



**VIETNAM EQUITY HOLDING**  
Saigon Asset Management

**ANNUAL REPORT 2016**



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# FUND OVERVIEW

## ABOUT THE FUND

Vietnam Equity Holding ("VEH" or the "Fund") is an exempted open-end fund incorporated in the Cayman Islands on August 9, 2007. Its shares are currently listed on the Stuttgart Stock Exchange; they were previously listed on the Frankfurt Stock Exchange between 2007- 2012. The Fund is managed by Saigon Asset Management Corporation ("SAM" or the "Investment Manager"), an exempted company incorporated under the laws of the Cayman Islands with offices in Ho Chi Minh City, Vietnam. For more information please visit [www.saigonam.com](http://www.saigonam.com)

## INVESTMENT OBJECTIVES

The principal investment objective of VEH is to seek capital appreciation of its assets by making equity investments in companies with significant exposure to Vietnam. Specifically, the Fund has invested in and will continue to invest in the equities and debt securities of listed and private companies traded over-the-counter ("OTC"). The Fund seeks to invest in a diversified and balanced portfolio that will achieve above average returns at an acceptable level of risk, give rise to long-term and short-term returns, and capable of yielding recurring earnings and/or capital gains.

## CORPORATE INFORMATION

Structure	Initially a Cayman Islands registered closed-end investment company. Converted to an open-end mutual fund on June 14, 2013
Incorporation Date	August 9, 2007
Total Net Asset Value	€36.3mn (as of 31 December 2016)
Minimum Initial Subscription	US \$100,000 or equivalent in another currency
Redemptions	Quarterly with a minimum of sixty (60) days written notice submitted to the Administrator
Redemption Restrictions	Up to 15% of the Fund's issued and outstanding shares are available for each Redemption Day. Redemption requests may be made quarterly and are processed on a pro-rata basis subject to received requests; Written redemption requests must be submitted to the Administrator a minimum of sixty days before the relevant Redemption Day.
Redemption Fee	3% of the NAV of redeemed shares
Listed	Stuttgart Stock Exchange
NAV Frequency	Monthly
Management Fee	2% of NAV
Performance Fee	20% of gains over 8% hurdle rate with a high water mark
Investment Manager	Saigon Asset Management
Auditor	Grant Thornton (Cayman Islands)
Legal Counsel	Reed Smith, Appleby
Administrator	Deutsche Bank (Cayman) Ltd.

Custodian	Deutsche Bank AG (Ho Chi Minh City Branch, Vietnam)
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**TRADING**

Market	Stuttgart Stock Exchange
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Clearing/Settlement	Euroclear or Clearstream
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ISIN	KYG936251043
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German Securities Code	A0M12V
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Bloomberg Symbol	3MS:GR
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Reuters Symbol	3MS.DE
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Designated Sponsor / Market Maker	Renell Wertpapierhandelsbank AG ( <a href="http://www.renellbank.com/">http://www.renellbank.com/</a> ) Jefferies International ( <a href="http://www.jefferies.com/">http://www.jefferies.com/</a> )
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# CHAIRMAN'S LETTER

*Dear Shareholders,*

***We are pleased to present the 2016 annual report of Vietnam Equity Holding (VEH, "the Fund").***

Since inception, in EUR terms, the Fund's NAV increased 65.1%, substantially outperforming the VNI which declined 32.2% over the same period. In US dollar terms, the increase in the Fund's NAV was limited to a 19.8% increase compared to a 50.8% drop in the VNI in USD terms over the same period, due to strengthening of the USD versus the EUR. In local currency terms, which are more closely correlated with the EUR, VEH has grown an impressive 66.4% against a 31.6% VNI decline.

During 2016, the Fund's Net Asset Value (NAV) per share increased 7.93% to €3.87 from €3.58 at the end of calendar year 2015. Over the same period, the Vietnam Index (VNI) gained 17.0% in EUR terms which translated to 14.8% in VND terms due to the weakening of the Euro versus the VND. This difference resulted from the Fund's positioning to capture growth in undervalued small and mid-cap companies with lower PE ratios while the VNI is dominated by a few large cap companies which have larger foreign ownership and have been assessed by the manager as having less upside potential due to their higher PE ratios.

The Fund has always had a bias toward undervalued growth stocks and since inception this has proven to be the best strategy. Of the top 50 listed companies by market capitalization, VEH holds positions in just 4 out of its 12 portfolio companies. During 2016 however, much of the performance came from the large-cap investments made by the Fund such as VNM, FPT and KDH.

Share redemptions from the Fund continued during 2016 at the maximum 15% allocation rate. This reduced outstanding shares to 9.4mn at the end of 2016, down from 11.6mn a year earlier. Since the NAV per share increased 8%, from €3.58 to €3.87, these withdrawals only decreased the Fund's total NAV to €36.3mn. While the Fund's share price on the Stuttgart Exchange increased 5.1% over the year, this was not sufficient to close the discount gap which increased to 20.4% from 18.2%

The Vietnam Dong remained very stable over the reporting period, depreciating only 1.2% in 2016, despite a strengthening US dollar. This was thanks in part to new exchange rate mechanisms put in place at the beginning of the year, and the elimination by the Central Bank of the ceiling on interest rates which could be paid on dollar deposits. This ceiling had been in place since 2005 in order to reduce "dollar hoarding". In addition, substantial inward remittances (USD\$13bn in 2016) also contributed to the strengthening of the Dong as Vietnam was in the global top 10 of countries for repatriation of funds.

The government achieved its inflation target for 2016 of 5%. The year-on-year inflation rate was 4.7%, up from 0.6% in 2015 and 1.8% in 2014 but well below the 6.0% in 2013, reflecting policies that increased the prices of healthcare and education services. Food and foodstuffs also played a role in the inflation increase, with a year-on-year rise of 2.9% in part due to adverse weather conditions that affected food production.

Foreign direct investment (FDI) continued to be a significant economic driver with disbursements hitting a record high of US\$15.8bn, a 9% increase year-over-year, while registered FDI came in at US\$24bn. The current pipeline of licensed, but not yet disbursed, FDI is expected to secure Vietnam above-average economic growth for at least 10 years. Among a long list, South Korea was the top contributor, pledging US\$6.1bn, which accounted for 29.3% of total inflows.

With Q4 GDP growth coming in at 6.7%, the 2016 annual GDP growth rate grew to 6.2%. The government forecast for 2017 is that GDP growth will reach 6.8%, slightly higher than the forecasts from the World Bank and Asia Development Bank which both predict a 6.3% growth rate.

The year 2016 was relatively positive for the Vietnamese markets, despite challenges presented by external global events. In the first quarter, the turbulent Chinese market with its two trading halts caused the Vietnam Index to fall 9.5%. Later in the year the British 'Brexit' vote, caused an initial decline in the VNI that segued into a 9% rise over the following two weeks. Later in the year came the effect of the election of Donald Trump and a US Fed rate hike. In the face of all these challenges, the VNI gained 14.8%, reaching 664.9, though it should be noted that a significant portion of this gain was attributed to only two large-cap companies.

In 2016, during a plenary meeting which ran from March 21 to April 12, the national legislature began the formal process of creating a new government, including electing a new President, Prime Minister and National Assembly Chairman as well appointing the heads of ministries and state agencies for the 2016-20 term.

The new government announced divestment from several major enterprises and streamlining the equitization process of state-owned enterprises (SOE's). In addition, the new government took the extra step of detailing which SOE's would be equitized including Vinamilk, Sabeco, and Habeco. The equitization of these large-cap stocks, in addition to the initial listing of around 30 private enterprises, led total market capitalization to grow by 42%, to US\$86bn. Subsequently, investible market capitalization for foreigners increased 67% year-over-year to US\$43bn making the market even more investible and attractive to foreign investors.

The average daily trading on the larger Ho Chi Minh Exchange, was \$107mn, an increase of 24% from its \$86mn daily average in 2015. The Hanoi Exchange, which tends to list smaller companies, has an average trading volume around one-third that of the larger exchange. The year 2016 saw new regulations allowing intraday trading and lifting of foreign ownership limits and proposals for further easing of the remaining limits on restricted sectors (namely banking). Plans are underway to enable the trading of derivatives as part of the government's strategy to support the country's stock market by providing more instruments to hedge risks and attract investment.

Vietnam continues to negotiate free-trade agreements which should increase global trading ties, particularly with Europe and Asia. Despite the lack of US support for ratification of the Trans-Pacific Partnership, the Vietnamese government has indicated that it plans to push ahead with legislation to comply with the trade deal and continue its market reform efforts.

There are many positive developments underway and most analysts expect macroeconomic stability in Vietnam for the remainder of 2017. The Board is hopeful that this will foretell a year of growth and prosperity in Vietnam.

The Board would like to thank our fund manager - Saigon Asset Management, and its dedicated staff in



Vietnam for their job in 2016. Special thanks are also much deserved by our Board members and Investment Committee members who provide us with invaluable insights.

The Board and the Fund manager are focused on maximizing NAV growth and shareholder value creation and appreciate your interest and investment in Vietnam Equity Holding.

Respectfully,  
For and on behalf of the Board of Directors of  
Vietnam Equity Holding



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Dr. Lee G. Lam  
Chairman and Independent Non-executive Director  
April 26, 2017

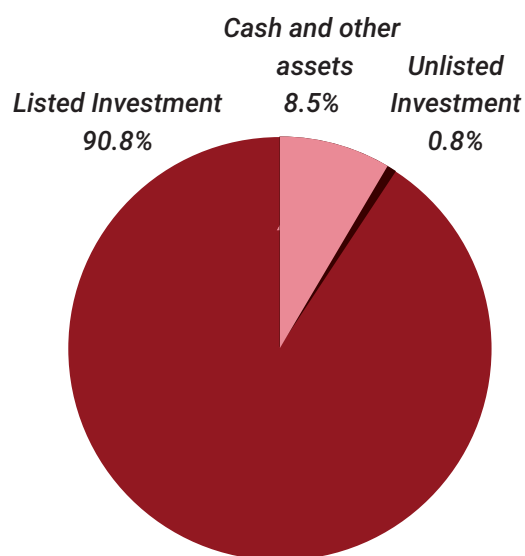
# FINANCIAL HIGHLIGHTS

## 2016 Net Asset Value:

**€36,258,840**

## 2016 Snapshot

### Asset Allocation



NAV per Share Fluctuation during 2016	: €3.19 - €3.95
Listed Investments Valued At	: €32,906,244
Unlisted Investments Valued At	: €282,512
Cash and Other Assets Valued At	: €3,070,084

- *Unlisted Investment*
- *Listed Investment*
- *Cash and other assets*

Financial Data	As of Dec 31, 2016	As of Dec 31, 2015	% Change
VEH Net Asset Value	€ 36,258,840	€ 41,412,006	-12%
Outstanding Shares	9,378,148	11,560,000	-19%
Net Asset Value per Share	€ 3.87	€ 3.58	8%
Share Price	€ 3.08	€ 2.93	5%
Share Price Discount to NAV	-20%	-18%	-2%

# ECONOMIC OUTLOOK

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Vietnam's economy made positive strides over 2016: GDP growth was once again strong and inflation kept at a stable level. Credit continued to increase. The property sector continued to demonstrate recovery. Despite the lack of support for ratification of the Trans-Pacific Partnership trade deal in the United States, the Vietnamese government has taken the opportunity to push ahead with legislation complying with the terms of the agreement, further demonstrating the country's commitment to economic reform.

## GDP Growth

Growth slowly increased throughout the year, beginning at 5.5% in the first quarter, to 5.8% in the second quarter, then closing the year at highs of 6.6% and 6.7% in the third and fourth quarters, respectively. The result was 6.2% annual growth in 2016, slightly missing the government target of 6.7%. The main contributor to growth was manufacturing, which achieved a seven-year-high of 11.9%, while the main detractors from the growth rate were the agriculture, forestry, and fishery sectors after the country experienced severe adverse weather in the first half of the year. The Purchasing Managers Index hovered above the 50 mark for the entire year, reflecting the strong growth in manufacturing, and the Index of Industrial Production (IIP) increased 7.5% year-over-year.

## Inflation

The Consumer Price Index (CPI) closed well below the government-predicted increase of 5%, at only 2.66% with the main contribution coming from healthcare (+55.72%) and education (+10.81%) after changes in government policies. Short of the telecom and transportations categories (-0.72% and -1.12%), all categories saw increases, including: food and foodstuff (+2.87%), garments and footwear (+1.64%), beverages (+1.97%) and housing and construction materials (+3.26%).

## Currency

The dong depreciated by only 1.2% against the US dollar in 2016, gaining 0.7% in the first 10 months of the year before declining. The stability was attributed to several factors. The government implemented a new exchange rate operating mechanism that took effect at the beginning of the year and it removed the USD deposit interest rate ceiling, a measure intended to reduce foreign currency speculation and hoarding. The US election and a Fed rate hike at the end of the year drove up the US dollar. Following large levels of registered FDI in 2014 and 2015, disbursed FDI again reached a record high in 2016 at USD\$14.5bn, an increase of 9% relative to 2015. Total registered FDI increased to USD\$24.4bn, a 7% increase compared to the previous year.

## Interest Rates

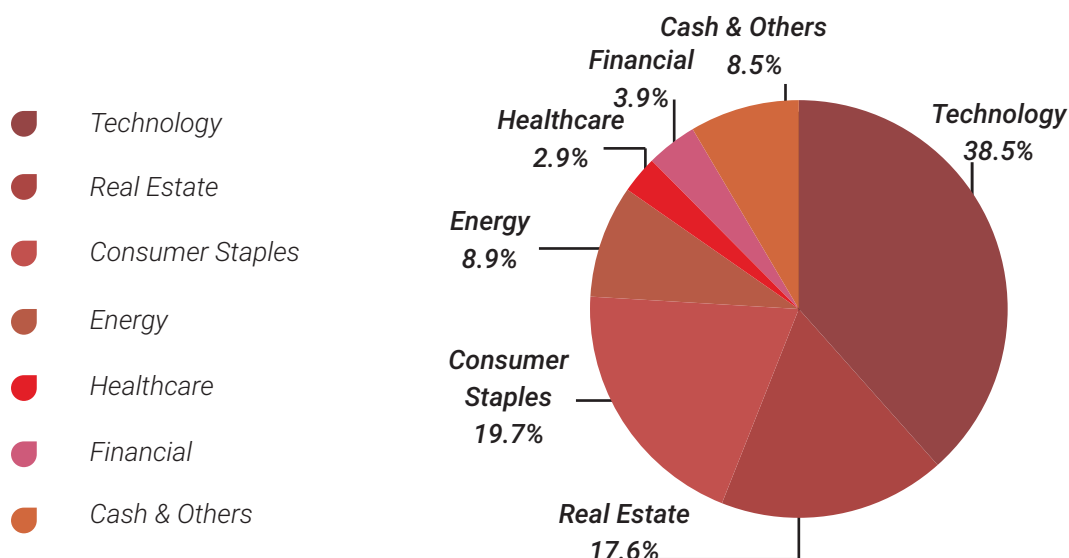
Deposit growth rates increased 18.4% year over year, with current interest deposit rates offered by most commercial banks ranging from 6% to 7.2% per annum. Credit growth was reported to be 18.7% in 2016 and is expected to increase to 18-20% in 2017.

## 2017 Outlook

Key themes for the upcoming year will include ongoing SOE privatization and Vietnam's new derivatives market. The outlook for 2017 is positive, with GDP forecasted to continue near 6.8% growth with low inflation anticipated around 5%. Things to look out for will be: economic stability in China, Vietnam's largest trading partner, as well as the direction of US economic policy under the new Trump administration.

# PORTFOLIO HIGHLIGHTS

## 1. Portfolio by Sector



## 2. Portfolio by Asset Type

Top Portfolio Holdings	Type	Sector	%NAV
FPT Corporation (FPT)	Listed	Technology	31.2%
Vietnam Dairy Products JSC (VNM)	Listed	Food & Beverage	19.7%
PetroVietnam Drilling & Well Services JSC (PVD)	Listed	Oil & Gas Services	8.9%
Electronics Communications Technology Investment Development JSC (ELC)	Listed	Technology	7.2%
Khang Dien House Trading & Investment JSC (KDH)	Listed	Real Estate & Infrastructure	6.1%

## Top Portfolio Holdings

### **FPT Corporation (FPT)**

FPT is the leading technology company in Vietnam, with four core businesses: IT & Mobile Phone Distribution, Systems Integration, Telecommunications and Software Outsourcing. The company has a strong market position in Vietnam and is expanding operations to other countries, currently holding a presence in more than 20 countries with international revenues averaging around 25-30% growth in the past five years. The highly respected management team remains focused on core business lines to achieve higher margins.

#### Highlights of 2016

- In 2016, FPT posted revenue growth of 4.5%, achieving 113% of its full-year target. The growth in revenue was mainly due to software, telecom service and IT service businesses. As a result EBT increased by 5.7% and achieved 96% of the full-year target.
- Retail's PBT decreased significantly by 9% against a 4% revenue growth, as PBT margin was down to 2.4%. The margin contraction was due to Apple's change in its distribution policy for Vietnam's market coupled with Microsoft's closure of its Lumina phone.
- FPT's software outsourcing revenue continued to grow healthily, up 26% year-on-year. PBT from this segment was up 40% year-on-year, accounting for 31% of consolidated PBT in FY2016, vs 23% in FY2015.
- Telecom revenue and EBT increased by 22% and 19%, respectively year-on-year. Revenue of the telecom service sub-segment increased by 21% year-on-year due to growing broadband service. The digital content sub-sector witnessed a 31% increase in revenue and an impressive 52% increase in PBT because of FPT's better monetization of advertisement inventory coupled with a strong increase in real estate and pharmaceutical clients.
- SCIC announced the plan to divest their entire stake held in FPT, however, no specific date has released.

Overview		
Sector / Asset Type	Technology	Listed
Year Acquired	2009	
Book Value	€11.33mn	
% of NAV	31.2%	

Financial Highlights	2016	2015
Revenue	€1,688mn	€1,585mn
Gross Profit	€352mn	€307mn
Gross Margin	20.9%	19.4%
Net Profit	€83mn	€79mn
Net Margin	4.9%	5.0%
Adjusted EPS (VND)	3,925	3,811
Dividend Yield	4.5%	5.0%

## Top Portfolio Holdings

### ***Vietnam Dairy Products JSC (VNM)***

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VNM is the leading dairy product manufacturer in Vietnam with 54.5% market share in liquid milk. They continue to benefit from increasing milk consumption in Vietnam due to a growing middle class and increased health awareness. Liquid milk consumption in Vietnam is reported as 15 litres per capita, compared to 26 litres in China and 34 litres in Thailand, giving the Vietnam market plenty of room for further growth. Over the past 3 years, exports have supported VNM's top line growth with an average 3 year CAGR of 14.1%, with Vinamilk undergoing aggressive expansion to international markets including US, New Zealand, Myanmar and Cambodia. VNM's growing customer base, extensive supply and distribution network, established brand name and strong management team help to ensure that it will continue to be one of the strongest companies in Vietnam in the mid to long term.

#### Highlights of 2016

- Revenues and net income increased by 17% and 20%, achieving 105.4% and 113.3% of the company targets respectively. Domestic sales accounted for 88% of total revenue, growing by 18%. Moreover, the export sales, contributing to 13% of total revenue, grew by 10% year-on-year due to increasing orders from new markets including Dubai, Bangladesh, Mongolia, Hong Kong and Tanzania.
- The outperformance was also supported by a plunge in milk powder prices (WMP and SMP) that expanded the gross margin by 7.1% to 47.6% in 2016. VNM returned to a high-growth trajectory thanks to current low milk consumption and the golden population structure.
- However, selling expense increased considerably by 72% year-on-year due to VNM accelerating advertising and promotion campaigns to enhance market share against the increasingly fierce competition. However, the expense for marketing and promotion is expected to be increase slightly in 2017 to continue to gain market share in 2017.
- The market share of liquid, condensed, powdered milks and yogurt was 54.5%, 79.7%, 40.6%, and 85% respectively. Compared to 2015, VNM enhanced its market share by 1.5% and 1% in liquid and powdered milks, respectively.
- The purchase of a 49% stake of the Angkor Dairy Products (Angkomilk) in early-2017, increasing to the full 100% ownership, will have huge potential for further growth.
- The company remained proactive in the expansion of its export market. Myanmar and Russia, two populous countries, are the best export markets for VNM.
- In 2016, VNM introduced many product lines that aim for the high-income segment because the trend of using fresh and organic products has been rising over the years. In Q2-Q3 2017, Thong Nhat (Thanh

<b>Overview</b>		
Sector / Asset Type	Food & Beverage	Listed
Year Acquired	2008	
Book Value	€7.15mn	
% of NAV	19.7%	

<b>Financial Highlights</b>	<b>2016</b>	<b>2015</b>
Revenue	€1,960mn	€1,647mn
Gross Profit	€932mn	€666mn
Gross Margin	47.6%	40.4%
Net Profit	€390mn	€318mn
Net Margin	19.9%	19.3%
Adjusted EPS (VND)	5,831	4,864
Dividend Yield	4.8%	5.9%

## Top Portfolio Holdings

### ***PetroVietnam Drilling & Well Services JSC (PVD)***

PVD is the largest provider of offshore and onshore drilling rigs for oil wells in Vietnam. The company provides high specification floaters and jack up rigs for deep-water and mid-water drilling environments, as well as drilling-related services including drilling activities, formation evaluation, and HSE management. PVD is a subsidiary of PetroVietnam (PVN), a large Vietnamese state-owned enterprise and the sole provider of oil and gas resources as well as the nation's second largest energy producer.

#### Highlights of 2016

- Both revenue and net income decreased by 63% and 92% respectively compared to 2015, due to the downward revision on day rates following the collapse of global crude oil price maintaining the low level of USD50-55/barrel in 2016. In addition, utilization rate of oil rigs also dropped due to shrinking demand of oil exploration activities in a low oil-price environment.
- Gross margin decreased to 15.5% from 22.1% due to lower day rates and utilization rates in 2016. Jack-up day rates fell 36.5% year-on-year and utilization rate decreased from 78.6% in 2015 to 37.5% in 2016.
- Drilling-related services accounting for 32% of total 2016 revenue also dropped by 61.4% year-on-year because of both unfavourable prices and decreasing workload.
- Oil prices need to be higher than USD60/barrel with a lag of 8-10 months to have a significant impact on PVD's core business.
- In Q1 2017, the average utilization rate was maintained at 44%. In Q2 2017, there will be more rigs coming into operation. However, with such low day rates, PVD has had to sign contracts at losses to maintain the workload and try to cover fixed expenses.

#### **Overview**

Sector / Asset Type	Energy	Listed
Year Acquired	2008	
Book Value	€3.2mn	
% of NAV	8.9%	

#### **Financial Highlights**

	<b>2016</b>	<b>2015</b>
Revenue	€224mn	€591mn
Gross Profit	€35mn	€131mn
Gross Margin	15.5%	22.1%
Net Profit	€5mn	€68mn
Net Margin	2.4%	11.5%
Adjusted EPS (VND)	224	3,729
Dividend Yield	0.0%	0.0%



## Top Portfolio Holdings

### ***Electronics Communications Technology Investment Development (ELC)***

ELC was founded on December 15th, 1995 and is currently the leading provider of software and system integration products for telecommunications service providers, full turn-key solutions and engineering services for telecommunications and security fields, as well as a strong distributor of system integration for worldwide partners. The company also orients its development through two subsidiaries: Esoft which focuses on software and highly integrated products that can serve many kinds of customers; Elcom Industry which specializes in products to serve the military and security industry.

#### Highlights of 2016

- In March 2016, ELC paid a 6% cash dividend for the 2015 financial year. In July 2017, the company also paid a 10% stock dividend.
- In 2016, revenue surged by 80% year-on-year in VND terms thanks to high revenue from telecommunication, transportation and valued-added services for mobile network projects.
- On the other hand, gross margin decreased from 31.3% to 21.4% as ELC had to offer better pricing to clients to compete.
- ELC is in the restructuring process wherein ELC will be proactive to divest non-core ineffective investments. In 2016, ELC successfully exited 3 investments and these divestments brought VND10bn financial profit for ELC. In addition, stable foreign exchange rates also helped the company to reduce the foreign exchange loss. As a result, net financial income increased from a loss of VND21.7bn in 2015 to a positive VND2.8bn in 2016.
- As a result, net margin only decreased from 10.1% to 7.3%. Net profit increased 29% thanks to strong revenue growth.

<b>Overview</b>		
Sector / Asset Type	Telecommunication	Listed
Year Acquired	2010	
Book Value	€2.6mn	
% of NAV	7.2%	

<b>Financial Highlights</b>	<b>2016</b>	<b>2015</b>
Revenue	€54mn	€30mn
Gross Profit	€12mn	€9mn
Gross Margin	21.4%	31.3%
Net Profit	€4mn	€3mn
Net Margin	7.3%	10.1%
Adjusted EPS (VND)	2,050	1,455
Dividend Yield	2.3%	2.7%

## Top Portfolio Holdings

### ***Khang Dien Investment & Trading House (KDH)***

KDH is one of the leading property developers in compound-gated high & mid-end landed properties in HCMC. KDH was established in December 2001 as a limited company with capital of VND32bn and equitized in May 2007. The company has extensive experience in developing landed properties, mainly gated-compound villa and townhouse projects. Previously KDH had land banks in HCMC's District 2 and District 9, and it has been actively acquiring more land since 2014. One of the most notable transactions was the acquisition of Binh Chanh Construction Investment JSC (BCI) which has large land banks in Binh Chanh and Binh Tan District.

Highlights for 2016:

- In 2016, charter capital of KDH increased from VND1,800bn to VND2,340bn through a 30% share bonus.
- KDH successfully issued a VND452bn bond carrying a floating 4 year rate.
- KDH paid the remaining 7% cash dividend for the 2015 financial year in 2016.
- In 2016, KDH sold 432 units mainly from Melosa Garden project (306 units), Mega Village (31 units), Venica project (24 units) and Lucasta project (68 units)
- Revenue in 2016 increased 274% year-on-year in VND terms thanks to revenue from the Mega Village project, Melosa project, Venica project and Lucasta project. In addition, to restructuring its land bank, the company sold several projects which were considered to have low profitability.
- Although financial expense was higher and net other income was lower, net profit still increased 47% year-on-year thanks to strong growth in revenue.

Overview		
Sector / Asset Type	Residential	Listed
Year Acquired	2014	
Book Value	€2.2mn	
% of NAV	6.1%	

Financial Highlights	2016	2015
Revenue	€164.1mn	€43.0mn
Gross Profit	€40.9mn	€13.8mn
Gross Margin	24.9%	32.2%
Net Profit	€15.5mn	€10.4mn
Net Margin	9.5%	24.1%
Adjusted EPS (VND)	1590	1020
Dividend Yield	5.0%	6.9%



## BOARD OF DIRECTORS

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***Dr. Lee G. Lam / Chairman***  
***Independent Non-Executive Director***

**Non-executive Chairman - Hong Kong and ASEAN Region, and Chief Adviser to**

Macquarie Infrastructure and Real Assets Asia

**Former Chairman - Hong Kong, Indochina, Myanmar and Thailand, and Senior Adviser – Asia**

Macquarie Capital

**Former Managing Director, COO and Vice Chairman - Investment Banking Division**

Bank of China International Holdings

**Former President and CEO, Vice Chairman**

Chia Tai Enterprises International Ltd. (CP Group)

**Former Executive Director - Telemedia**

Singapore Technologies Telemedia (Temasek Holdings)

BSc in sciences and mathematics, MSc in systems science, MBA from the University of Ottawa in Canada, post-graduate diploma in public administration from Carleton University in Canada, post-graduate diploma in English and Hong Kong Law and LLB (Hons) in law from Manchester Metropolitan University in the UK, LLM in law from the University of Wolverhampton in the UK, PCLL in law from the City University of Hong Kong, Certificate in Professional Accountancy from the Chinese University of Hong Kong SCS, MPA and PhD from the University of Hong Kong. A former member of the Hong Kong Bar, Dr. Lam is a Solicitor of the High Court of Hong Kong. He is also an Honorary Fellow of CPA Australia, a Fellow of CMA Australia, a Fellow of the Hong Kong Institute of Directors and the Hong Kong Institute of Arbitrators.

President of Hong Kong-ASEAN Economic Cooperation Foundation

Vice President of the Hong Kong Real Property Federation

Board Member of the Chinese General Chamber of Commerce in Hong Kong

Founding Board Member and the Honorary Treasurer of Hong Kong-Vietnam Chamber of Commerce

Board Member of Australian Chamber of Commerce in Hong Kong and Macau

Fluent in English, Chinese (Mandarin, Cantonese, and Chiu Chow) and Vietnamese

## BOARD OF DIRECTORS

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***Dr. Kathryn Vagneur***  
***Independent Non-Executive Director***

**Director**

Durant, a private investment fund

**Director & Chairman, Risk Committee (previous Chair of Audit & Risk Committee)**

The Foresters Friendly Society, a British mutual insurance company

**Trustee and Chairman Finance & Performance Committee**

The Royal United Services Institute, the defense and security think tank

**Former Director and Chief Finance Officer**

All American Oil & Gas, an independent oil company

**Former Director**

PricewaterhouseCoopers in London, consulting to the financial services sector, developed investment banking strategies, evaluated acquisitions including deal structure, forensic due diligence and restructuring strategies. Contributor to the redesign of PwC's audit methodology used globally

**Founder**

Vagneur & Firth, Certified Public Accountants, Colorado

Developed courses in strategy implementation and management control, corporate governance and internal governance at London Business School and Edinburgh Business School.

Built a financial decision model for US Department of Justice while at Carnegie-Mellon University

PhD in Management, London Business School.

Certified Public Accountant (US)

## BOARD OF DIRECTORS

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**Mr. Howard Golden**  
*Independent Non-Executive Director*

**Director**

The Worldwide Opportunity Fund (WWOF).

**Partner**

Terra Partners Asset Management Limited, a Maltese investment management company with \$255 million AUM

**Former Chairman**

Speymill Macau Property Fund; Kazakhstan Investment Fund; Romanian Investment Fund; and Reconstruction Capital II

**Former Chairman of the Supervisory Board**

Slovak Restitution Investment Fund, the largest Slovak closed-end fund

**Former Board Member**

Beta Vietnam Fund and Framlington Bulgaria Fund

Lectured on closed-end funds in London and Prague and at various business schools (Harvard University, University of Chicago)

Quoted as an expert in capital markets and corporate governance in The Economist, The Financial Times, The New York Times, The International Herald Tribune, Newsweek, Prague Business Journal, and Business Central Europe

Practiced law in Chicago, New York and Israel. BA, JD, and MBA from University of Wisconsin.

Fluent in English and Hebrew, knowledgeable in Czech

# BOARD OF DIRECTORS

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**Mr. Louis Nguyen**  
*Executive Director*

**Current Chairman and CEO**

Saigon Asset Management

**Former Managing Director**

VinaCapital, a fund management company based in Ho Chi Minh City, Vietnam

**Former Founding General Partner**

IDG Ventures Vietnam, a fund management company based Ho Chi Minh City, Vietnam

**Former Vice President**

Intelligent Capital, a mergers and acquisitions firm based in San Francisco, California

**Former Venture Partner and Senior Associate**

Osprey Ventures, a venture capital firm based in Menlo Park, California

Held management positions in finance and manufacturing operations at NEC and Apple Computers in California

Audit and management consulting experience at KPMG in San Jose, California

Member of the board of directors of various listed and private companies based in Vietnam

BS in Accounting, San Jose State University, California

Fluent in English and Vietnamese





# REPORT OF THE BOARD OF DIRECTORS

The Board of Directors submits its report together with the audited financial statements of Vietnam Equity Holding ("the Fund") for the year ended 31 December 2016.

## The fund

Vietnam Equity Holding was incorporated in the Cayman Islands as a Fund with limited liability. The registered office of the Fund is at Deutsche Bank (Cayman) Limited at Boundary Hall, Cricket Square, PO Box 1984, Grand Cayman KY1-1104, Cayman Islands.

## Principal activities

The principal activity of the Fund is to invest in a diversified and balanced portfolio that should achieve above average returns at an acceptable level of risk, give rise to long-term and short-term returns, and be capable of yielding recurrent earnings and/or capital gains. The Fund was created to invest in Vietnam.

## Result of operations

The result of the Fund's operations for the year ended 31 December 2016 and the state of its affairs as at that date are set out in the financial statements on pages 24 to 48.

## Board of Directors

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

<b>Board of Directors:</b>		<b>Appointed on</b>
Lee G Lam	Chairman and Independent Non-executive Director	9 November 2007
Howard Golden	Independent Non-executive Director	9 November 2007
Louis T Nguyen	Executive Director	9 August 2007
Kathryn Vagneur	Independent Non-executive Director	8 February 2010

There being no provision in the Fund's articles of association to the contrary, all Directors shall remain in office for the ensuing year.

## Auditors

The accompanying financial statements for the year ended 31 December 2016 have been audited by Grant Thornton Cayman Islands with the assistance of Grant Thornton (Vietnam) Ltd and they have expressed their willingness to accept their re-appointment subject to their reacceptance policies and procedures.

## Directors' interest in the Fund

As at 31 December 2016, the interest of Directors in the shares, underlying shares and debentures of the Fund

	<b>Number of shares</b>	<b>Percentage of issued capital</b>
Louis T Nguyen	3,332	0.04%

## Board of Directors' responsibilities in respect of the financial statements

The Board of Directors is responsible for ensuring that the financial statements are properly drawn up so as to give a true and fair view of the financial position of the Fund as at 31 December 2016 and of the results of its

operations and its cash flow for the year then ended in accordance with the International Financial Reporting Standards. When preparing the financial statements, the Board of Directors is required to:

- (i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- (ii) comply with the disclosure requirements of International Financial Reporting Standards or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- (iii) maintain adequate accounting records and an effective system of internal control;
- (iv) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Fund will continue its operations in the foreseeable future; and
- (v) control and effectively direct the Fund in all material decisions affecting its operations and performance and ascertain that such decisions and/or instructions have been properly reflected in the financial statements.

The Board of Directors is also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors confirms that the Fund has complied with the above requirements in preparing the financial statements.

### **Statement by the Board of Directors**

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In the opinion of the Board of Directors, the accompanying statement of financial position, statements of comprehensive income, changes in equity and cash flows together with the notes thereto, have been properly drawn up and give a true and fair view of the financial position of the Fund as at 31 December 2016 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

For and on behalf of the Board of Directors



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Lee G Lam  
Chairman and Independent Non-executive Director  
Ho Chi Minh City, Vietnam  
Date: 26 April 2017

# INDEPENDENT AUDITOR'S REPORT

*on the audit of the financial statements of Vietnam Equity Holding  
for the year ended 31 December 2016*

## **To Shareholders of Vietnam Equity Holding**

### **Opinion**

We have audited the financial statements of Vietnam Equity Holding (the Company), which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in The Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matter**

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matters.

#### Valuation of complex financial instruments

Refer to Notes 17 to the financial statements on pages 46 to 48 respectively. The valuation of these financial instruments was a key area of focus of our audit due to the degree of complexity involved in valuing this instrument and the significance of the judgements and estimates made by management. In particular, the determination of Level 3 prices is considerably more subjective given the lack of availability of market-based data. At 31 December 2016, 0.85% (EUR 282,512) of the total financial instruments that were carried at fair value were classified as Level 3. The Level 3 instruments is comprised of an unquoted equity investment.

We assessed the controls over the Company's valuation and model validation processes. Our evaluation of the design of the controls provided a basis for us to continue with the planned nature, timing and extent of our detailed audit procedures. In addition, we evaluated the appropriateness of the valuation methodologies. For this financial instrument with significant unobservable valuation inputs, we involved our own

internal valuation specialists to critically assess the valuation assumptions used by management and sensitivity analysis of key factors. The results of our independent analyses are consistent with those of management's analyses. We also considered whether the financial statement disclosures appropriately reflect the Company's exposure to financial instrument valuation risk.

### **Responsibilities of the Management and Those Charged with Governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events

in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**GRANT THORNTON**

# STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2016	31 December 2015
		EUR	EUR
<b>ASSETS</b>			
<b>Current assets</b>			
Financial assets at fair value through profit or loss			
loss	6	<b>33,188,756</b>	41,034,872
Other receivables	7	-	253,686
Other current assets		<b>9,915</b>	9,127
Cash and cash equivalents	8	<b>3,257,653</b>	385,550
<b>Total assets</b>		<b>36,456,324</b>	41,683,235
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	9	<b>18,756,296</b>	23,120,000
Share premium	9	-	661,906
Other reserve		<b>504,953</b>	664,751
Retained earnings		<b>16,681,037</b>	16,965,347
<b>Total equity</b>		<b>36,258,840</b>	41,412,004
<b>LIABILITIES</b>			
<b>Current</b>			
Other liabilities	10	<b>197,484</b>	271,231
<b>Total liabilities</b>		<b>197,484</b>	271,231
<b>Total equity and liabilities</b>		<b>36,456,324</b>	41,683,235
<b>Net asset per share (EUR per share)</b>	14	<b>3.866</b>	3.582

# STATEMENT OF COMPREHENSIVE INCOME

	Notes	<b>For the year ended 31 December 2016</b>	For the year ended 31 December 2015
		EUR	EUR
<b>Operating income</b>			
Net changes in fair value of financial			
asset at fair value through profit or loss	11	<b>1,943,222</b>	(2,717,168)
Dividend income		<b>1,056,519</b>	1,699,416
Interest income		-	-
Net foreign exchange gain	12	<b>554,829</b>	3,318,497
<b>Total operating income</b>		<b>3,554,570</b>	2,300,745
<b>Operating expenses</b>			
Management fees	15	<b>(738,307)</b>	(975,980)
Director's fees	15	<b>(54,416)</b>	(54,350)
Professional fees		<b>(90,715)</b>	(83,702)
General administration expenses		<b>(85,401)</b>	(85,460)
Other expenses		<b>(57,876)</b>	(69,647)
<b>Total operating expenses</b>		<b>(1,026,715)</b>	(1,269,139)
<b>Operating profit</b>		<b>2,527,855</b>	1,031,606
<b>Profit before tax</b>		<b>2,527,855</b>	1,031,606
Corporate income tax	13	-	-
<b>Profit for the year</b>		<b>2,527,855</b>	1,031,606
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income</b>		<b>2,527,855</b>	1,031,606
Attributable to shareholders			
Earnings per share – basic and diluted (EUR per share)	14	<b>0.25</b>	0.07

## STATEMENT OF CHANGES EQUITY

	Share capital EUR	Share premium EUR	Treasury shares EUR	Other reserve EUR	Retained earnings EUR	Total Equity EUR
Balance, 1 January 2015	34,568,262	3,231,277	-	257,720	22,267,663	<b>60,324,922</b>
Shares redeemed	(11,448,262)	(2,569,371)	-	407,031	(6,333,922)	<b>(19,944,524)</b>
Net income	-	-	-	-	1,031,606	<b>1,031,606</b>
Balance, 31 December 2015	23,120,000	661,906	-	664,751	16,965,347	<b>41,412,004</b>
Balance, 1 January 2016	23,120,000	661,906	-	664,751	16,965,347	<b>41,412,004</b>
Shares redeemed	(4,363,704)	(661,906)	-	156,756	(2,812,165)	<b>(7,681,019)</b>
Net income	-	-	-	-	2,527,855	<b>2,527,855</b>
<b>Balance, 31 December 2016</b>	<b>18,756,296</b>	<b>(316,554)</b>	<b>-</b>	<b>821,507</b>	<b>16,681,037</b>	<b>36,258,840</b>



# STATEMENT OF CASH FLOWS

	Notes	Year ended <b>31 December 2016</b>	Year ended 31 December 2015
		EUR	EUR
<b>Operating activities</b>			
Profit before tax		<b>2,527,855</b>	1,031,606
<i>Adjustments for:</i>			
Unrealised gain from foreign currency translations	12	<b>(650,894)</b>	(2,145,641)
Interest income		-	-
Dividend income		<b>(1,056,519)</b>	(1,699,416)
Operating profit/ (loss) before changes in working capital		<b>820,442</b>	(2,813,451)
Changes in financial assets at fair value through profit or loss		<b>8,479,113</b>	12,418,874
Changes in other receivables		<b>292,488</b>	(8,503)
Changes in other liabilities		<b>(73,747)</b>	(76,158)
<b>Cash generated from operations</b>		<b>9,518,296</b>	9,520,762
Interest received		-	-
Dividends received		<b>1,056,519</b>	1,597,570
<b>Net cash flow generated from investing activities</b>		<b>10,574,815</b>	11,118,332
<b>Financing of activities</b>			
Redemption of ordinary shares		<b>(7,681,019)</b>	(19,944,524)
<b>Net cash flow used in financing activities</b>		<b>(7,681,019)</b>	(19,944,524)
<b>Net change in cash and cash equivalents for the year</b>		<b>2,893,796</b>	(8,826,192)
Effects of fluctuations in foreign exchange rates		<b>(21,693)</b>	(19,421)
Cash and cash equivalents at beginning of the year	8	<b>385,550</b>	9,231,163
<b>Cash and cash equivalents at the end of the year</b>	8	<b>3,257,653</b>	385,550

# NOTES TO FINANCIAL STATEMENT

## 1. General information

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Vietnam Equity Holding (the "Fund") was initially a Cayman Islands registered closed –end investment fund incorporated on 9 August 2007. The registered office of the Fund is at Deutsche Bank (Cayman) Limited at Boundary Hall, Cricket Square, PO Box 1984, Grand Cayman KY1-1104, Cayman Islands. Its shares were originally listed on the German stock exchanges (Frankfurt and XETRA) and were admitted to be listed on the Stuttgart Stock Exchange starting on 3 April 2013.

The investment objective of the Fund is to seek capital appreciation by making equity investments in companies with significant exposure to Vietnam. Specifically, the Fund intends to invest in equity securities of state owned enterprises, private companies, over-the-counter ("OTC") companies, and listed companies and in debt securities. The Fund aims to invest in a diversified and balanced portfolio that should achieve above average returns at an acceptable level of risk, give rise to long-term and short-term returns, and be capable of yielding recurrent earnings and/or capital gains.

The Fund does not have a fixed life but the Board considers it is desirable that Shareholders have the opportunity to review the future of the Fund at appropriate intervals. Accordingly, the Board convened an extraordinary general meeting ("EGM") of the Fund on 3 October 2012 where an Ordinary Resolution was proposed that the Fund continues as originally constituted. This resolution was passed by the shareholders and the Fund has continued its operations. The Board submitted a proposal at the AGM in 2013 to begin a process of converting the Fund into an open ended fund. This was approved on 14 June 2013 and Certificate of Registration Number 666654 was issued by Cayman Islands Monetary Authority on 1 August 2013.

The financial statements for the year ended 31 December 2016 were authorised for issuance by the Fund's Board of Directors on 26 April 2017.

## 2. Statement of compliance with IFRS and adoption of new and amended standards and interpretations

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### 2.1. Statement of compliance with IFRS

The financial statements of the Fund have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

### 2.2. Adoption of new or amended standards and interpretations

#### 2.2.1 Overall considerations

The Fund has adopted the following new interpretations, revisions and amendments to IFRS issued by the IASB, which are relevant to and effective for the Fund's financial statements for the year ended 31 December 2016.

The significant effects on current, prior or future periods arising from the first time application of these new requirements in respect of presentation, recognition and measurement are described in Note 2.2.2. An overview of standards, amendments and interpretations to IFRSs issued but not yet effective are described in Note 2.2.3.

## **2.2.2 New and revised standards that are effective for annual periods beginning on or after 1 January 2016**

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2016 that had a material on the Fund's financial statements.

## **2.2.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Fund**

At the date of authorisation of these financial statements, certain new standards, amendments to existing standards have been published by the IASB that information on those expected to be relevant to the Fund's financial statements is provided below, but are not yet effective, and have not been adopted early by the Fund.

The Board of Directors anticipates that all relevant pronouncements will be adopted in the Fund's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the Fund's financial statements.

### ***IFRS 9 'Financial Instruments' (2014)***

The IASB released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The Fund has yet to assess the impact of IFRS 9 on the Fund's financial statements. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018.

## **3. Summary of significant accounting policies**

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### **3.1 Overall considerations**

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

### **3.2 Basis of presentation**

The financial statements are presented in accordance with IAS 1 Presentation of Financial Statements. The Fund has elected to present the 'Statement of comprehensive income' in one statement: the 'Statement of comprehensive income'.

### **3.3 Functional and presentation currency**

The Fund's investors are mainly from the euro zone, the stock exchange listing, subscriptions and redemptions of shares are all denominated in euro (EUR) and interim reports of the performance of the Fund is measured and reported to the investors in euro. Therefore, Management considers the euro as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions and is the Fund's functional and presentation currency.

### **3.4 Foreign currency translation**

Transactions arising in currencies other than the functional currency of the Fund are translated at exchange rates in effect on the transaction dates. Monetary assets and liabilities denominated in currencies other than the functional currency are translated at the prevailing exchange rates at the end of the reporting period. Translation gains and losses and expenses relating to foreign exchange transactions are recorded in the statement of comprehensive income.

### **3.5 Financial assets**

Financial assets, other than hedging instruments, are divided into the following categories: loans and receivables; financial assets at fair value through profit or loss; available-for-sale financial assets; and held-to-maturity investments.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired. Management re-evaluates this designation at each reporting date.

All financial assets are recognised when, and only when, the Fund becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at a fair value through profit or loss, directly attributable transaction costs. After initial recognition, the Fund measures financial assets and derivatives that are assets, at their fair values, without any deductions for transaction costs it may incur on sale of other disposal.

De-recognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At the end of each reporting period, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised based on the classification of the financial assets.

The Fund's financial assets consist of the following categories:

#### **Receivables**

All receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in the statement of income. All of the Fund's receivables fall into this category of financial instruments. Discounting, however, is omitted where the effect of discounting is immaterial.

Significant receivables are considered for impairment on a case-by-case basis when they are overdue at the reporting date or when objective evidence is received that a specific counterparty will default.

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

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition. By definition, all derivative financial instruments that do not qualify for hedge accounting fall into this category. Other financial assets at fair value through profit or loss held by the Fund include listed and unlisted securities.

Any gain or loss arising from derivative financial instruments is based on changes in fair value, which is determined by direct reference to active market transactions or using industry standard valuation techniques where no active market exists.

### 3.6 Income taxes

The Fund was incorporated in the Cayman Islands and under the current laws of the Cayman Islands, there are no income, state, corporation, capital gains or other taxes payable by the Fund. The Fund does not have any incorporated subsidiaries operating under any taxable regimes and there are no taxable items. The Fund currently incurs withholding taxes imposed by certain countries on investment income which are deducted at the source of the income. Such income is recorded net of withholding taxes in the statement of comprehensive income.

### 3.7 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand as well as short term highly liquid investments such as money market instruments and bank deposits with an original maturity term of not more than three months.

### 3.8 Equity

#### **Ordinary shares**

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The Fund's ordinary shares in issue is the most subordinate classes of financial instruments issued by the Fund and, on liquidation of the Fund, they entitle the holders to the residual net assets, after repayment of the nominal amount of equity shares. The ordinary shares provide investors with the right to require redemption for cash at a value proportionate to the investor's share in the Fund's net assets at each redemption date and also in the event of the Fund's liquidation.

A puttable financial instrument that includes a contractual obligation for the Fund to repurchase or redeem that instrument for cash or another financial asset is classified as equity if it meets all of the following conditions:

- it entitles the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation;
- it is in the class of instruments that is subordinate to all other classes of instruments;
- all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- apart from the contractual obligation for the Fund to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and
- the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund over the life of the instrument.

The Fund's ordinary shares meet these conditions and are classified as equity.

Share capital represents the nominal value of shares that have been issued. Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

#### **Repurchase of ordinary shares**

No gain or loss shall be recognised in profit or loss on the repurchase of the Fund's shares for cancellation. When the ordinary shares recognized as equity are redeemed, the par value of the shares is presented as a deduction from share capital. Any premium or discount to par value is recognized as an adjustment to share premium and / or retained earnings.

Retained earnings include all current and prior period results as disclosed in the statement of changes in equity.

### **3.9 Redemption fee**

Redemptions of Shares are subject to a redemption fee amounting to (a maximum of) 3% of the total redemption amount. The redemption fee is deducted from the redemption proceeds and is retained by the Fund. The Fund allocates a fixed amount of the redemption fee, amounting to 2% of the total redemption amount, to either: (i) to the Fund's general portfolio for the benefit of the Fund and accordingly such amount will be added to the overall NAV of the Fund which is recognised under Other Reserve in Equity section; or (ii) for the payment of placement fees to agents who solicit subscriptions of Shares. The amount of the remaining fee is at the disposal of the Directors and determined on a Quarterly basis. The remaining redemption fee is allocated to a reserve established by the Fund which is recognised under Other liabilities and accordingly is not added to the overall NAV of the Fund. This reserve is solely to be used for the legal, accounting and costs of the future winding up of the Fund.

### **3.10 Financial liabilities**

The Fund's financial liabilities include trade and other payables and other liabilities.

Financial liabilities are recognised when the Fund becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in finance costs in the statement of comprehensive income.

Payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest rate method.

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

### **3.11 Related parties**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Parties are considered to be related to the Fund if:

1. directly or indirectly, a party controls, is controlled by, or is under common control with the Fund; has an interest in the Fund that gives it significant influence over the Fund; or has joint control over the Fund;
2. a party is a jointly-controlled entity;
3. a party is an associate;
4. a party is a member of the key management personnel of the Fund; or
5. a close member of the family of any individual referred to in (1) and (4).

### **3.12 Segment reporting**

An operating segment is a component of the Fund:

1. that engages in investment activities from which it may earn revenues and incur expenses;
2. whose operating results are based on internal management reporting information that is regularly reviewed by the Investment Manager to make decisions about resources to be allocated to the segment and assess its performance; and
3. for which discrete financial information is available.

### **3.13 Earnings per share and net asset value per share**

The Fund presents basic earnings per share for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Net asset value (NAV) per share is calculated by dividing the net asset value attributable to ordinary shareholders of the Fund by the number of outstanding ordinary shares as at the end of the reporting period. Net asset value is determined as total assets less total liabilities.

#### **4. Significant accounting estimates and judgements**

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##### **Management judgement**

There was no significant judgement required in applying accounting policies undertaken by Management for the accompanying financial statements.

##### **Estimation uncertainty**

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

##### **Fair value of securities not quoted in an active market**

The fair value of such securities not quoted in an active market may be determined by the Fund using indicative prices from at least three independent brokers. These prices may be indicative and not executable or binding.

Where no market data is available, the Fund may value positions using its own valuation models, which are usually based on valuation methods and technique generally recognised as standard within the industry. The input for these models are primarily earnings multiples and discounted cash flows, adjusted for lack of marketability and control premiums, as appropriate. Models use observable data, to the extent practicable. However there are areas that require management to make estimates such as amount and timing of future cash flows, discount rate that reflect current market assessments of risk of default that the investee companies are operating. Changes in assumptions about such factors could affect the value reported.

#### **5. Segment reporting**

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In identifying its operating segments, Management generally follows the Fund's sectors of investment which are based on internal management reporting information for the Investment Manager's management, monitoring of investments and decision making. The operating segments by investment portfolio include Real Estate & Infrastructure, Chemicals, Pharmaceuticals, Technology, Food & Beverage, Oil & Gas, Financial Services, Luxury Goods, Utilities, Rubber and Other investments. All of the investment portfolios are in Vietnam.

Each of the operating segments are managed and monitored separately by the Investment Manager as each requires different resources and/or approaches. The Investment Manager assesses segment profit or loss using a measure of operating profit or loss from the investment assets. Although IFRS 8 requires measurement of segmental profit or loss, the majority of expenses are common to all segments therefore cannot be individually allocated. There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

**Statement of financial position - As at 31 December 2016**

	31 December 2016														Total EUR
	Real Estate & Infrastructure	Chemicals	Pharmaceuticals	Technology	Food & Beverage	Oil & Gas	Financial Services	Luxury Goods	Utilities	Rubber	Other investments	Cash	Other Assets		
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	
<b>Total assets</b>															
Financial assets at fair value through profit or loss	6,395,160	-	-	13,950,296	7,150,317	3,222,549	1,408,080	-	-	-	1,062,354	-	-	-	<b>33,188,756</b>
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	9,915	-	<b>9,915</b>
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-	3,257,653	-	-	<b>3,257,653</b>
	<b>6,395,160</b>	<b>-</b>	<b>-</b>	<b>13,950,296</b>	<b>7,150,317</b>	<b>3,222,549</b>	<b>1,408,080</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,062,354</b>	<b>3,257,653</b>	<b>9,915</b>	<b>-</b>	<b>36,456,324</b>

**Statement of comprehensive income - For the year ended 31 December 2016**

	Year ended 31 December 2016														Total EUR
	Real Estate & Infrastructure	Chemicals	Pharmaceuticals	Technology	Food & Beverage	Oil & Gas	Financial Services	Luxury Goods	Utilities	Rubber	Other investments	Cash	Other Assets		
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	
Net changes in fair value of financial assets at fair value through profit or loss	288,807	-	9,730	1,146,151	1,077,861	(519,784)	42,890	-	97,185	24,332	(223,950)	-	-	-	<b>1,943,222</b>
Financial income - Dividend income	188,382	-	-	512,330	270,422	-	-	-	-	-	85,385	-	-	-	<b>1,056,519</b>
Foreign exchange gain	36,653	-	(9,452)	244,522	114,851	68,581	20,967	-	(10,213)	(8,010)	79,033	-	17,897	-	<b>554,829</b>
Administration expenses	-	-	-	-	-	-	-	-	-	-	-	-	(1,026,715)	-	<b>(1,026,715)</b>
Financial income- Interest income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	<b>-</b>
	<b>513,842</b>	<b>-</b>	<b>278</b>	<b>1,903,003</b>	<b>1,463,134</b>	<b>(451,203)</b>	<b>63,857</b>	<b>-</b>	<b>86,972</b>	<b>16,322</b>	<b>(59,532)</b>	<b>-</b>	<b>(1,008,818)</b>	<b>-</b>	<b>2,527,855</b>



**Statement of financial position - As at 31 December 2015**

	31 December 2015													Total EUR
	Real Estate & Infrastructure	Chemicals	Pharmaceuticals	Technology	Food & Beverage	Oil & Gas	Financial Services	Luxury Goods	Utilities	Rubber	investments	Other Cash	Other Assets	
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	
<b>Total assets</b>														
Financial assets at fair value through profit or loss	9,789,185	-	399,196	12,567,627	5,957,604	3,767,749	1,368,633	-	1,017,399	269,800	5,897,679	-	-	<b>41,034,872</b>
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	262,813	<b>262,813</b>
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-	385,550	-	<b>385,550</b>
	<b>9,789,185</b>	<b>-</b>	<b>399,196</b>	<b>12,567,627</b>	<b>5,957,604</b>	<b>3,767,749</b>	<b>1,368,633</b>	<b>-</b>	<b>1,017,399</b>	<b>269,800</b>	<b>5,897,679</b>	<b>385,550</b>	<b>262,813</b>	<b>41,683,235</b>

**Statement of comprehensive income - For the year ended 31 December 2015**

	Year ended 31 December 2015													Total EUR
	Real Estate & Infrastructure	Chemicals	Pharmaceuticals	Technology	Food & Beverage	Oil & Gas	Financial Services	Luxury Goods	Utilities	Rubber	investments	Other Cash	Other Assets	
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	
Net changes in fair value of financial assets at fair value through profit or loss	(1,853,615)	(115,961)	(11,620)	2,272,867	3,179,118	(4,157,020)	(104,624)	-	370,574	(105,804)	(2,191,082)	-	-	<b>(2,717,167)</b>
Financial income - Dividend income	342,381	120,535	-	513,333	285,729	194,798	10,508	-	16,426	42,376	173,330	-	-	<b>1,699,416</b>
Foreign exchange gain	756,025	239,130	27,986	552,011	422,996	424,930	65,187	-	34,683	20,141	784,286	-	(8,878)	<b>3,318,497</b>
Administration expenses	-	-	-	-	-	-	-	-	-	-	-	-	(1,269,140)	<b>(1,269,140)</b>
Financial income- Interest income	-	-	-	-	-	-	-	-	-	-	-	-	-	<b>-</b>
	<b>(755,209)</b>	<b>243,704</b>	<b>16,366</b>	<b>3,338,211</b>	<b>3,887,843</b>	<b>(3,537,292)</b>	<b>(28,929)</b>	<b>-</b>	<b>421,683</b>	<b>(43,287)</b>	<b>(1,233,466)</b>	<b>-</b>	<b>(1,278,018)</b>	<b>1,031,606</b>

**6. Financial assets held at fair value through profit or loss**

	31 December 2016	31 December 2015
	EUR	EUR
<b>Financial assets at fair value through profit or loss</b>		
Ordinary shares – listed	<b>32,906,244</b>	40,814,329
Ordinary shares – unlisted	<b>282,512</b>	220,543
	<b>33,188,756</b>	41,034,872

**7. Other receivables**

	31 December 2016	31 December 2015
	EUR	EUR
Interest receivables	-	9,919
Other receivables	-	243,767
		253,686

**8. Cash and cash equivalents**

	31 December 2016	31 December 2015
	EUR	EUR
Cash in banks	<b>3,257,653</b>	385,550
	<b>3,257,653</b>	385,550

**9. Share capital**

	31 December 2016		31 December 2015	
	Ordinary shares	Treasury shares	Ordinary shares	Treasury shares
<b>Authorised:</b>				
Ordinary shares of EUR 2 each	<b>50,000,000</b>	-	50,000,000	-
<b>Issued and fully paid:</b>				
Opening balance	<b>11,560,000</b>	-	17,284,131	-
Redemption and cancellation	<b>(2,181,852)</b>	-	(5,724,131)	-
<b>Closing balance</b>	<b>9,378,148</b>	-	11,560,000	-

	2016	2015
	EUR	EUR
Share capital	<b>18,756,296</b>	23,120,000
Treasury shares	-	-
	<b>18,756,296</b>	23,120,000

In 2016 the Fund redeemed 2,181,852 of its own shares at an average price of EUR3.59 per share. These shares were cancelled outright.

In 2015 the Fund redeemed 5,724,131 of its own shares at an average price of EUR3.56 per share. These shares were cancelled outright.

## Share premium

The details of this account are as shown below:

	Year ended 31 December 2016	Year ended 31 December 2015
	EUR	EUR
At 1 January	<b>661,906</b>	3,231,277
Share premium on redeemed ordinary shares	<b>(661,906)</b>	(2,569,371)
31 December	-	661,906

## 10. Other liabilities

	31 December 2016	31 December 2015
	EUR	EUR
Management fees (see Note 15)	<b>60,532</b>	142,073
Other liabilities	<b>136,952</b>	129,158
	<b>197,484</b>	271,231

Other liabilities are short-term in nature and their fair values approximate their carrying value, except for the reserve as described in Note 3.9 amounting to EUR 98,350 as per 31 December 2016 (2015: EUR 90,282) as the date of usage of this reserve is uncertain as per the date of this report.

## 11. Net changes in fair value of financial assets at fair value through profit or loss

	Year ended 31 December 2016	Year ended 31 December 2015
	EUR	EUR
Net change in fair value of investments	<b>1,350,230</b>	(2,447,928)
Gain (loss) from disposal of investments	<b>592,992</b>	(269,240)
	<b>1,943,222</b>	(2,717,168)

## 12. Foreign exchange gain/(loss)

	Year ended 31 December 2016	Year ended 31 December 2015
	EUR	EUR
Realised (loss) gain from foreign exchange differences	<b>(96,065)</b>	1,172,856
Unrealised gain from foreign exchange differences	<b>650,894</b>	2,145,641
	<b>554,829</b>	3,318,497

## 13. Corporate income tax

The Fund is domiciled in the Cayman Islands. Under the current laws of the Cayman Islands, there is no income, state, corporation, capital gains or other taxes payable by the Fund.

Although the Fund is incorporated in the Cayman Islands where it is exempted from tax, the Fund's activities are primarily focused on Vietnam. In accordance with the prevailing tax regulations in Vietnam, if an entity is treated as having a permanent establishment, or as otherwise being engaged in a trade or business in Vietnam, the income attributable to or effectively connected with such permanent establishment or trade or business may be subject to tax in Vietnam. As at the date of this report the following information is uncertain:

- Whether the Fund is considered as having a permanent establishment in Vietnam; and
- The amount of tax that may be payable, if the income is subject to tax.

The implementation and enforcement of tax regulations in Vietnam can vary depending on numerous factors, such as the interpretation of the tax rules by the specific tax authority involved. The administration of laws and regulations by the local or provincial tax departments may be subject to considerable discretion, and in many areas, the legal framework is vague, contradictory and subject to conflicting interpretation. The Fund's Directors believe that it is unlikely that the Fund incorporated in the Cayman Islands will be exposed to tax liabilities in Vietnam.

## 14. Earnings per share

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Fund by the weighted average number of ordinary shares outstanding during the year.

	31 December 2016	31 December 2015
Earnings attributable to owners of the Fund (EUR)	<b>2,527,855</b>	1,031,606
Weighted average number of ordinary shares outstanding (shares)	<b>9,790,457</b>	13,815,401
<b>Basic earnings per share (EUR per share)</b>	<b>0.26</b>	0.07

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Fund has no category of potentially dilutive ordinary shares. Therefore, diluted earnings per share are equal to basic earnings per share.

### (c) Net asset value per share

Net asset value (NAV) per share is calculated by dividing the net asset value attributable to ordinary shareholders of the Fund by the number of outstanding ordinary shares as at the end of the reporting period. Net asset value is determined as total assets less total liabilities and non-controlling interest.

## 15. Related party transactions

### Management fees

The Fund is managed by Saigon Asset Management (the "Investment Manager"), an Investment Manager formed under the Law of the Cayman Islands. Under the Investment Management Agreement dated 1 October 2007 between the Fund and Investment Manager (the "Management Agreement"), the Investment Manager is entitled to receive a management fee based on the net asset value of the Fund, payable monthly in arrears, at an annual rate of 2%.

Total management fees for the year amounted to EUR738,307 (2015: EUR975,980). As at the reporting date, the unpaid management fees amounts to EUR60,532 (2015: EUR142,073).

### Performance fees

In accordance with the Management Agreement, the Investment Manager is also entitled to receive a performance fee equal to 20% of the annual increase in Net Asset Value over an annualised compounding hurdle rate of 8%.

Total performance fee is nil for the period because the Fund's performance did not meet the above requirement.

### Directors' fees

The aggregate fees paid to the Directors of the Fund for the current year amounts to EUR54,416 (2015: EUR54,350). As at the reporting date, the unpaid director fees amounts to EUR nil.

Director fees are paid in dollars (USD60,000) and were unchanged in 2016.

**Compliance and governance**

Compliance and governance expenses include fees imposed on directors by the Cayman Islands regulatory authority and other expenses required in the oversight of the Fund EUR14,071 (2015: EUR11,549).

**16. Risk management objectives and policies**

The Fund invests in listed and unlisted equity instruments with the objective of achieving capital appreciation and providing investors with an attractive level of investment income from dividends.

The Fund is exposed to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk); credit risk; and liquidity risk. The Fund is also exposed to operational risks such as custody risk, which is the risk of loss of securities held in custody occasioned by the insolvency or negligence of the custodian.

The Fund's overall risk management programme focuses on maximising the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance. The Fund's risk management is coordinated by its Investment Manager who manages the distribution of the assets to achieve the investment objectives. The most significant financial risks to which the Fund is exposed are described below:

**Foreign currency risk**

The Fund invests in financial instruments and enters into transactions denominated in currencies other than its functional currency of Euro. Therefore, the Fund is exposed to risks that the exchange rate of its currency relative to other currencies may change and have an adverse effect on the value of the Fund's assets or liabilities denominated in currencies other than Euro.

The Fund may enter into arrangements to hedge currency risks if such arrangements become desirable and practicable in the future in the interest of efficient portfolio management. Currently the Fund has not yet employed any hedging arrangement.

The Fund's exposure to fluctuations in foreign currency exchange rates at the end of the reporting period was as follows:

	<b>Short-term exposure</b>	
	<b>VND</b>	<b>USD</b>
	<b>EUR</b>	<b>EUR</b>
31 December 2016		
Financial assets	36,281,529	14,965
Financial liabilities	(197,484)	-
Net exposure	36,084,045	14,965
31 December 2015		
Financial assets	41,647,875	10,496
Financial liabilities	(271,231)	-
Net exposure	41,376,644	10,496

**Sensitivity analysis to a reasonably possible change in exchange rates**

A 2% weakening of the VND against EUR and 3% weakening of the USD against EUR at the end of the year ended 31 December 2016 (31 December 2015: 5% weakening of the VND against EUR and 2% weakening of the USD against EUR) would have impacted net profit of the Fund's equity by the amount shown below. This percentage has been determined based on the average market volatility in exchange rates in the previous twelve months. This sensitivity analysis assumes that all other variables remain constant

	<b>31 December 2016</b>	31 December 2015
	<b>EUR</b>	EUR
Impact on net profit the Fund's equity	<b>(722,130)</b>	(2,068,622)

A 2% strengthening of the VND against EUR and 3% strengthening of the USD against EUR would have had the equal but opposite effect to the amount shown above, on the basis that all other variables remain constant.

### **Price risk**

Price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. As the majority of the Fund's financial instruments are carried at fair value with fair value changes recognised in the statement of comprehensive income, all changes in market conditions will directly affect net investment income.

The Fund's unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Investment Manager provides the Fund with investment recommendations that are consistent with the Fund's objectives. The Investment Manager's recommendations are approved by the Investment Committee of the Investment Manager before investment decisions are implemented.

All securities investments present a risk of loss of capital. The Investment Manager manages this risk through the careful selection of securities and other financial instruments within specified limits and by holding a diversified portfolio of listed and unlisted instruments. In addition, the performance of investments held by the Fund is monitored by the Investment Manager and reviewed by the Board of Directors on a weekly basis.

If the prices of the listed securities had increased/decreased by 10%, the Company's financial assets held at fair value through profit or loss would have been higher/lower by EUR3.29 million (31 December 2015: EUR4.08 million).

### **Cash flow and fair value interest rate risks**

The majority of the Fund's financial assets are non-interest bearing. The Fund currently has no financial liabilities with fixed or floating interest rates. As a result, the Fund is not exposed to cash flow interest rate risk and fair value interest rate risk. Any excess cash and cash equivalents are invested at short-term market based interest rates.

### **Credit risk analysis**

Credit risk is the risk that counterparty fails to discharge an obligation to the Fund. The Fund is exposed to this risk for various financial instruments for example investment in cash and cash equivalents and other receivable balances.

The Fund's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	<b>31 December 2016</b>	31 December 2015
	<b>EUR</b>	EUR
Classes of financial assets – carrying amounts		
Other receivables	-	253,686
Other current assets	<b>9,915</b>	9,127
Cash and cash equivalents	<b>3,257,653</b>	385,550

The Fund continuously monitors defaults of customers and other counterparties, identified either individually or by group and incorporates this information into its credit risk controls. The Fund's policy to manage this risk is to invest in debt securities that have high current and future creditworthiness assessed by the Investment Manager and not to invest more than 20% of its net assets in a single issuer. The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

The Fund's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

The Fund has no other significant concentrations of credit risk.

In accordance with the Fund's policy, the Investment Manager continuously monitors the Fund's credit position on a daily and monthly basis.

### **Liquidity risk analysis**

Liquidity risk is defined as the risk that the Fund may not be able to settle or meet its obligations on time. Exposure to liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities. The Fund invests primarily in listed securities which, under normal market conditions, are readily convertible to cash. In addition, the Fund's policy is to regularly monitor current and expected liquidity requirements to ensure that the Fund maintains sufficient reserves of cash to meet normal operating requirements. The Fund adopts its risk management guidelines which are designed to minimise its liquidity risk through:

- Monitoring its exposure to illiquid or thinly traded investments and financial instruments, and
- Applying a limit of not more than 20% of net assets value for a single investment to ensure there is no concentration of liquidity risk with a particular counterparty or market.

### **Capital management**

The Fund's capital management objectives are:

- To ensure the Fund's ability to continue as a going concern;
- To provide investors with an attractive level of investment income; and
- To preserve a potential capital growth level.

The Fund considers the capital to be managed as equal to the net assets attributable to the holders of ordinary shares. The Fund has engaged the Investment Manager to allocate the net assets in such a way so as to generate investment returns that are commensurate with the investment objectives outlined in the Fund's Offering Memorandum.

## **17. Fair value measurement**

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The Fund adopted the amendments to IFRS 7 Improving Disclosures about Financial Instruments effective from 1 January 2009. These amendments require the Fund to present certain information about financial instruments measured at fair value in the financial statements.

The following table presents financial assets measured at fair value in the Statement of Financial Position in accordance with the fair value hierarchy. This hierarchy places the Fund's financial assets into two levels based on the significance of input.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial assets are classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

	<b>Level 1 EUR</b>	<b>Level 2 EUR</b>	<b>Level 3 EUR</b>	<b>Total EUR</b>
<b>Assets</b>				
Financial assets at fair value through profit and loss				
Financial assets in Vietnam	32,906,244	-	282,512	33,188,756
Ordinary shares-Listed	32,906,244	-	-	32,906,244
Ordinary shares-unlisted	-	-	282,512	282,512
<b>Liabilities</b>				
<b>As at 31 December 2016</b>	32,906,244	-	282,512	33,188,756

	<b>Level 1 EUR</b>	<b>Level 2 EUR</b>	<b>Level 3 EUR</b>	<b>Total EUR</b>
<b>Assets</b>				
Financial assets at fair value through profit and loss				
Financial assets in Vietnam	40,814,329	-	220,543	41,034,872
Ordinary shares-Listed	40,814,329	-	-	40,814,329
Ordinary shares-unlisted	-	-	220,543	220,543
<b>Liabilities</b>				
<b>As at 31 December 2015</b>	40,814,329	-	220,543	41,034,872

**Quantitative information of significant unobservable inputs – Level 3**

<b>Description</b>	<b>Total investment value in 2016 EUR</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Assumptions</b>
Unlisted shares - PMC	<b>282,512</b>	FCFF	Sales Cost of equity Cost of debt Average traffic growth rate/year Discount period	EUR75,735,707 24.56% 12% 5% 6 years and 9 months



In determining this fair value, a risk adjusted cost of equity of 24.56% (2015: 22.35%) was used for PMC unlisted shares. If this input to the valuation model was 1% higher or lower, and all other variables were amount of the shares would decrease or increase by EUR76,340 and EUR78,009 respectively. Management is cognizant that there are inherent uncertainties with the use of assumptions and Management accepts such uncertainties.

### **Reconciliation of fair value measurement in Level 3 of the fair value hierarchy**

The following table provides a reconciliation of the movement between opening and closing balances of Level 3 financial instruments, measured at fair value using a valuation technique with significant unobservable inputs:

	<b>Year ended</b>	<b>Year ended</b>
	<b>31 December 2016</b>	31 December 2015
	<b>EUR</b>	EUR
Opening balance	<b>220,543</b>	224,232
Changes in fair value recognised in profit and loss	<b>61,969</b>	(3,689)
Closing balance	<b>282,512</b>	220,543

The methods and valuation techniques used for the purpose of measuring fair values are unchanged compared to the previous reporting period as disclosed in Note 4.

### **18. Subsequent events**

The Board of Directors intends to convene an extraordinary general meeting on 12 June 2017 in which the Shareholders will vote on a Special Resolution which proposes a merger with Vietnam Property Holding, whereby Vietnam Equity Holding will be the surviving fund. The transaction is expected to be financed by means of issuance of new ordinary shares by the Fund.

No other significant events have occurred since the reporting date which would impact on the financial position of the Company as disclosed in the Balance Sheet as at 31 December 2016 or on the result of its operation and its cash flows for the year then ended.

### **19. Authorisation of financial statements**

The financial statements were authorised for issue by the Directors on 26 April 2017.





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