled to charge out-of-pocket and any third party expenses.

The charges for the six month period to December 31, 2009 for the Custodian fees were USD 56,500 (31.12.08: USD 53,725).

#### 8 ADMINISTRATION AND ACCOUNTING FEES

The Administrator will receive a fee of 0.1% per annum calculated on the basis of the net assets of the Company during the last half year, with the fee payable at the end of each half year, subject to an annual minimum amount of 100,000 USD per annum.

The charges for the six month period to December 31, 2009 for the Administration and Accounting fees were USD 50,000 (31.12.08: USD 50,410).

#### 9 CONTROLLING PARTY

The Directors are not aware of any ultimate controlling party as at June 30, 2008 or June 30, 2009.

#### 10 FAIR VALUE INFORMATION

For certain of the Company's financial instruments not carried at fair value, such as cash and cash equivalents, debtors, prepaid expenses and accrued income and creditors and accrued charges, the amounts approximate fair value due to the immediate or short term nature of these financial instruments.

Other financial instruments are measured at fair value on the statement of the net assets attributable to shareholders.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

#### 11 EARNINGS PER SHARE

The calculation of earnings per share at December 31, 2009 was based on the change in net assets attributable to shareholders of USD 15,080,826 (December 31, 2008: USD (17,782,128)) and the number of shares outstanding of 56,250,000 (December 31, 2008: 56,250,000).

## **VietNam Holding Limited Corporate Information**

<b>Directors</b>	Min Hwa Hu Kupfer Professor Dr. Rolf Dubs Nguyen Quoc Khanh
<b>Registered Office, Company Secretary and Register</b>	CARD Corporate Services Ltd. Fourth Floor, Zephyr House 122 Mary Street PO Box 709 GT Grand Cayman, KY1-1107, Cayman Islands
<b>Nominated Advisor</b>	Grant Thornton Corporate Finance 30 Finsbury Square London EC2P 2YU, United Kingdom
<b>Nominated Broker</b>	JP Morgan Cazenove, UK 20 Moorgate London EC2R 6DA, United Kingdom
<b>Vietnam Sub-Custodian</b>	The Hong Kong and Shanghai Banking Corporation Limited The Metropolitan 235 Dong Khoi Street District 1 Ho Chi Minh City, Vietnam
<b>Investment Manager</b>	Vietnam Holding Asset Management Ltd. P.O. Box 3175 Road Town, Tortola British Virgin Islands
<b>Administrator</b>	Credit Suisse Asset Management Fund Service (Luxembourg) S.A. 5, rue Jean Monnet L – 2180 Luxembourg
<b>Independent Auditors</b>	KPMG Audit S.à r.l. 9, Allée Scheffer L – 2520 Luxembourg
<b>Custodian</b>	Credit Suisse Paradeplatz 8 CH-8001 Zürich
<b>UK Legal Advisor</b>	Allen & Overy LLP One Bishops Square London E1 6AD, United Kingdom
<b>Legal Advisor to the Company (as to Cayman Islands law)</b>	Charles Adams Ritchie & Duckworth Zephyr House 122 Mary Street, PO Box 709 GT Grand Cayman, KY1-1107, Cayman Islands