



# PXP VIETNAM FUND LIMITED

Annual report and audited financial statements  
for the year ended 30 September 2009



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## SPECIAL CONSIDERATIONS AND RISK FACTORS

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**THE INVESTMENT OBJECTIVE OF PXP VIETNAM 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.

**SHAREHOLDERS SHOULD BE AWARE THAT THE RISKS** inherent in the investments of the Company in Vietnam are of a nature and degree not typically encountered when investing in securities of companies listed on the major securities markets. Such risks include, but are not limited to, political and economic risks in addition to the normal risks inherent in any equity investment. A full description of the risks involved in investment in the Company can be found in the Placing Memorandum.

**INVESTMENT IN THE FUND SHOULD BE REGARDED AS LONG-TERM IN NATURE.** There can be no guarantee that the Company's investment objectives will be achieved.

**SHAREHOLDERS SHOULD BE AWARE THAT THE VALUE OF THE COMPANY'S SHARES** and the income from them may fluctuate. In addition, there is no guarantee that the market prices of shares in closed-end funds will reflect fully their underlying net asset value ("NAV").

## REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of PXP Vietnam Fund Limited presents its report together with the audited financial statements for the year ended 30 September 2009.

### OVERVIEW

The Company is a closed-end investment company with limited liability, incorporated in the Cayman Islands on 7 May 2003 under the provisions of the Companies Law, Cap. 22 (Revised) of the Cayman Islands. The number of the Company's Certificate of Incorporation is CR-125492.

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

### PRINCIPAL ACTIVITY

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

### THE BOARD OF DIRECTORS

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

|                     |          |
|---------------------|----------|
| Mr Philip Smiley    | Chairman |
| Mr Christopher Vale | Director |
| Mr Tony Jordan      | Director |
| Mr Markus Winkler   | Director |
| Mr Urs Bolzern      | Director |

### DIRECTORS' INTERESTS

As at 30 September 2009, Markus Winkler, a Trust of which Philip Smiley's family are the principal beneficiaries, and Urs Bolzern held 271,000 shares, 41,000 shares and 32,000 shares in the Company, respectively (30 September 2008: 271,000 shares, 41,000 shares and 32,000 shares were held by Markus Winkler, a Trust of which Philip Smiley's family are the principal beneficiaries, and Urs Bolzern respectively). Urs Bolzern acquired a further 48,000 shares in the Company on 6 October 2009.

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

## REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

The Board of Directors is responsible for the financial statements which give a true and fair view of the financial position of the Company as at 30 September 2009 and of its financial performance, cash flows and changes in shareholders' equity for the year then ended. In preparing these financial statements, the Board of Directors is required to:

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

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

We confirm to the best of our knowledge:

- The accompanying financial statements as set out on pages 7 to 33, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and financial performance of the Company.
- The Investment Manager's report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board of Directors

**Philip Smiley**

Chairman

25 January 2010

## REPORT OF THE INVESTMENT MANAGER



### REVIEW OF THE YEAR

During the year under review the Company's Net Asset Value ("NAV") per share increased by 42.25%, from US\$4.237 to US\$6.027. This compares with an increase in the Viet Nam Index ("VNI") of 18.35% in US\$ terms over the same period. The Vietnamese Dong ("VND") depreciated by 7.48% over the period under review.

Longer term the comparatives are also favourable from the Company's perspective, with relative NAV per share performance against the VNI for the five full Financial Years of the Company's operations shown in the table below:

|         | NAV    | VNI    |
|---------|--------|--------|
|         | US\$   | US\$   |
| 1 YEAR  | 42.25  | 18.35  |
| 2 YEARS | -44.16 | -49.97 |
| 3 YEARS | 19.67  | -0.78  |
| 4 YEARS | 127.51 | 78.85  |
| 5 YEARS | 151.54 | 119.85 |

### STOCK MARKET

The reverberations of the collapse of Lehman Brothers in September 2008 precipitated a global financial crisis the likes of which had not been seen for over three-quarters of a century. Vietnam, an outpost at the furthest-flung frontiers of the world's investible universe was never going to be spared the ravages of the disorderly retreat from risk, and so it proved as the Company's Financial Year began with 5 consecutive down months for the Net Asset Value. Somewhat surprisingly, Vietnam's was among the first markets to begin to look beyond the crisis, and the strong rally which started toward the end of February 2009 continued virtually unabated through the end of the Financial Year, with the period of consolidation in June and July not preventing either month posting positive returns. From bottom (235.50 on 24 February 2009) to the end of the Financial Year the index gained 146.7%. Much improved sentiment underpinned the rally with local investors initially reflecting that the overall decline in 2008 and into 2009 was somewhat excessive before adopting a more optimistic outlook for the economy; a view that seems fully justified given macro resilience, as discussed further below. The resumption of listing activity in the second quarter of 2009, with Vietcombank, Bao Viet Holdings and Vietinbank all joining the Ho Chi Minh City bourse, continued through the fourth quarter albeit generally with a smaller average listing size, and it certainly appears that the development of Vietnam's capital markets is back on track after a major stumble in 2008. At the time of writing there are 205 companies and 4 investment funds listed on the Ho Chi Minh City Stock Exchange and a further 264 companies registered at the Hanoi bourse, and both are expected to continue expanding through 2010.

### ECONOMY

Vietnam was spared the worst ravages of the global economy in 2009. Gross Domestic Product ("GDP") growth suffered a dramatic slowdown in the first quarter, declining to 3.1% - the slowest on record - but picked up substantially over the remainder of the year. Second, third and fourth quarter growth came in at 4.6%, 6.0% and 6.9% respectively for a 5.3% full year improvement, which represents a truly impressive showing under the circumstances after 6.2% growth in 2008. Exports declined at a much slower rate than elsewhere in Asia and the continued strength of the domestic economy as evidenced by retail sales growth in excess of 20% took up the slack to a large extent.

## REPORT OF THE INVESTMENT MANAGER (CONTINUED)

### ECONOMY (CONTINUED)

Consumer Price Inflation ("CPI") slowed dramatically to 6.5% in 2009 after reaching 23% the previous year although the 4th quarter increases are likely to continue for at least the first half of 2010 leading to at least 10% inflation for the full year. We are encouraged by evidence that the government appears to be ahead of the curve, having announced a shift in macroeconomic focus away from promoting growth to controlling inflation through monetary policy for the coming year.

The narrowing of the trade deficit to US\$12.25 billion in 2009 compared to 2008's US\$18.0 billion was more notably impacted by a 14.7% decline in imports than the 9.7% decline in exports, although the deficit almost doubled in the final quarter after a strong recovery in imports. A moderate resumption of global demand for Vietnam's products in 2010 alongside the government's restrictions on "unnecessary" imports will assist in restraining deficit expansion.

All things considered, and in spite of a second successive calendar year with currency depreciation well above the 1.5% to 2% policy (mainly as a result of balance of payments concerns), not a bad performance overall for the Vietnam economy during 2009 and one that, in our opinion, provides a sound basis for optimism for the years ahead.

### STRATEGY

Our stock selection methodology proved relatively successful in the 2009 Financial Year, rebuilding confidence after a very poor 2008. As market liquidity continues to improve we intend to complete the process of constructing a portfolio comprising no more than 25 high conviction holdings in order to optimise our ability to deliver superior long-term returns. Should market conditions permit during the remainder of the 2010 Financial Year we will recommend that the Company increases its issued share capital at the appropriate time in order to provide a more liquid vehicle for Shareholders.

### OUTLOOK

The principal risks facing the Company, in addition to the traditional risks and high degree of volatility associated with investing in frontier markets, arise from the uncertainties over the depth and duration of the global slowdown and over the efficacy of Vietnamese government actions to alleviate the negative impacts on the domestic economy during this challenging period.

The VNI finished calendar 2009 in consolidation mode, allowing local investors to begin to concentrate on the fundamentals in what turned out to be an encouraging year for corporate profitability in many sectors. This has led to some very bullish forecasts for 2010, with upside of 30% to 50% anticipated. Whilst turnover remains dominated by domestic investors (with foreigners contributing substantially less than 10% of activity on an average day) we do not discount future periods of extreme volatility as the market develops but would concur with the general optimism for the year ahead and would not be at all surprised to see the index reach 700 points before the end of the Company's 2010 Financial Year.

On behalf of the Investment Manager

**Kevin Snowball**

25 January 2010



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## INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF PXP VIETNAM FUND LIMITED

We have audited the accompanying financial statements of PXP Vietnam Fund Limited ("the Company"), which comprise the balance sheet as at 30 September 2009 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Board of Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### Auditor's responsibility

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

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

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

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 30 September 2009, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Other matter

The financial statements of the Company as at 30 September 2008 before restatement were audited by another auditor whose report, dated 19 December 2008, expressed an unqualified opinion.

**Ian S. Lydall**

Authorised signatory

**PricewaterhouseCoopers (Vietnam) Limited**

Ho Chi Minh City, SR Vietnam

Audit report number HCM2394

25 January 2010



## BALANCE SHEET

|                                                                           |      | As at 30 September<br>2009 | Restated<br>As at 30 September<br>2008 |
|---------------------------------------------------------------------------|------|----------------------------|----------------------------------------|
|                                                                           | Note | US\$                       | US\$                                   |
| <b>Assets</b>                                                             |      |                            |                                        |
| <b>Current assets</b>                                                     |      |                            |                                        |
| Financial assets at fair value through profit or loss                     | 5    | 68,880,806                 | 50,432,555                             |
| Due from brokers                                                          |      | 507,039                    | -                                      |
| Other receivables and prepayments                                         | 7    | 95,152                     | 10,123                                 |
| Cash and cash equivalents                                                 | 8    | 2,936,658                  | 659,000                                |
| <b>Total assets</b>                                                       |      | <b>72,419,655</b>          | <b>51,101,678</b>                      |
| <b>Liabilities</b>                                                        |      |                            |                                        |
| <b>Current liabilities</b>                                                |      |                            |                                        |
| Due to brokers                                                            |      | -                          | 144,729                                |
| Accrued fees and other payables                                           | 9    | 95,080                     | 107,816                                |
| <b>Total liabilities</b>                                                  |      | <b>95,080</b>              | <b>252,545</b>                         |
| <b>Net assets</b>                                                         |      | <b>72,324,575</b>          | <b>50,849,133</b>                      |
| <b>Equity</b>                                                             |      |                            |                                        |
| <b>Capital and reserves attributable to equity holders of the Company</b> |      |                            |                                        |
| Issued capital                                                            | 10   | 600,000                    | 600,000                                |
| Share premium                                                             | 10   | 33,952,880                 | 33,952,880                             |
| Cumulative translation reserve                                            |      | (6,169,724)                | (2,260,161)                            |
| Accumulated profits                                                       |      | 43,941,419                 | 18,556,414                             |
| <b>Total equity</b>                                                       |      | <b>72,324,575</b>          | <b>50,849,133</b>                      |
| <b>Net asset value per share (US\$ per share)</b>                         | 11   | <b>6.027</b>               | <b>4.237</b>                           |

The notes on pages 11 to 33 are an integral part of these financial statements.

## INCOME STATEMENT

|                                                                             | Note | Year ended 30 September |                     |
|-----------------------------------------------------------------------------|------|-------------------------|---------------------|
|                                                                             |      | 2009                    | 2008                |
|                                                                             |      | US\$                    | US\$                |
| Interest income                                                             |      | 38,539                  | 18,771              |
| Dividend income                                                             |      | 1,747,141               | 1,512,744           |
| Net gains/(losses) on financial assets at fair value through profit or loss | 5    | 24,687,208              | (76,563,609)        |
| <b>Net investment income/(loss)</b>                                         |      | <b>26,472,888</b>       | <b>(75,032,094)</b> |
| Management fee                                                              | 12   | 843,530                 | 1,715,273           |
| Custodian, administration and secretarial fees                              | 13   | 89,716                  | 126,266             |
| Brokerage commission                                                        |      | 45,168                  | 47,298              |
| Directors' fees                                                             | 12   | 50,000                  | 50,412              |
| Foreign exchange loss - net                                                 |      | -                       | 75,776              |
| Other operating expenses - net                                              | 14   | 59,469                  | 66,081              |
| <b>Total operating expenses</b>                                             |      | <b>1,087,883</b>        | <b>2,081,106</b>    |
| <b>Profit/(loss) before tax</b>                                             |      | <b>25,385,005</b>       | <b>(77,113,200)</b> |
| Income tax expense                                                          | 2.9  | -                       | -                   |
| <b>Net profit/(loss) for the year</b>                                       |      | <b>25,385,005</b>       | <b>(77,113,200)</b> |
| <b>Earnings/(loss) per share – basic (US\$ per share)</b>                   | 11   | <b>2.115</b>            | <b>(6.426)</b>      |

The notes on pages 11 to 33 are an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

|                                                    | Issued<br>capital | Share<br>premium  | Cumulative<br>translation<br>reserve | Accumulated<br>profits | Total              |
|----------------------------------------------------|-------------------|-------------------|--------------------------------------|------------------------|--------------------|
|                                                    | US\$              | US\$              | US\$                                 | US\$                   | US\$               |
| <b>Balance at 1 October 2007</b>                   |                   |                   |                                      |                        |                    |
| As previously stated                               | <b>590,073</b>    | <b>33,417,549</b> | <b>630,582</b>                       | <b>94,876,451</b>      | <b>129,514,655</b> |
| Prior year adjustment (Note 2.3)                   | 9,927             | 535,331           | (1,338,421)                          | 793,163                | -                  |
| <b>Balance at 1 October 2007<br/>(as restated)</b> | <b>600,000</b>    | <b>33,952,880</b> | <b>(707,839)</b>                     | <b>95,669,614</b>      | <b>129,514,655</b> |
| Net loss for the year                              | -                 | -                 | -                                    | (77,113,200)           | (77,113,200)       |
| Currency translation differences<br>(as restated)  | -                 | -                 | (1,552,322)                          | -                      | (1,552,322)        |
| <b>Balance at 1 October 2008<br/>(as restated)</b> | <b>600,000</b>    | <b>33,952,880</b> | <b>(2,260,161)</b>                   | <b>18,556,414</b>      | <b>50,849,133</b>  |
| Net profit for the year                            | -                 | -                 | -                                    | 25,385,005             | 25,385,005         |
| Currency translation differences                   | -                 | -                 | (3,909,563)                          | -                      | (3,909,563)        |
| <b>Balance at 30 September 2009</b>                | <b>600,000</b>    | <b>33,952,880</b> | <b>(6,169,724)</b>                   | <b>43,941,419</b>      | <b>72,324,575</b>  |

The notes on pages 11 to 33 are an integral part of these financial statements.

## CASH FLOW STATEMENT

|                                                               | Year ended 30 September |                |
|---------------------------------------------------------------|-------------------------|----------------|
|                                                               | 2009                    | 2008           |
|                                                               | US\$                    | US\$           |
| <b>Cash flows from operating activities</b>                   |                         |                |
| Purchases of financial assets                                 | (13,426,904)            | (12,816,309)   |
| Proceeds from sale of financial assets                        | 15,126,603              | 13,755,817     |
| Dividends received                                            | 1,663,575               | 1,633,199      |
| Interest received                                             | 35,343                  | 19,114         |
| Collection of deposits for purchases of securities            | -                       | 93,249         |
| Operating expenses paid                                       | (1,119,875)             | (2,117,252)    |
| <b>Net cash generated from operating activities</b>           | <b>2,278,742</b>        | <b>567,818</b> |
| <b>Increase in cash and cash equivalents</b>                  | <b>2,278,742</b>        | <b>567,818</b> |
| Cash and cash equivalents at beginning of year                | 659,000                 | 93,344         |
| Effects of exchange rate changes on cash and cash equivalents | (1,084)                 | (2,162)        |
| <b>Cash and cash equivalents at end of year (Note 8)</b>      | <b>2,936,658</b>        | <b>659,000</b> |

The notes on pages 11 to 33 are an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

PXP Vietnam Fund Limited ("the Company") is a closed-end investment company incorporated in the Cayman Islands on 7 May 2003 under the Companies Law, Cap. 22 (Revised) as an exempted company with limited liability. Its Certificate of Incorporation number is CR-125492.

The Company's shares are listed on the Irish Stock Exchange.

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 the equity securities of listed or prelisting Vietnamese companies, whether established with domestic or foreign ownership.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. There has been a change in accounting policy for the translation of equity items when the Company translates its results and financial position from its functional currency to its presentation currency. This change in accounting policy affects the components of capital and reserves, but has no impact on total equity and net assets of the Company for the year ended 30 September 2009 or for any previous years and no impact on the net profit of the Company presented in these financial statements. See Note 2.3 for a description of the change in accounting policy and the resultant prior year adjustment.

### 2.1 Basis of preparation

The financial statements of PXP Vietnam Fund Limited have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

#### (a) Standard, amendments and interpretations to standards that are not relevant to the Company

The new standard *IFRS for SMEs* is effective from its release date of 9 July 2009. This is a self-contained standard tailored for the needs and capabilities of small and medium-sized entities. This standard is not relevant to the Company as it cannot be adopted by entities that hold assets in a fiduciary manner.

Amendments and interpretations to standards that are mandatory for the accounting period beginning 1 October 2008 but are not relevant to the Company's operations are as follows:

- Amendments to IAS 39, Financial Instruments: Recognition and Measurement, and IFRIC 9, Reassessment of Embedded Derivatives;
- IFRIC 12, Service Concession Arrangements;
- IFRIC 13, Customer Loyalty Programmes;
- IFRIC 14, IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements;

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (continued)

#### (a) Standard, amendments and interpretations to standards that are not relevant to the Company (continued)

- IFRIC 16, Hedges of a Net Investment in a Foreign Operation; and
- IFRIC 18, Transfers of Assets from Customers (effective for transfers of assets from customers received on or after 1 July 2009).

#### (b) Standards, revision and amendments to standards that have not been early adopted by the Company

IFRS 8, *Operating Segments*, replaces IAS 14, *Segment Reporting*, and is effective for accounting periods beginning on or after 1 January 2009. It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. The Company currently operates as one segment and therefore management expects that this standard will not result in significant changes to the financial statements. There are required disclosures in IFRS 8 for entities operating as one segment. Management has reviewed these requirements and has assessed them to be similar to the disclosures already included in the financial statements of the Company for the year ended 30 September 2009.

IFRS 9, *Financial Instruments*, addresses classification and measurement of financial assets, and is effective for accounting periods beginning on or after 1 January 2013. There are significant changes to existing guidance in IAS 39, including the multiple classification and measurement models in IAS 39 being replaced with a single model that has only two classification categories: amortised cost and fair value. Classification under IFRS 9 is driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. Adoption of IFRS 9 will result in changes to the presentation and disclosure of financial assets in the financial statements of the Company, but will not impact on the recognition and measurement of the financial assets. The equity investments held by the Company will continue to be measured at fair value. Under IFRS 9, management has an option to present in other comprehensive income the unrealised and realised fair value gains and losses on equity investments that are not held for trading. It is expected that management will not take this option and will continue to present such unrealised and realised fair value gains and losses in profit or loss.

IAS 1 (Revised), *Presentation of Financial Statements*, which is effective for financial statements for periods beginning on or after 1 January 2009, introduces the term 'total comprehensive income', which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the statement of income and all non-owner changes in equity in a single statement), or in a statement of income and a separate statement of comprehensive income. It is likely that the Company will present a single statement of comprehensive income, and the main impact will be the inclusion of foreign currency translation differences within the Company's performance statement.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.1 Basis of preparation (continued)

##### (b) Standards, revision and amendments to standards that have not been early adopted by the Company (continued)

IFRS 7 (Amendment), *Financial Instruments: Disclosures*, is effective for financial statements for periods beginning on or after 1 January 2009. The amendment introduces a three-level hierarchy for fair value measurement disclosures and requires entities to provide additional disclosures about the relative reliability of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk. The main impact on the financial statements of the Company will be additional disclosures required.

##### (c) Revisions, amendments and interpretations to existing standards or interpretations that are not yet effective and not relevant for the Company's operations

- IAS 23 (Amendment), *Borrowing Costs* (effective from 1 January 2009);
- IAS 27 (Revised), *Consolidated and Separate Financial Statement* (effective from 1 July 2009);
- IAS 32 (Amendment), *Financial Instruments: Presentation* and IAS 1 (Amendment), *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* (effective from 1 January 2009);
- IAS 32 (Amendment), *Financial Instruments: Presentation – Classification of Rights Issues* (effective from 1 February 2010);
- IAS 39 (Amendment), *Financial Instruments: Recognition and Measurement on Eligible Hedged Items* (effective from 1 July 2009);
- IFRS 1 (Amendment), *First Time Adoption of IFRS*; and IAS 27 (Amendment), *Consolidated and Separate Financial Statements* (effective from 1 January 2009);
- IFRS 1 (Amendment), *First Time Adoption of IFRS – Additional Exemptions for First-time Adopters* (effective from 1 January 2010);
- IFRS 2 (Amendment), *Share-based Payment – Vesting Conditions and Cancellations* (effective from 1 January 2009);
- IFRS 2 (Amendment), *Share-based Payment – Group Cash-settled and Share-based Payment Transactions* (effective from 1 January 2010);
- IFRS 3 (Revised), *Business Combinations* (effective from 1 July 2009);
- IFRIC 14 (Amendment), *Prepayments of a Minimum Funding Requirement* (effective from 1 January 2011);
- IFRIC 15, *Agreements for Construction of Real Estates* (effective from 1 January 2009);
- IFRIC 17, *Distributions of Non-cash Assets to Owners* (effective from 1 July 2009); and
- IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments* (effective from 1 July 2010).

"Improvements to IFRS" were issued in May 2008 and April 2009 respectively and contain numerous amendments to IFRS, which the IASB consider non-urgent but necessary. "Improvements to IFRS" comprise amendments that result in accounting changes for presentation, recognition or measurement purposes as well as terminology or editorial amendments related to a variety of individual standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2009 and 1 January 2010 respectively, with earlier application permitted. No material changes to accounting policies are expected as a result of these amendments.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.2 Foreign currency translation

##### (a) Functional and presentation currency

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

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

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

- (i) Assets and liabilities are translated at the closing rate at the balance sheet date.
- (ii) Equity items, such as share capital issuance, are translated using the exchange rate at the transaction date (see Note 2.3).
- (iii) Income and expenses are translated using the exchange rate at the transaction date.
- (iv) All exchange differences arising on translation are recognised as a separate component of equity.

##### (b) Transactions and balances

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

#### 2.3 Change in accounting policy for translation of equity items to presentation currency

In the year ended 30 September 2009, the Company changed its policy for accounting for the translation of equity items when translating its results and financial position from its functional currency to its presentation currency. Previously, share capital was translated at the closing rate at the balance sheet date. IAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires assets and liabilities to be translated at the closing rate, but the Company has a choice of using either the historical rate or the closing rate for the translation of equity items. In the view of the Directors, the translation of share capital at the historical rate provides a more relevant presentation of equity items, as use of the closing rate combined with the devaluation or revaluation of the functional currency against the presentation currency will show changes in share capital although there has been no redemption or new issuance of shares. The shareholders have invested in US\$ denominated shares and any eventual return of capital will be in US\$.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.3 Change in accounting policy for translation of equity items to presentation currency (continued)

The new accounting policy for the year ended 30 September 2009 has share capital translated using the historical exchange rate and all exchange differences arising on translation are recognised as a separate component of equity. The recognition of exchange differences arising on translation as a distinct component of equity gives a clearer presentation of the impact of foreign currency movements on the capital and reserves attributable to equity holders, in comparison to the accounting policy of previous years which presented part of the exchange differences as a reduction in share capital. The exchange differences on translation of net assets had been included in the income statement in the years up to and including 30 September 2007. These differences have been recognised in the cumulative translation reserve in line with the new accounting policy. The change in accounting policy has been applied retrospectively, with comparative amounts in these financial statements being presented as if the new accounting policy had always been applied.

The change in accounting policy has no impact on total equity and net assets of the Company for the year ended 30 September 2009 or for any previous years and no impact on the net profit of the Company presented in these financial statements.

The effect of the change in accounting policy on the financial statements for the previous year is as follows:

|                                                                            | Issued<br>capital | Share<br>premium  | Cumulative<br>translation<br>reserve | Accumulated<br>profits |
|----------------------------------------------------------------------------|-------------------|-------------------|--------------------------------------|------------------------|
|                                                                            | US\$              | US\$              | US\$                                 | US\$                   |
| <b>Balance at 1 October 2007</b>                                           |                   |                   |                                      |                        |
| As previously stated                                                       | 590,073           | 33,417,549        | 630,582                              | 94,876,451             |
| Prior year adjustment                                                      |                   |                   |                                      |                        |
| - translation of share capital                                             | 9,927             | 535,331           | (545,258)                            | -                      |
| - translation of accumulated profits                                       | -                 | -                 | (793,163)                            | 793,163                |
| As restated                                                                | <b>600,000</b>    | <b>33,952,880</b> | <b>(707,839)</b>                     | <b>95,669,614</b>      |
| <b>Currency translation difference in the year ended 30 September 2008</b> |                   |                   |                                      |                        |
| As previously stated                                                       | (18,271)          | (1,034,736)       | (499,315)                            | -                      |
| Prior year adjustment                                                      | 18,271            | 1,034,736         | (1,053,007)                          | -                      |
| As restated                                                                | <b>-</b>          | <b>-</b>          | <b>(1,552,322)</b>                   | <b>-</b>               |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.3 Change in accounting policy for translation of equity items to presentation currency (continued)

|                                      | Issued<br>capital | Share<br>premium  | Cumulative<br>translation<br>reserve | Accumulated<br>profits |
|--------------------------------------|-------------------|-------------------|--------------------------------------|------------------------|
|                                      | US\$              | US\$              | US\$                                 | US\$                   |
| <b>Balance at 30 September 2008</b>  |                   |                   |                                      |                        |
| As previously stated                 | 571,802           | 32,382,813        | 131,267                              | 17,763,251             |
| Prior year adjustment                |                   |                   |                                      |                        |
| - translation of share capital       | 28,198            | 1,570,067         | (1,598,265)                          | -                      |
| - translation of accumulated profits | -                 | -                 | (793,163)                            | 793,163                |
| As restated                          | <b>600,000</b>    | <b>33,952,880</b> | <b>(2,260,161)</b>                   | <b>18,556,414</b>      |

The effect of the change in accounting policy on the financial statements for the year ended 30 September 2009 is as follows:

|                                                                            | Issued<br>capital | Share<br>premium | Cumulative<br>translation<br>reserve | Accumulated<br>profits |
|----------------------------------------------------------------------------|-------------------|------------------|--------------------------------------|------------------------|
|                                                                            | US\$              | US\$             | US\$                                 | US\$                   |
| <b>Currency translation difference in the year ended 30 September 2009</b> |                   |                  |                                      |                        |
| Under previous years' accounting policy                                    | (42,612)          | (2,413,253)      | (1,453,698)                          | -                      |
| Under new accounting policy                                                | -                 | -                | (3,909,563)                          | -                      |
| Difference                                                                 | <b>42,612</b>     | <b>2,413,253</b> | <b>(2,455,865)</b>                   | <b>-</b>               |
| <b>Balance at 30 September 2009</b>                                        |                   |                  |                                      |                        |
| Under previous years' accounting policy                                    | 529,190           | 29,969,560       | (1,322,431)                          | 43,148,256             |
| Under new accounting policy                                                | 600,000           | 33,952,880       | (6,169,724)                          | 43,941,419             |
| Difference                                                                 | <b>70,810</b>     | <b>3,983,320</b> | <b>(4,847,293)</b>                   | <b>793,163</b>         |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.4 Financial assets at fair value through profit or loss

##### (a) Classification

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

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

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

##### (b) Recognition/derecognition

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

##### (c) Measurement

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

##### (d) Fair value estimation

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

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

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 Due from and due to brokers

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

### 2.6 Cash and cash equivalents

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

### 2.7 Interest income and dividend income

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

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

### 2.8 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are ratified by the Annual General Meeting.

### 2.9 Taxation

Under current Cayman Islands law, no tax will be charged in the Cayman Islands on profits or gains of the Company, and dividends of the Company will be payable to the shareholders resident in or outside the Cayman Islands without deduction of tax. No stamp duty is levied in the Cayman Islands on the transfer or redemption of shares in the Company. An annual registration fee will be payable by the Company in the Cayman Islands which will be calculated by reference to the nominal amount of the Company's authorised share capital. On the basis of the current rate that fee will be approximately US\$805 per annum.

Under Vietnamese law effective until 31 December 2008, according to Circular 134/2007/TT-BTC dated 23 November 2007, Circular 100/2004/TT-BTC dated 20 October 2004 and Circular 72/2006/TT-BTC dated 10 August 2006, the Company is subject to 0.1% of the sales price when it sells all or part of its investments in domestic listed and unlisted Vietnamese companies. Net gains from the disposal of investments in non-joint stock companies are subject to 28% income tax.

Under new Vietnamese law effective from 1 January 2009, according to Circular 130/2008/TT-BTC dated 26 December 2008 and Circular 134/2008/TT-BTC dated 31 December 2008, the Company should continue to be subject to 0.1% of the sales price when it sells all or part of its investments in domestic listed and unlisted Vietnamese companies. Net gains from the disposal of investments in non-joint stock companies are subject to 25% income tax.

Interest received by the Company from cash deposits at domestic banks registered in the SR Vietnam is subject to withholding tax of 10%. The Company is not liable for Vietnamese taxes on its income derived from outside the SR Vietnam and capital gains derived from sale or other disposal of its non-Vietnamese investments.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.10 Related parties

Related parties include any entities and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them control or significant influence over the Company. The Company's Investment Manager, key management personnel of the Company and its Investment Manager, including directors and officers and close members of the family of these individuals and companies associated with these individuals, also constitute related parties. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

### 3. ESTIMATES AND JUDGEMENTS

#### 3.1 Estimates

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the application of policies and amounts reported in the financial statements and accompanying notes.

Actual results could differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

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

##### *Fair value of prelisting equity securities*

The fair value of equity securities that are not traded in an active market is determined by using valuation techniques. Management uses its judgement to select suitable valuation methodologies and makes assumptions that are mainly based on market conditions existing at each balance sheet date. The main method used for the valuation of the prelisting holdings of the Company as at 30 September 2009 is an average of the valuation results from earnings multiples and discounted cash flow analysis with the application of an appropriate marketability discount.

As at 30 September 2009, the fair value of the four prelisting equity securities that are held by the Company is US\$4,112,255 (30 September 2008: five holdings with fair value of US\$4,312,251). This represents an increase in fair value of the four holdings for the year ended 30 September 2009 of US\$41,078 (price increase of US\$324,936 and foreign exchange difference on translation to presentation currency of US\$283,858).

The discount rates used in the discounted cash flow analysis as at 30 September 2009 were in a range from 14.5% to 15%. The marketability discounts applied were 15% on two equity securities that are expected to list in the reasonably near future and 25% on the other two equity securities. If the discount rates applied in the discounted cash flow analysis as at 30 September 2009 had been 2% higher than the rates used, this would have reduced the fair value of the four holdings by a total of US\$227,684.

#### 3.2 Judgements

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3. ESTIMATES AND JUDGEMENTS (CONTINUED)

#### 3.2 Judgements (continued)

##### *Functional currency*

Management considers the VND the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The Company's primary activity is to invest in equity securities of listed or prelisting Vietnamese companies. The majority of the Company's investments are originally made in VND denominated securities and will be liquidated and realised in VND.

### 4. FINANCIAL RISK MANAGEMENT

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

#### 4.1 Market price risk

Market price risk is the risk that the value of a financial asset will fluctuate as a result of changes in market prices, whether or not those changes are caused by factors specific to the individual asset or factors affecting all assets in the market. The Company is exposed to market price risk on all of its investments. In the case of its investments in listed companies, such market price risk relates to the Hanoi Stock Exchange and Ho Chi Minh City Stock Exchange and to other exchanges, if any, where such investments are listed.

The Company's Investment Manager, PXP Vietnam Asset Management Limited, provides a continuous investment programme for the Company's assets, including seeking suitable investments for the Company, advises and supports in relation to the development of investments held by the Company, determining the appropriate time for the disposal of its investments, and the provision of investment research and advice with respect to all securities and investments and cash equivalents comprised in the Company's assets.

The performance of investments held by the Company is monitored closely by the Investment Manager. In monitoring the investments, the Investment Manager reviews all relevant financial statements and maintains contact to the extent possible with the Board and Management of the investee companies.

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

##### *Sensitivity analysis*

Since most of the Company's investments are listed on either the Hanoi Stock Exchange or Ho Chi Minh City Stock Exchange, the value of the Company's portfolio may change due to movements in the Viet Nam Index ("VNI"). As at 30 September 2009, had the VNI risen by 30%, with all other variables held constant, it is estimated that net result and net assets would have increased by US\$20,664,242 (30 September 2008: US\$15,129,766). A 30% drop of the VNI would have resulted in an equal but opposite effect on net result and net assets.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 4.2 Interest rate risk

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

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

#### 4.3 Credit risk

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

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

The bank accounts of the Company are held in the Vietnam branch and the Hong Kong branch of a Germany-based bank that has a Standard & Poor's rating of short term A-1, long term A+ and outlook stable as at 29 October 2009.

The maximum exposure to credit risk at 30 September is the carrying amount of the financial assets as set out below.

|                           | As at 30 September |                |
|---------------------------|--------------------|----------------|
|                           | 2009               | 2008           |
|                           | US\$               | US\$           |
| Due from brokers          | 507,039            | -              |
| Dividends receivable      | 83,566             | -              |
| Interest receivable       | 407                | -              |
| Cash and cash equivalents | 2,936,658          | 659,000        |
| Total                     | <b>3,527,670</b>   | <b>659,000</b> |

None of these assets is impaired nor past due but not impaired.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 4.4 *Liquidity risk and emerging market risk*

The Company is permitted to borrow money and to grant security over its assets. However, the Articles of Association limit such borrowings to 25% of the latest available net asset value of the Company at the time of the borrowing, unless the shareholders in general meeting otherwise determine by ordinary resolution. No such borrowings have arisen during the year.

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

The Company will endeavour to realise investments in prelisting companies through listings on the Exchanges. However, relatively few companies have listed shares on the Exchanges and there is no guarantee that the Exchanges will provide liquidity for the Company's investments in prelisting companies.

The value of the Company's assets may be adversely affected by changes in government, government personnel or government policies, which may include, among other things, changes in economic policy, taxation, investment regulations, securities regulations and foreign currency conversion or repatriation. While Vietnam has implemented many reforms which have improved the overall framework for investors and companies in which they invest, there is no guarantee that reform will continue or that it will continue at any particular pace.

Vietnamese accounting, auditing and financial reporting standards, practices and disclosure requirements differ from those in more developed countries. Less information may therefore be available to the Company than in respect of investments in more developed countries. However, the Company intends to make investments in prelisting companies on the basis of financial statements audited by a major international firm of accountants, and listed companies are all required to have audited financial statements.

In addition, the Investment Manager encourages the management of investee companies to adopt international accounting standards and practices in order to improve the standing of their companies in the view of international investors.

The Company is not exposed to frequent cash redemption as shareholders have no right to require their shares to be redeemed by the Company.

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.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 4.4 Liquidity risk and emerging market risk (continued)

At 30 September 2009

|                                     | Less than<br>one month | One month to<br>12 months |
|-------------------------------------|------------------------|---------------------------|
|                                     | US\$                   | US\$                      |
| Administration fees payable         | 15,416                 | -                         |
| Custodian fees payable              | 4,750                  | -                         |
| Accrued directors' fees             | 50,278                 | -                         |
| Legal and professional fees payable | 14,009                 | 8,678                     |
| Other payables and accruals         | 1,949                  | -                         |
| Contractual cash out flows          | <b>86,402</b>          | <b>8,678</b>              |

At 30 September 2008

|                                     | Less than<br>one month | One month to<br>12 months |
|-------------------------------------|------------------------|---------------------------|
|                                     | US\$                   | US\$                      |
| Unsettled investment purchase       | 144,729                | -                         |
| Administration fees payable         | 23,213                 | -                         |
| Custodian fees payable              | 4,079                  | -                         |
| Accrued directors' fees             | 50,277                 | -                         |
| Legal and professional fees payable | 2,865                  | 22,000                    |
| Other payables and accruals         | 5,382                  | -                         |
| Contractual cash out flows          | <b>230,545</b>         | <b>22,000</b>             |

#### 4.5 Currency risk and conversion risk

##### Currency risk

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 4.5 Currency risk and conversion risk (continued)

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

At 30 September 2009

|                                   | Amounts<br>denominated in<br>VND | Amounts<br>denominated in<br>US\$ | Total             |
|-----------------------------------|----------------------------------|-----------------------------------|-------------------|
|                                   | US\$                             | US\$                              | US\$              |
| <b>Assets</b>                     |                                  |                                   |                   |
| Financial assets at fair value    | 68,880,806                       | -                                 | 68,880,806        |
| Due from brokers                  | 507,039                          | -                                 | 507,039           |
| Other receivables and prepayments | 83,973                           | 11,179                            | 95,152            |
| Cash and cash equivalents         | 2,905,486                        | 31,172                            | 2,936,658         |
| <b>Total assets</b>               | <b>72,377,304</b>                | <b>42,351</b>                     | <b>72,419,655</b> |
| <b>Liabilities</b>                |                                  |                                   |                   |
| Accrued fees and other payables   | 1,950                            | 93,130                            | 95,080            |
|                                   | <b>1,950</b>                     | <b>93,130</b>                     | <b>95,080</b>     |
| <b>Net assets/(liabilities)</b>   | <b>72,375,354</b>                | <b>(50,779)</b>                   | <b>72,324,575</b> |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 4.5 Currency risk and conversion risk (continued)

At 30 September 2008

|                                   | Amounts<br>denominated in<br>VND | Amounts<br>denominated in<br>US\$ | Total             |
|-----------------------------------|----------------------------------|-----------------------------------|-------------------|
|                                   | US\$                             | US\$                              | US\$              |
| <b>Assets</b>                     |                                  |                                   |                   |
| Financial assets at fair value    | 50,432,555                       | -                                 | 50,432,555        |
| Other receivables and prepayments | 10,123                           | -                                 | 10,123            |
| Cash and cash equivalents         | 370,510                          | 288,490                           | 659,000           |
| <b>Total assets</b>               | <b>50,813,188</b>                | <b>288,490</b>                    | <b>51,101,678</b> |
| <b>Liabilities</b>                |                                  |                                   |                   |
| Due to brokers                    | 144,729                          | -                                 | 144,729           |
| Accrued fees and other payables   | 3,048                            | 104,768                           | 107,816           |
| <b>Total liabilities</b>          | <b>147,777</b>                   | <b>104,768</b>                    | <b>252,545</b>    |
| <b>Net assets/(liabilities)</b>   | <b>50,665,411</b>                | <b>183,722</b>                    | <b>50,849,133</b> |

The exchange rate as at 30 September 2009 was VND17,837 to US\$1 (30 September 2008: VND16,600).

#### Sensitivity analysis – presentation currency

The financial statements are presented in the Company's presentation currency which is US\$. All of the Company's investments are denominated in VND. The Company also has receivables, payables and a portion of cash and cash equivalents denominated in VND. As at 30 September 2009, had the US\$ strengthened by 5% in relation to the VND, with all other variables held constant, net assets as presented in the presentation currency would have decreased by US\$3,618,865 (30 September 2008: US\$2,533,271). A 5% weakening of the US\$ against the VND would have resulted in an equal but opposite effect on net assets.

#### Conversion risk

Shareholders' investments in the Company are made in US\$, and the Company converts such US\$ into VND prior to making investments. It will have to convert VND back to US\$ prior to distribution of any income and realisation proceeds from such investments.

There can be no assurance that fluctuations in exchange rates will not have an adverse effect on the distributions received by shareholders in US\$ after conversion of the income and realisation proceeds from the Company's non-dollar-denominated investments.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 4.5 Currency risk and conversion risk (continued)

##### *Conversion risk (continued)*

The Company may seek to hedge against a decline in the value of the Company's investments in US\$ terms resulting from currency depreciation but only if and when suitable hedging instruments are available on a timely basis and on acceptable terms. There is no assurance that any hedging transactions engaged in by the Company will be successful in protecting against currency depreciation. The Company has no outstanding hedging instrument as at 30 September 2009.

A majority of the Company's investments are denominated in VND and pay dividends in VND. The Company will need to convert VND to US\$ to make distributions to shareholders, but the VND currently is not a freely convertible currency. The Vietnamese Government does not guarantee that hard currency will be made available to the Company or that the Company will receive any priority if there is any shortage of hard currency.

With respect to sales of investments in prelisting companies, the Vietnamese Prime Minister's Decision No. 36/2003/QĐ-TTg provides that foreign investors can convert income and realisation proceeds into hard currency and remit them overseas upon the fulfilment of all tax obligations in accordance with Vietnamese law. However, in the absence of any regulations implementing the provisions of Decision No. 36, especially regulations in respect of the requirements to demonstrate the fulfilment of all tax obligations, the mechanics of conversion will depend on the State Bank of Vietnam's regulations. For investments in prelisting companies, relevant regulations are either not yet in existence or are currently not clear.

Until the State Bank of Vietnam issues clear procedures for conversion of VND into foreign currencies by an offshore investment fund, it is possible that the Company may have difficulty accomplishing such conversion. This may include the need to obtain special approval, and such approval may not be received quickly or at all. Any delay in conversion increases the Company's exposure to depreciation of the VND against other currencies. If conversion is not effected at all, some of the Company's assets may be denominated in a non-convertible currency.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

|                                                                               | As at 30 September       |                          |
|-------------------------------------------------------------------------------|--------------------------|--------------------------|
|                                                                               | 2009                     | 2008                     |
|                                                                               | US\$                     | US\$                     |
| Financial assets designated at fair value through profit or loss at inception |                          |                          |
| - Listed equity securities                                                    | 64,023,964               | 46,120,304               |
| - Prelisting equity securities                                                | 4,112,255                | 4,312,251                |
|                                                                               | <u>68,136,219</u>        | <u>50,432,555</u>        |
| Financial assets held for trading                                             |                          |                          |
| - Derivatives                                                                 | 744,587                  | -                        |
|                                                                               | <u>744,587</u>           | <u>-</u>                 |
| Total financial assets at fair value through profit or loss                   | <u><b>68,880,806</b></u> | <u><b>50,432,555</b></u> |

All the Company's financial assets designated at fair value through profit and loss at inception at the balance sheet dates were investments in equity securities.

The derivative instruments held at 30 September 2009 were rights to acquire shares in one issuer that is listed on the Ho Chi Minh City Stock Exchange. The rights were exercised on 30 October 2009. The rights have been valued using an option pricing model.

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

|                                                                                           | Year ended 30 September  |                          |
|-------------------------------------------------------------------------------------------|--------------------------|--------------------------|
|                                                                                           | 2009                     | 2008                     |
|                                                                                           | US\$                     | US\$                     |
| Opening balance                                                                           | 50,432,555               | 129,227,220              |
| Purchases                                                                                 | 13,282,265               | 12,889,892               |
| Opening carrying value/cost of sales *                                                    | (14,258,238)             | (17,496,607)             |
| Net unrealised gains/(losses) arising from changes in the fair values of financial assets | 23,311,805               | (72,665,850)             |
| Difference arising on translation to presentation currency                                | (3,887,581)              | (1,522,100)              |
| Closing balance                                                                           | <u><b>68,880,806</b></u> | <u><b>50,432,555</b></u> |

\* Opening carrying value/cost of sales as included in the above table represents, for those investment securities sold in the year: the fair values of the investment securities held at the start of the year and the costs of the investment securities purchased during the year.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

|                        | As at 30 September |               |                   |               |
|------------------------|--------------------|---------------|-------------------|---------------|
|                        | 2009               |               | 2008              |               |
|                        | US\$               | %             | US\$              | %             |
| Agriculture            | 5,561,999          | 8.07          | 4,389,965         | 8.71          |
| Construction materials | 3,620,969          | 5.26          | 1,686,651         | 3.34          |
| Consumer staples       | 487,647            | 0.71          | -                 | -             |
| Financial services     | 14,799,966         | 21.48         | 5,302,956         | 10.52         |
| Food and beverage      | 12,395,871         | 18.00         | 12,706,460        | 25.20         |
| Furniture              | 1,251,326          | 1.82          | 751,680           | 1.49          |
| Garments               | 1,048,378          | 1.52          | 1,115,573         | 2.21          |
| Logistics              | 7,322,837          | 10.63         | 5,032,185         | 9.98          |
| Mining                 | 3,228,412          | 4.69          | 3,355,015         | 6.66          |
| Oil and gas services   | 1,626,549          | 2.36          | 2,789,861         | 5.53          |
| Packaging              | 1,103,528          | 1.60          | -                 | -             |
| Pharmaceuticals        | 1,735,299          | 2.52          | 2,011,982         | 3.99          |
| Plastics               | 3,758,251          | 5.46          | 1,672,935         | 3.32          |
| Property               | 8,768,688          | 12.73         | 6,913,775         | 13.72         |
| Steel                  | 1,169,100          | 1.70          | 741,169           | 1.47          |
| Telecoms materials     | 1,001,986          | 1.45          | 1,962,348         | 3.89          |
|                        | <b>68,880,806</b>  | <b>100.00</b> | <b>50,432,555</b> | <b>100.00</b> |

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

|                                                       | Year ended 30 September |                     |
|-------------------------------------------------------|-------------------------|---------------------|
|                                                       | 2009                    | 2008                |
|                                                       | US\$                    | US\$                |
| Realised gains/(losses) on sales of equity securities | 1,375,403               | (3,897,759)         |
| Unrealised gains/(losses)                             | 23,311,805              | (72,665,850)        |
|                                                       | <b>24,687,208</b>       | <b>(76,563,609)</b> |

Net gains/(losses) 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 year and the costs of equity securities purchased during the year.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 6. FINANCIAL INSTRUMENTS BY CATEGORY

*At 30 September 2009*

|                                                       | Loans and<br>receivables | Assets at fair<br>value through<br>profit or loss | Total             |
|-------------------------------------------------------|--------------------------|---------------------------------------------------|-------------------|
|                                                       | US\$                     | US\$                                              | US\$              |
| <b>Assets as per balance sheet</b>                    |                          |                                                   |                   |
| Financial assets at fair value through profit or loss | -                        | 68,880,806                                        | 68,880,806        |
| Due from brokers                                      | 507,039                  | -                                                 | 507,039           |
| Other receivables and prepayments                     | 95,152                   | -                                                 | 95,152            |
| Cash and cash equivalents                             | 2,936,658                | -                                                 | 2,936,658         |
| Total                                                 | <b>3,538,849</b>         | <b>68,880,806</b>                                 | <b>72,419,655</b> |

*At 30 September 2008*

|                                                       | Loans and<br>receivables | Assets at fair<br>value through<br>profit or loss | Total             |
|-------------------------------------------------------|--------------------------|---------------------------------------------------|-------------------|
|                                                       | US\$                     | US\$                                              | US\$              |
| <b>Assets as per balance sheet</b>                    |                          |                                                   |                   |
| Financial assets at fair value through profit or loss | -                        | 50,432,555                                        | 50,432,555        |
| Other receivables and prepayments                     | 10,123                   | -                                                 | 10,123            |
| Cash and cash equivalents                             | 659,000                  | -                                                 | 659,000           |
| Total                                                 | <b>669,123</b>           | <b>50,432,555</b>                                 | <b>51,101,678</b> |

All financial liabilities in the balance sheets at 30 September 2009 and at 30 September 2008 were classified as other financial liabilities.

### 7. OTHER RECEIVABLES AND PREPAYMENTS

|                      | As at 30 September |               |
|----------------------|--------------------|---------------|
|                      | 2009               | 2008          |
|                      | US\$               | US\$          |
| Dividends receivable | 83,566             | -             |
| Interest receivable  | 407                | -             |
| Prepayments          | 11,179             | 10,031        |
| Others               | -                  | 92            |
|                      | <b>95,152</b>      | <b>10,123</b> |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 8. CASH AND CASH EQUIVALENTS

|                         | As at 30 September |                |
|-------------------------|--------------------|----------------|
|                         | 2009               | 2008           |
|                         | US\$               | US\$           |
| Current account in VND  | 2,905,486          | 370,510        |
| Current account in US\$ | 31,172             | 288,490        |
|                         | <b>2,936,658</b>   | <b>659,000</b> |

### 9. ACCRUED FEES AND OTHER PAYABLES

|                                     | As at 30 September |                |
|-------------------------------------|--------------------|----------------|
|                                     | 2009               | 2008           |
|                                     | US\$               | US\$           |
| Accrued directors' fees (Note 12)   | 50,278             | 50,277         |
| Administration fees payable         | 15,416             | 23,213         |
| Custodian fees payable              | 4,750              | 4,079          |
| Legal and professional fees payable | 22,687             | 24,865         |
| Other payables and accruals         | 1,949              | 5,382          |
|                                     | <b>95,080</b>      | <b>107,816</b> |

### 10. SHARE CAPITAL

|                                                                | As at 30 September<br>2009 | Restated<br>As at 30 September<br>2008 |
|----------------------------------------------------------------|----------------------------|----------------------------------------|
|                                                                | US\$                       | US\$                                   |
| <b>Issued capital</b>                                          |                            |                                        |
| Issued and fully paid, 11,999,999 ordinary shares at par value | 600,000                    | 600,000                                |
| <b>Share premium</b>                                           |                            |                                        |
| Share premium, net of transaction costs                        | 33,952,880                 | 33,952,880                             |
|                                                                | <b>34,552,880</b>          | <b>34,552,880</b>                      |

The Company's initial authorised share capital was 12,000,000 ordinary shares with a par value of US\$0.05 per share. In an Extraordinary General Meeting of the Company held on 8 January 2008, the authorised share capital was increased to a total of 50,000,000 ordinary shares with a par value of US\$0.05 per share. 11,999,999 shares were issued and fully paid before 1 October 2007.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 10. SHARE CAPITAL (CONTINUED)

See Note 2.3 for a description of a change in accounting policy for translation of equity items to presentation currency.

The shares constitute the only class of shares in the Company. All shares have the same rights, whether in regard to voting, dividend, return of share capital and otherwise. Each issued and fully paid ordinary share is entitled to dividend when declared and carries one voting right. In a winding-up of the Company, the shares carry a right to a return of the nominal capital paid-up in respect of such shares, and the right to share in the surplus assets.

As at 30 September 2009, Citivic Nominees Limited and Clearstream Banking SA held interest in 76.9% and 15.4%, respectively, of the Company's ordinary shares (30 September 2008: 71.51% and 20.2%, respectively).

The Company does not have any externally imposed capital requirements. The Company endeavours to invest the proceeds from the issue of ordinary shares in appropriate investments. The Company is not legally bound to accommodate redemption requests by investors in the Company.

### 11. NET ASSET VALUE PER SHARE AND EARNINGS/(LOSS) PER SHARE

|                                            | As at 30 September |              |
|--------------------------------------------|--------------------|--------------|
|                                            | 2009               | 2008         |
| Net asset value (US\$)                     | 72,324,575         | 50,849,133   |
| Number of shares in issue                  | 11,999,999         | 11,999,999   |
| Net asset value per share (US\$ per share) | <b>6.027</b>       | <b>4.237</b> |

|                                                     | Year ended 30 September |                |
|-----------------------------------------------------|-------------------------|----------------|
|                                                     | 2009                    | 2008           |
| Net profit/(loss) for the year (US\$)               | 25,385,005              | (77,113,200)   |
| Weighted average number of ordinary shares in issue | 11,999,999              | 11,999,999     |
| Basic earnings/(loss) per share (US\$ per share)    | <b>2.115</b>            | <b>(6.426)</b> |

The net asset value per share is determined by dividing the net asset value by the number of shares issued and outstanding at the time.

The basic earnings/(loss) per share is calculated by dividing net income/(loss) for the year attributable to the Company's shareholders by the weighted average number of ordinary shares in issue during the year. During the year, the Company did not have dilutive ordinary shares.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 12. RELATED PARTY TRANSACTIONS

#### Investment Manager

The Company is managed by the Investment Manager, PXP Vietnam Asset Management Limited, a company incorporated with limited liability under the laws of the British Virgin Islands. The Company pays to the Investment Manager a monthly management fee which is equal to one-twelfth of two per cent of the net asset value of the Company, is payable monthly in advance and is calculated by reference to the valuation day at the end of the preceding month. The Investment Manager does not receive an incentive or performance fee. Total management fee for the year amounted to US\$843,530 (2008: US\$1,715,273) and the outstanding fee payable at 30 September 2009 was US\$ Nil (30 September 2008: US\$ Nil).

PXP Vietnam Asset Management Limited holds 396,535 shares in the Company as at 30 September 2009 (30 September 2008: 55,000 shares).

#### Directors

The Board of Directors determines the fees payable to each director, subject to a maximum aggregate amount of US\$50,000 per annum being paid to the members of the Board. The total amount of fees paid to the directors in the year ended 30 September 2009 was US\$50,000 (2008: US\$50,000). Accrued directors' fees as at 30 September 2009 was US\$50,278 (30 September 2008: US\$50,277).

As at the balance sheet dates, the directors had the following interests in the shares of the Company:

| Director                                                                | Number of shares<br>As at 30 September |         |
|-------------------------------------------------------------------------|----------------------------------------|---------|
|                                                                         | 2009                                   | 2008    |
| Markus Winkler                                                          | 271,000                                | 271,000 |
| a Trust of which Philip Smiley's family are the principal beneficiaries | 41,000                                 | 41,000  |
| Urs Bolzern                                                             | 32,000                                 | 32,000  |

Urs Bolzern acquired a further 48,000 shares in the Company on 6 October 2009.

There were no material contracts to which the Company and any director is a party as at the balance sheet dates.

### 13. CUSTODIAN, ADMINISTRATION AND SECRETARIAL FEES

|                                       | Year ended 30 September |                |
|---------------------------------------|-------------------------|----------------|
|                                       | 2009                    | 2008           |
|                                       | US\$                    | US\$           |
| Custodian fees and expenses           | 27,537                  | 15,698         |
| Administration fees and expenses      | 59,488                  | 108,148        |
| Company secretarial fees and expenses | 2,691                   | 2,420          |
|                                       | <b>89,716</b>           | <b>126,266</b> |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 14. OTHER OPERATING EXPENSES - NET

|                             | Year ended 30 September |               |
|-----------------------------|-------------------------|---------------|
|                             | 2009                    | 2008          |
|                             | US\$                    | US\$          |
| Legal and professional fees | 26,125                  | 42,113        |
| Insurance                   | 22,544                  | 18,479        |
| Other expenses              | 10,800                  | 5,489         |
|                             | <b>59,469</b>           | <b>66,081</b> |

### 15. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 25 January 2010.

# DIRECTORY

## DIRECTORS OF THE COMPANY

Philip Smiley  
Christopher Vale  
Antony Jordan  
Markus Winkler  
Urs Bolzern

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