



VIETNAM  
HOLDING

Annual Report 2018

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**VIETNAM  
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## **Contents**

<b>Chairman's statement</b>	1-2
<b>Investment Managers' Report</b>	3-4
<b>Top Five Portfolio Companies</b>	5-9
<b>Directors' Report</b>	10
<b>Sustainability Report</b>	11-12
<b>Corporate Governance Report</b>	13-16
<b>Independent Auditors' Report</b>	17-18
<b>Statement of Financial Position</b>	19
<b>Statement of Comprehensive Income</b>	20
<b>Statement of Changes in Equity</b>	21
<b>Statement of Cash Flows</b>	22
<b>Notes to Financial Statements</b>	23-40
<b>Key Parties</b>	41
<b>Directors' Profiles</b>	42



## Chairman's Statement

The last 12 months have been a period of significant change for VNH. At the AGM on 21 September 2017, the previous Board stepped down and, subsequently, five new directors were appointed in their place. The new Board initiated a broad review of all aspects of the Fund, particularly the areas of Corporate Governance, investment management and share buybacks/discount level. We discuss the changes that have been implemented as a result of this review, as well as providing an overview of the proposals we are tabling for approval at the AGM to be held in London on 31 October, 2018.

### Investment Management Changes

On 16 July 2018, the Fund appointed Dynam Capital as the new investment manager, on substantially reduced fee terms compared with those of the previous manager, VNH Asset Management ('VNHAM'). Dynam Capital is a newly established firm set up and owned by Vu Quang Thinh and Craig Martin. Vu Quang Thinh has been the lead portfolio manager of VNH since July 2011 and was the Chief Investment Officer of VNHAM until June this year. He is the Chief Investment Officer and Managing Director of Dynam. Craig Martin is the executive Chairman of Dynam Capital, and also sits on the Investment Committee. Craig was head of Private Equity at Prudential Vietnam, and most recently co-CEO of CapAsia, an Asia focused private equity manager. We are pleased to say that the key members of Vu Quang Thinh's previous Vietnam based team have joined Dynam Capital.

As part of the formal transition to Dynam, the Board agreed a termination settlement with the previous manager, VNHAM, that had no net impact on VNH's NAV. The Board would like to thank VNHAM for their support and co-operation in the handover process.

An unusual feature of VNH prior to the appointment of the current Board was the Directors' involvement in portfolio decisions. The new Board believes this is best left to the investment management team, and has therefore reduced the Board's involvement in investment management matters to the extent permitted by VNH's current investing policy.

### Corporate Governance Improvements

One particularly unsatisfactory feature of VNH was the previous Board's entitlement to a share of the then investment manager's incentive fee, and, in the case of the former Chairman, substantial discretionary bonuses. In the Board's view, such entitlement and payments created a conflict of interest, as one of a Board's key duties is assessing the performance of its Investment Manager. The new Board has removed any such contractual entitlement and will not be receiving incentive fee payments or bonuses.

Furthermore, as was reported in the interim results published in March 2018, VNH's published annual report for the year to 30 June 2017 failed to fully disclose the previous Board's full remuneration, in particular the award of a bonus of \$150,000 paid to the former Chairman in 2016/17. The previous Board also awarded and paid the former Chairman a bonus of \$100,000 the day before she stepped down from the board in September 2017.

We were pleased to announce on 7 September, 2018 that VNH successfully negotiated the repayment of \$125,000 of such bonus payments from the previous Board.

### Share Buyback and Discount

While VNH trades at a discount to its NAV per share, the Board believes that an excellent use of the Fund's capital is to repurchase shares for immediate cancellation. Such repurchases provide a certain, near immediate and substantial return on the capital used, accreting value to NAV per share; they provide liquidity to shareholders and limit the discount at which VNH's shares trade. Shareholders approved a renewal of the share buyback authority at an EGM on 9 July 2018, with an increase from 10% to 14.99% of shares outstanding.

Since the last AGM in September 2017, the Fund has repurchased and cancelled 7,836,916 shares. The 52 week average discount at which VNH's shares have traded has narrowed over the past year from 19.0% to 13.6% on 28 September 2018. The Board is pleased to note that the 52 week average discount of VNH is now narrower compared to the other two London listed Vietnam funds.

**Continuation vote, Tender Offer and move to the London Stock Exchange's Premium List**

VNH is required to put forward a Continuation Vote at this year's AGM. A separate Circular is being published with detail of the AGM agenda which includes the Continuation Vote and a number of other proposals. In summary, in addition to the usual AGM business, these are:

- VNH is proposing a Tender offer for up to 15% of its outstanding shares at a 2% discount to realised NAV;
- Moving VNH's listing from the AIM market to the Premium List of the London Stock Exchange;
- Re-domiciling VNH from the Cayman Islands to Guernsey;
- The adoption of revised Articles of Incorporation; and
- Continuation of VNH for a further five years

The Board is also pleased to note that Dynam Capital is in the process of re-domiciling to Guernsey as a Guernsey Financial Services Commission regulated Investment Manager. This re-domiciliation will enable a number of potential investors (who can only invest in vehicles managed by regulated fund managers) to invest in VNH.

Further details on the various proposals, and the reasons why the Board believes that they are in the best interests of shareholders are contained in the Circular. Shareholders are urged to review this document and vote in favour of the various proposals at the forthcoming AGM.

**Performance**

The NAV per share fell by 2.0% to \$3.061 in the six months to 30 June 2018. Over the same period the Vietnam All Share Index (the VNAS Index) fell by 5.0%. For the full financial year 2017/18 VNH's NAV increased by 6.6%, compared to a full year gain of 14.9% in the VNAS Index.

While the performance of the Vietnamese stock market and the Fund has been disappointing in the final months of this fiscal year, driven in part by US Dollar strength and broad concerns about Emerging Markets, the fundamentals in Vietnam continue to be strong. As a result, valuations across the portfolio look increasingly attractive. Dynam Capital provides a more detailed portfolio and performance analysis in their report below.

Milton Lawson has advised the Company that he wishes to step down from the VNH board. Accordingly he is not offering himself for re election at the AGM. The rest of the Board would like to thank him for his contribution to their deliberations over the past year during a period of significant change at VNH and wish him every success in the future.

The Board would like to thank shareholders for their support and look forward to a continued active dialogue.

**Sean Hurst, Chairman**

VietNam Holding Limited

8 October 2018



## Investment Managers' Report

The performance of the Company and the Vietnamese stock-market overall in 2018 is a story in two distinct parts. The first six months saw a bull-run in Vietnam equities reminiscent of 2007 when the Vietnam Index last peaked, and all managers appeared to have the Midas touch. Conditions in late 2017 appeared relatively benign, and the interest in M&A in Vietnam surged, with Thai and Singaporean conglomerates bidding for significant stakes in Vinamilk, and the froth ran down the side of Sabeco's long-awaited listing (it had technically IPO'ed almost ten years ago). By 31 December 2017 the VN index reached 1000 and the Vietnam equity market's increase of over 50% made it a top performer. When the Fund reported its December 2017 performance, the NAV per share had increased 17.8% and share price had risen 23.1%, and the MSCI EM index had also risen by 34.3%. The ebullience continued until early April, with the VN index reaching an all-time high of 1204.33, a year-on-year increase of almost 65% in USD term, and then the music abruptly stopped playing and guests began to leave the party.

The sharp correction is different from ten years ago. The Vietnam equity market is a different animal: the stocks are more widely held, the market capitalization reached USD 178 billion versus USD 32 billion and there are 1,498 listed companies versus 249 at the end of 2007. That said, it is a market where domestic investors are fickle and react quickly to the flows of foreign capital. As the US started to raise interest rates, a decade on from the Lehman crisis, broad EM flows turned negative, and hot money also left VN, with domestic investors choosing to retreat and watch from the sidelines. In the last months of the financial year, VNAS retreated completely, giving up all its gains, and ending 5 percent down since 31st December 2017, with the MSCI EM index also retreating to negative 7.7%. In the same period. Over the full financial year VNAS had increased 14.9% and the MSCI EM index rose 5.8%; during the same period the Fund's NAV per share was up 6.6% and the share price increased 13.5%.

Liquidity remains low in much of the broader market and is very concentrated in the main constituents of the Index. Vinamilk (VNM) and Mobile World Group (MWG) remain the two 'go-to' stocks for foreign investors (the latter trading at a premium to market price of c. 25%). During the year we have taken profits in VNM and continued to build a position in Mobile World Group. Vinamilk, one of the first listed stocks, and a former SOE, has been the stalwart of the Vietnam stock-market for the last 15 years. MWG is a more recent success story in Vietnam, generating eye-watering multiples of return for its private equity backers at IPO and then powering ahead once listed; the management team are taking their knowledge of retail of electronic devices (mainly mobile phones) into the broader retail space, quickly gaining market share in groceries and other areas. Stocks such as VNM and MWG are now well-known and well-researched names for all investors in Vietnam. A much broader coverage of stocks is required for a value-investing fund as such VNH, and that calls for specialized on-the-ground research.

### Performance of VNH

The VN All Share Index Total Return (VNASTR) gained 17.2% during the period under review. By comparison, the VNH NAV finished the fiscal year with a more modest 6.6%. The divergence between this particular benchmark and the Fund's NAV performance is partly explained by the widening performance gap between large-cap stocks that drive the VNASTR and the mid-cap stocks in the portfolio of VNH. During the review period, the trailing P/E of the VN30 Index expanded by 48.5% from 13.4x in 03 Jul 2017 to its peak of 19.9x in 09 Apr 2018; the trailing P/E of the VN70 Index grew by only 6.2% from 12.9x to 13.7x. In other words, the VN30 Index was trading at a 45.4% premium to the VN70 Index at the 'peak' compared to just a 3.9% premium at the beginning of the period. This resulted from the large inflows into IPOs, new listings, and state divestments, lifting the value of stocks such as Vinamilk, Sabeco, Binh Son Refinery, PV Power, Genco 3, Techcombank, VPBank, Vinhomes, and Vincom Retail. In December 2017 ThaiBev controversially acquired a 53.6% stake in Vietnam's beer giant Sabeco (one of the

Strategic investors showed their willingness to pay a significant premium for major shares in marque brand-owners; financial institutions, including ETFs and open-ended funds, flocked to large liquid large cap stocks, and local retail investors followed suit using margin lending. The valuation premium of the VN30 constituents over the broader VN70 index members has remained at above 40% even after the bear market correction. We think it is reasonable to believe that the valuation gap between the two sets of index members would revert to more reasonable levels in the future.

#### Strategy of VNH

The spectacular growth and then the rapid correction of the Vietnamese stock market over such a short period of time has necessitated adjustments (at least in terms of expectations) on the part of all Vietnam investment managers. As a long-term value investor, we see three dynamic factors that will allow investors get exposure to Vietnam. Firstly, new large-cap IPOs and listings in both SOE and private sector will offer attractive investment opportunities for investors and remain a key investment theme for several years. Secondly, the Vietnam equity market could become a member of the MSCI Emerging Market Index by 2020, necessitating more regional funds to hold Vietnamese stocks. Lastly, the structure and sources of domestic capital will continue to develop, increasing the number of local ETFs, mutual funds and market-access products, including derivatives. The last two factors will help drive market liquidity and depth. The first factor will enable the Fund, as a value investor, to research, analyse and select a number of privatisation prospects, and pre-IPO candidates that meet our strict criteria of growth combined with sound commitments to sustainable ESG practices.

#### 2018 Outlook

The outlook for the next year is uncertain. Higher interest rates in the US, will provide additional strength to the USD; for much of the year the fund flows from EM has been negative, and with continuing uncertainty on trade tariffs and the prospects of a lengthy trade war with China, there could be further pressure on the Vietnam

Dong. Vietnam is susceptible to further VND weakness, and likely higher levels of inflation than the Government is willing to admit. Vietnam could be an unexpected winner in a lengthy trade war with China, as its manufacturing sector has developed and advanced, however the ramifications for ASEAN, which accounts for 10.1% of Vietnam's exports is also far from clear. There is value in some of the growth stocks, and with forecast EPS growth in excess of 20%, a P/E valuation for the market of 14x is not demanding. That said, VND depreciation is likely to be above the 20-year trend of 2% and closer to 3%.

In the short-term the VN-Index may suffer, or move sideways, due to concerns on a prolonged trade war and capital outflows from emerging markets in general. Nevertheless, we remain positive on Vietnam's long term outlook for the following three reasons. Firstly, the continued development of the banking sector which is healthier after emerging from the painful process of resolving bad debts incurred during the past financial crisis: Bancassurance and other financial products and services will contribute non-interest income, which may be needed as credit growth is controlled at a level of 18%. Secondly, a more sustainable and deeper real-estate market as long-planned urban infrastructure becomes closer to reality (metro and overhead railways). Lastly, a richer and emergent middle class will drive consumer behaviour: as Vietnam's per capita GDP passes USD 2,500 there are increasing amounts of disposable income, for upgrades to education, housing and transportation options (more cars) and discretionary purchases of consumer goods.

After the year-end Dynam Capital took over the management of the Fund (commencing on 16 July 2018). The team is focused on continuing the value-driven mandate of the Fund. Being a value investor comes at a price: there will be periods of underperformance against the index. The Manager is focused on building a diversified portfolio, constructed with robust limits to sectors and individual positions, but also to focus on mid-cap companies, often where liquidity is low.

#### Dynam Capital Management

## Hoa Phat Group (HPG)



### SHARE INFORMATION (as at 30 Jun 18)

Stock Exchange	HOSE
Date of listing	15 November 2007
Market capitalization (USD million)	3,552
Free float	58.8%
Foreign ownership	39%
2018 price/earnings ratio	8.5

### VIETNAM HOLDING'S INVESTMENT

Date of first investment	20 June 2013
Ownership	0.47%
Percentage of NAV	8.2%
Internal rate of return (annualized)	43%

### FINANCIAL INDICATORS

	2016	2017
Equity capital (USD million)	871.7	1,411.0
Revenues (USD million)	1,448.1	2,010.6
Revenue growth (in VND)	18.7%	38.8%
EBIT (USD million)	351.2	425.5
NPAT (USD million)	295.1	349.1
EPS (VND)	3,404	3,883
EPS growth	82.0%	14.1%
Gross margin	26.2%	23.1%
EBIT margin	23.6%	21.2%
ROE	35.3%	30.7%
D/E	0.3x	0.4x
Current ratio	1.5x	1.8x

Sources: Annual Reports and Bloomberg

### About the Company

Starting out as a small construction equipment trading company in 1992, Hoa Phat Group (HPG) has become one of the leading industrial manufacturing groups in Vietnam specialising in the production of construction steel, steel pipes, office furniture and equipment. Steelmaking continues to be the core business and contributes over 86% of total revenue and profit. In 2017, HPG had a local market share of 24% and 26% in construction steel and steel pipes respectively.

As of 31 December 2017, HPG had 11 subsidiaries with a large workforce of 15,944 employees, up +23.7% YoY.

### Recent Developments

2017 was a successful year for HPG and the company achieved its highest operational results in its 25-year history. HPG posted revenue and profit growth of 38% and 21% YoY, respectively, mainly contributed by construction steel and steel pipe. Total sales volume reached over 3 million tonnes of steel products (25% growth of YoY), in which construction steel contributed 2.2 million tonnes, steel pipe 600,000 tonnes and pre-galvanized steel making up the balance.

HPG is finalising the Hoa Phat Dung Quat Steel Integrated Complex in Quang Ngai Province with an annual projected capacity of more than four million tonnes of steel. The project is fully integrated from iron ore to billets, construction steel, high-quality steel, hot rolled coil steel, steel pipe, steel sheet and prestressed steel. HPG is targeting to be included in the Top 50 list of world leading steel enterprises with targeted annual revenues of approximately USD5 billion by 2020.

Other traditional business segments, such as office furniture and equipment achieved encouraging results. HPG also diversified into the agricultural sector, generating revenue and profit from animal feeds and husbandry products.

### Sustainability Strategy

As a key player in the heavy industrial segment, HPG recognizes the importance of a sustainable development strategy encompassing new product development, production efficiency improvements, energy efficiency, environment protection and CSR activities.

### ESG Achievements

HPG will launch hot rolled coil steel in 2019 and become the first enterprise to produce this product in Vietnam.

For energy saving and environmental protection, HPG has installed a system for the collection and treatment of redundant gases and heat, in order to run an internal thermal power plant that covers 50% of the total power demand of the Integrated Complex. The company also applied different kinds of methods to re-circulate 100% of water in all its production lines, and to reduce dust using modern dust filtering systems.

In 2017, the company continued to sponsor a number of social responsibility campaigns such as "Heartbeat love", "Spring of love", "Charitable meal-Honorable hearts" and "Join hand with students and for the community".

### ESG Challenges

Although steel is a recyclable material, primary steel making is energy intensive and poses challenges of minimizing environmental pollution. The company is compliant with all local environmental standards and will aim to apply international industry standards for its new plants. HPG needs to measure the carbon footprint emission of its current energy usage, compare it with the sector benchmark and apply appropriate strategies to mitigate the effects. The company is also diversifying its activities into the food chain and agribusiness sectors.



## Phu Nhuan Jewelry (PNJ)

**SHARE INFORMATION (as at 30 Jun 18)**

Stock Exchange	HOSE
Date of listing	23 March 2009
Market capitalization (USD million)	614
Free float	64.4%
Foreign ownership	49.0%
2018 price/earnings ratio	16.4

**VIETNAM HOLDING'S INVESTMENT**

Date of first investment	8 December 2009
Ownership	2.6%
Percentage of NAV	7.8%
Internal rate of return (annualized)	34%

**FINANCIAL INDICATORS**

	2016	2017
Equity capital (USD million)	65.3	128.5
Revenues (USD million)	373.0	478.1
Revenue growth (in VND)	11%	28%
EBIT (USD million)	31.6	41.3
NPAT (USD million)	19.6	31.6
EPS (VND)	2,661	4,185
EPS growth	500%	57%
Gross margin	16%	17%
EBIT margin	8%	9%
ROE	30%	33%
D/E	1.0	0.3
Current ratio	1.5	2.6

Sources: Annual Reports and Bloomberg

**About the Company**

PNJ is the leading manufacturer and retailer of jewelry products in Vietnam. The company has an experienced team comprised of jewelry designers and over 1,000 skilled goldsmiths. PNJ is the only jewelry house in Vietnam with a production capacity of 4 million units per annum. The company has 29-years of experience in the industry, with a professionally managed and well-respected brand.

PNJ offers a product range from low-end to luxury jewelry to serve different client segments across its nationwide network of 269 retail stores (2016: 219 and 2015: 186) including 202 Gold Class, 63 Silver Class, and 4 Premium Class stores, alongside over 3,000 wholesalers. Its closest competitor operates around one-fourth of PNJ's store network. The company currently enjoys a market share of 28%.

PNJ aims to become one of the top players in the Asian jewelry industry after exiting (and fully providing for) all non-core investments it made in 2016. The company has cooperated with consultants from Italy (Value Partners) and international jewelers in the U.S. (Zales and Tiffany & Co.) to enhance its jewelry designs, craftsmanship, manufacturing capability, and retail systems

**Recent Developments**

PNJ's 2017 performance was strong with its profit after tax (PAT) increasing 61% YoY on a reported basis, and 41% on a recurring basis. The growth was mostly due to revenue contribution of the high-margin retailing segment increasing to 52% from 48% in 2016; on the back of 21% same-store-sale-growth.

PNJ has changed its product mix to increase its profitability. The strategy is to focus on the higher gross margin Jewelry segment (29%), while lowering its low gross margin gold bar trading segment (less than 2%). Thus, sales from jewelry segment has replaced that of gold bar trading to become the key contribution to its sales mix. Accordingly, gold bar trading now constituted

less than 20% of sales, a sharp reduction from around 40% during the 2011 to 2015 period. Additionally, inventory levels and production processes have been optimized by implementing an ERP system.

**Sustainability Strategy**

PNJ's Sustainable Development strategy was established based on the UN's 17 Sustainable Development Goals. The strategy is built upon five pillars, which are (i) Economic growth via full concentration on core jewelry business, (ii) Social development by providing proper annual training to employees, (iii) environmental protection through processing of toxic waste in an environmental-friendly manner and promotion of energy efficient focused practices, (iv) Labor force development by creating a safe and unprejudiced working atmosphere to not only attract but also nurture talent, and (v) Community building via effective investments in community projects.

**ESG Achievements**

PNJ has firm policies in place to ensure that its precious stone purchases are from legitimate sources rather than conflict zones. The company has also reduced its raw material waste to below the industry standard of 1%.

In April 2018, the roles of Chairperson and CEO were segregated.

Since 2012, PNJ has implemented several HR projects, such as restructuring its organizational hierarchy, standardizing the hiring process, reforming the HR operating model, building a leadership competency framework and setting KPIs. These efforts have played a vital role in PNJ delivering its recent impressive business results.

**ESG Challenges**

The company has been in the spotlight during the year due to investigations into Dong A Bank, and the husband of the Chairwoman of PNJ. This has impacted its reputation among some investors, although there has been no financial impact.

## Saigon Cargo Service Corporation (SCS)



SHARE INFORMATION (as at 30 Jun 18)		FINANCIAL INDICATORS	2016	2017
Stock Exchange	UPCOM	Equity capital (USD million)	33.5	39.8
Date of listing	12 Jul 2017	Revenues (USD million)	21.6	25.6
Market capitalization (USD million)	459.20	Revenue growth (in VND)	45.4%	18.6%
Free float	99.12%	EBIT (USD million)	12.6	16.9
Foreign ownership	19.34%	NPAT (USD million)	10.7	15.0
2018 price/earnings ratio	21.1	EPS (VND)	5,012	6,599
<b>VIETNAM HOLDING'S INVESTMENT</b>		EPS growth	80.0%	31.6%
Date of first investment	15 Sept 2017	Gross margin	72.4%	77.0%
Ownership	4.35%	EBIT margin	58.2%	65.8%
Percentage of NAV	9.84%	ROE	31.8%	37.4%
Internal rate of return (annualized)	124%	D/E	0.1x	0.01x
		Current ratio	2.3x	4.3x

Sources: Annual Reports and Bloomberg

### About the Company

Since its establishment in 2008, Saigon Cargo Service Corporation (SCS) has strengthened its position to become the leading air cargo terminal operator at Ho Chi Minh City's Tan Son Nhat airport. SCS offers a wide range of services from customs paperwork, security screening, packing, storing and consolidating airfreight.

During the initial stages of its operation in 2008, SCS had only three clients, including Cargolux, Cardigair and Lufthansa airlines. As of June 2018, SCS has 28 airlines in its customer base, and handles approximately 36% of total air cargo throughput volume at Tan Son Nhat airport.

### Recent Developments

SCS reported good 2017 results with revenue and profit growth of 18.6% and 40.5% YoY, respectively. The two key contributors to profit growth were the improvement in service pricing and the reduction of interest expense burden. SCS has the opportunity to grow its market share over the next three years as it operates at 53% of its designed capacity while its two main competitors (TCS and Vietnam Airlines) are at full capacity. SCS is also the only air cargo terminal in Vietnam having a container freight station, warehouse and bonded warehouse.

### Sustainability Strategy

Operating in an industrial sector which requires significant energy input, SCS's main sustainability development strategy focusses on applying different solutions to save and reuse energy efficiently, improving production and business processes and protecting the environment.

### ESG Achievements

In order to reach the targets in energy saving and environmental protection, SCS has used technology: (i) information management to control and check cold store systems; (ii) Applying inverter technology for air conditioner system to save more energy; (iii) Applying BMS system for lighting system and ventilation fan, in reduce energy waste; and (iv) using LED lighting system to reduce electricity consumption. In 2017, total energy consumption efficiency showed improvements over previous years.

### ESG Challenges

Given its financial strength, and nationwide demand, SCS is now looking for M&A opportunities to expand to other airports in the north and the central regions of Vietnam. However, most M&A targets have weak corporate governance, lack transparency and have cross share-holdings. Therefore, the issue of how to manage high inorganic growth and maintain a culture of good corporate governance is considered as a key challenge for SCS.

## FPT Corporation (FPT)



SHARE INFORMATION (as at 30 Jun 18)		FINANCIAL INDICATORS		2016	2017
Stock Exchange	HOSE	Equity capital (USD million)		414.9	497.7
Date of listing	13 Dec 2006	Revenues (USD million)		1,721.8	1,858.0
Market capitalization (USD million)	1,108	Revenue growth (in VND)		4%	8%
Free float	73.9%	EBIT (USD million)		132.8	137.9
Foreign ownership	49%	NPAT (USD million)		86.7	127.7
2018 price/earnings ratio	12.3	EPS (VND)		2919	4299
<b>VIETNAM HOLDING'S INVESTMENT</b>		EPS growth		3%	47%
Date of first investment	8 Jan 2007	Gross margin		21%	23%
Ownership	1.19%	EBIT margin		4%	4%
Percentage of NAV	6.5%	ROE		21%	26%
Internal rate of return (annualized)	16%	D/E		1.0	0.4
		Current ratio		1.2	1.4

Sources: Annual Reports and Bloomberg

### About the Company

FPT, founded in 1988, operates as a software developer, provider of IT and telecom services, and distributor/retailer of IT and communication products. The company has held the leading position in the local IT industry since 1996. In an industry that typically has high staff turnover, FPT has some advantage through its 100% owned subsidiary, FPT University. The company employs the largest engineer workforce in Vietnam, with 32,092 employees, +13% increase over last year; including 13,400 engineers and technology experts. FPT offers outsourcing services to more than 550 globally well-known customers and partners, including 64 customers in the Fortune 500. Additionally, the company owns a comprehensive telecom infrastructure with a main North-South link, that has recently been upgraded from copper wire to fiber-optic cables. The private telecom network has enabled FPT to expand its telecom services to all 64 provinces of Vietnam. FPT aims to become an internationally recognized full IT services provider. With that goal in mind, it has been focusing on expanding its overseas markets.

### Recent Developments

FPT delivered strong business results in 2017. Net sales were up 8% YoY and Net profits were up 47% YoY. One of the key contributors to earnings growth was the one-off profits from spinning-off stakes in the FPT Trading and Retail businesses. The company's performance was also driven by Software Outsourcing. All of FPT's outsourcing markets registered robust revenue growth, such as Japan up 26% YoY, the U.S. up 17% YoY, the E.U. up 7% YoY, and APAC countries up 33% YoY. The Japanese market contributed the largest (58%) share of the company's outsourcing sales.

### Sustainability Strategy

FPT's sustainability strategy is guided by technological innovations with commitments to the highest level of customer satisfaction and the country's prosperity as a whole. Its sustainable development model consists of three pillars, which are (i) Profit, achieved by competitive enhancements, (ii) People, driven by developments of human resources and community activities, and (iii) Planet, via environmental protection.

### ESG Achievements

In 2017, the company spent nearly USD 1.7 million on social responsibility activities and created around 4,000 new jobs. FPT has a strong focus on training. Each employee received 9 training courses, with a total of 56 hours, up 36% YoY in 2017. The training budget was USD 3.6 million, up 103% YoY. The company also established the FPT Corporate University (FCU) on the foundation of the FPT Leadership Institute (FLI) to promote FPT as an education provider. The building received the EDGE (Excellence in Design for Greater Efficiencies), awarded by the IFC. Additionally, the Administrative Building of FPT University won the 2014 Green Architecture Award, hosted by the Vietnam Architects' Association. Furthermore, its university and data centers have also implemented energy efficiency solutions to reduce CO2 emission annually.

### ESG Challenges

FPT has continued to improve the effectiveness of its corporate governance to ensure operations transparency and efficiency. Effective Balanced Scorecard (BSC) and management training has been successfully offered and applied in all business units at FPT.

## Viet Capital Securities (VCI)



SHARE INFORMATION (as at 30 Jun 18)		FINANCIAL INDICATORS		2016	2017
Stock Exchange	HOSE	Equity capital (USD million)		56.1	131.5
Date of listing	07 July 2017	Revenues (USD million)		39.9	66.9
Market capitalization (USD million)	431.18	Revenue growth (in VND)		27.5%	77.3%
Free float	95.00%	EBIT (USD million)		24.2	42.5
Foreign ownership	40.63%	NPAT (USD million)		15.0	28.5
2018 price/earnings ratio	10.1	EPS (VND)		2,404	4,020
<b>VIETNAM HOLDING'S INVESTMENT</b>		EPS growth		-31.6%	67.2%
Date of first investment	21 April 2017	Gross margin		70.6%	71.2%
Ownership	4.41%	EBIT margin		60.8%	63.5%
Percentage of NAV	9.38%	ROE		29.8%	29.0%
Internal rate of return (annualized)	48.00%	D/E		0.9x	0.6x
		Current ratio		1.8x	2.6x

Sources: Annual Reports and Bloomberg

### About the Company

VCI, founded in 2007, has dominated the investment banking (IB) field in Vietnam during the last seven years. The company helped advise and close several of Vietnam's major capital market transactions for leading industry players including Mobile World (2014), Argo Nutrition International (2015), VietJet Aviation (2016), Vietnam Prosperity Bank (2017) and Techcombank (2018).

Due to strong support from its IB division, VCI commands the leading position in institutional brokerage with 24% market share in 2017, and 25% in the first half of 2018. Overall, the company has been ranked one of the top three brokerages in Vietnam. VCI's institutional sales department is well regarded for its extensive global client base, technology platform, execution, research, and corporate access.

VCI is led by a professional Board of Directors with a majority of non-executive directors.

### Recent Developments

VCI's H1 2018 performance was encouraging. Net revenue reached VND 1,027.9bn, up +74.3% YoY, and net profit after tax was VND 530.6bn, up +93.1% YoY. The company's IB division, institutional brokerage team, and principal investment unit contributed significantly to VCI's H1 2018 NPAT growth. Partly due to the successful Techcombank deal in H1 2018, the brokerage segment and investment banking segment, collectively grew by 324.8% YoY.

In August 2018, VCI opened its foreign ownership limit (FOL) to 100%, which helped improve daily liquidity of the company.

### Sustainability Strategy

VCI's long-term strategy is to remain the top-rated investment banker in Vietnam. Therefore, the company will continue to focus on institutional brokerage. VCI's IB team have proven ability in closing private placements and IPO deals. Institutional brokerage and IB divisions typically generate higher margins, setting VCI apart from some local competitors, who concentrate on the more capital intensive and highly competitive local retail brokerage sector.

### ESG Achievements

In a people-business, VCI has focused on providing staff with competitive base salaries, with incentives to encourage higher productivity and quality. Each year VCI makes charitable donations and sponsors local endeavors, which in recent years have included daycare centers for children with disabilities, support for poor farmers, families, and students, and healthcare programs.

VCI's activities abides by SSC guidance per Decision 105/ QD-UBCK, dated 26 February 2013, governing risk management systems in securities companies.

### ESG Challenges

Staff turnover in the research department of VCI is still high compared to peers. Therefore, retaining talent continues to be a significant challenge.



## Directors' Report

The Company is a closed-ended investment company, incorporated on 20 April 2006 in the Cayman Islands. The Company's Ordinary shares ("Shares") were admitted to trade on AIM (formerly the Alternative Investment Market) of the London Stock Exchange in June 2006.

The Company's investment objective is to achieve long-term capital appreciation by investing in a diversified portfolio of companies that have high growth potential at an attractive valuation.

The Company has no employees.

### Results and distributions

The results for the year ended 30 June 2018 are set out in the Statement of Comprehensive Income on page 20.

A review of the Company's activities is contained in the Chairman's Statement on pages 1-2.

Particulars of the authorised and issued share capital are set out in note 5 Share Capital of the Financial Statements.

### Directors

The Directors holding office during the financial year and to date were as follows:

Sean Hurst (Chairman)	(appointed 13 October 2017)
Hiroshi Funaki	(appointed 22 September 2017)
Milton Lawson	(appointed 20 September 2017)
Damien Pierron	(appointed 13 October 2017)
Philip Scales	(appointed 20 September 2017)
Min-Hwa Hu Kupfer	(retired 21 September 2017)
Professor Dr. Rolf Dubs	(retired 21 September 2017)
Nguyen Quoc Khanh	(retired 21 September 2017)

### Auditor

KPMG Audit LLP, being eligible, has expressed its willingness to continue in office.

### Subsequent events

For a summary of significant events occurring subsequent to 30 June 2018, please refer to note 16 Subsequent Events, of the Financial Statements.

By Order of the Board

### Philip Scales

Director

8 October 2018



## Sustainability Report

### Sustainability principles

Vietnam's stable macroeconomic and political environment, impressive increase in foreign direct investment (FDI), and rapid economic growth have been bringing significant social benefits to the country, particularly reflected in improved living standards and higher per capita GDP. However, like many other emerging markets, Vietnam and its business community are facing increasing challenges to strike a good balance between economic growth and sustainability on several dimensions.

Vietnam Holding (VNH), as a long-term value investor in Vietnam, strongly believes that sustainability-minded companies can outperform their peers in the longer run. Such companies focus on areas that support their long-term business development, rather than just focusing on short-term earnings uplifts: balancing and aligning interest between stakeholders, providing a diverse and satisfactory workplace for employees, enhancing productivity and profitability through research and development activities, and investing in environmental sustainability.

Based on these principles, VNH is committed to the application of sound sustainability criteria in its value investing approach. The Company integrates a consideration of ESG standards in its investment processes despite the lack of consistent reporting on ESG matters that is inherent in emerging markets. A custom-made questionnaire for Vietnamese companies formed the basis of the Company's ESG analysis toolkit. VNH chooses to invest in enterprises which meet its requirements in both financial and ESG matters.

VNH avoids knowingly making investments into Companies involved in products and services with known negative effects such as businesses dealing in tobacco, firearms, distilled alcohol and gambling, and companies engaged in pollution, child labor, or other damaging business practices.

### Key sustainability issues

In the past, in Vietnam there has been a general lack of comprehensive information on sustainability issues and specific company ESG criteria: such as the level of CO2 emissions, waste water treatment, employee health and welfare, and remuneration and independence of company boards. Recently, however, Vietnam has made considerable progress in the early stages of sustainable investment. Since 2005 Vietnam has introduced significant milestones in legal framework including the Enterprise and Securities Laws, corporate governance regulations for listed companies, requirements related to the corporate disclosure of information for the stock market, and regulations on corporate governance in the banking sector. On 26 June 2017, a decree on corporate governance for public companies was announced. Earlier last year, on 23 March 2017, the Ho Chi Minh Stock Exchange (HOSE) announced the initiation of a Sustainability Index which promotes ESG standards for its member companies. The Vietnam Sustainability Index is based on OECD Principles of Corporate Governance, the GRI Standards, current regulations on information disclosure and corporate governance, and advice from experts, market insiders and financial organizations. Along with the evolution of the equity market, the increasing presence of institutional investors in Vietnam helps bring ESG practices of Vietnam business community closer to international standards. In April 2017, under the Vietnam Corporate Governance Initiative led by IFC with the supports from SSC, HOSE, and HNX, the Vietnam Institutes of Directors (VIOD) was established to promote corporate governance standards and best practices in Vietnamese corporate sector. The CEO of VNH's Investment Manager, Mr. Vu Quang Thinh, was elected as a board member of the organization, together with other leading corporate governance practitioners in the market.

Significant challenges remain in the area of enforcement, particularly related to environmental issues, where the problems may be complex and might need collaboration at many levels of authority.

**Shareholder voting**

Over the past fiscal year VNH voted at the Annual General Meetings (AGMs) of every portfolio company in which the Company held an equity position at the time of the AGM.

During this reporting period the Investment Manager attended 26 AGMs in which a total of more than 240 individual agenda items were proposed. The investment team considered each issue based on strategic merits and long-term profitability.

As a practice, the Investment Manager discussed with the investee companies' BODs regarding most significant issues, and in most cases, VNH voted for the agenda items proposed by the companies' Boards of Directors. VNH abstained from voting in two cases: (i) where there was a proposal for a short lock-up period of ESOP shares and (ii) a merger plan with controversial corporate governance.

**UN PRI**

Through the long-term relationships of the Investment Manager's senior staff and advisors, and during the past twelve eventful years as an investor in Vietnam, VNH has developed a strong local and international network of partnerships. At its AGM in 2009, shareholders voted to endorse the comprehensive alignment of VNH's investment policy with the United Nations' Principles for Responsible Investment (UN PRI), the world's leading proponent of responsible investment. Consequently, ESG factors are now fully incorporated into our investment analysis and engagement strategy. On top of this, we report annually on our responsible investment activities through the PRI Transparency Report.





## Corporate Governance Report

### Corporate Governance

The Board of the Company has recently adopted the Quoted Companies Alliance (“QCA”) Corporate Governance Code in line with the London Stock Exchange’s recent changes to the AIM Rules requiring all AIM-listed companies to adopt and comply with a recognised corporate governance code. The report, which sets out in broad terms how the Company complies with QCA at this point in time, is available from the Company’s website. The Board will provide annual updates on compliance with the code.

The Directors also comply with AIM Rules and other relevant UK regulations, including the Market Abuse Regulations relating to directors’ dealings, which came into effect on July 3, 2016. Accordingly, the Company has adopted a code for directors’ dealings in securities of the Company based on AIM Rule 21.

The QCA is clear that it is the responsibility of the Chairman to ensure the Company applies the Code for the benefit of its stakeholders. It is constructed around 10 broad principles, accompanied by an explanation of what those principles entail together with a set of disclosure requirements.

The following sets out how the Company seeks to comply with each of the 10 principles.

#### **Principle 1 – Establish a strategy and business model which promote long-term value for shareholders.**

The Company’s investment objective is to achieve long-term capital appreciation by investing in a diversified portfolio of companies that have high growth potential at an attractive valuation. This is principally achieved by investing in the securities of public companies in Vietnam, and in the securities of foreign companies if a majority of their assets and/or operations are based in Vietnam. The Company may also invest in equity securities or securities that have equity features, such as bonds that are convertible into equity.

An independent Investment Manager, Dynam Capital has been appointed to manage the portfolio in accordance with the Investing Policy and internal guidelines set by the Board. The investment team at Dynam Capital, who are based in Ho Chi Minh City, have extensive experience in the Vietnamese market and their principals also sit on the Investment Committee of VietNam Holding Limited.

A key component of the Company’s strategy is a strong Environmental, Social and Governance policy (“ESG”) which is monitored closely by both the board of the Company and Dynam Capital.

Further details are on both the Company and Dynam Capital’s websites:

<http://www.vietnamholding.com>

<http://www.dynamcapital.com>

#### **Principle 2 – Seek to understand and meet shareholder needs and expectations.**

The Company is committed to listening and communicating openly with its shareholders to ensure that its strategy, business model and performance are clearly understood. All Board members have responsibility for shareholder liaison but shareholder contact is mainly dealt with by the Chairman of the Company and Chairman of the Management Committee in close liaison with the Company Advisors.

Copies of the annual and interim reports are sent to all shareholders and copies can be downloaded from the website. Other Company information is also available on the website.

In addition, the Company holds an AGM in each year, which gives investors the opportunity to enter into dialogue with the Board and for the Board to receive feedback and take action as necessary. The Investment Manager also holds an annual conference in Ho Chi Minh which current and prospective investors are invited to attend.



The Board reviews proxy voting reports and any significant negative response is discussed with relevant shareholders and, if necessary, where appropriate or possible, action is taken to resolve any issues. In the interest of transparency and best practice, the level of proxy votes

(for, against and vote withheld) lodged on each resolution is declared at all general meetings and in future will be announced

**Principle 3 – Take into account wider stakeholder and social responsibilities and their implications for long-term success.**

The Company's investment policy is closely aligned with the UN Principles for Responsible Investing (PRI). Investment decisions are made by combining sound financial analysis with an evaluation of material ESG issues. ESG factors are also an integral part of the portfolio management process. This active engagement aims to improve investee companies' ESG performance measured by key performance indicators. The investment decision process gives equal weight to rigorous financial analysis and interactive sustainability research. The Company believes that this approach helps to reduce portfolio volatility and broadens sound risk management with the objective to deliver superior long-term profits to investors.

The Company's stakeholders include shareholders, members of staff of its professional advisers, suppliers, auditors, bankers, regulators, industry bodies and the surrounding communities of where its investments are located.

The Board is regularly updated on wider stakeholder views and issues concerning the Portfolio both formally at Board meetings and informally through conversations. Representatives involved with the portfolios are invited to join Board meetings and provide a report to the Board. Engagement in this manner enables the Board to receive feedback and equips them to make decisions affecting the business.

**Principle 4 – Embed effective risk management, considering both opportunities and threats, throughout the organisation.**

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. Risk management is carried out by the Board who identify and evaluate financial risks in close co-operation with the Investment Manager. Details of risk factors are contained in the notes to the financial statements.

The Board has established a risk register which is tailored to the Company's business. This is a live document which will be maintained on an on-going basis.

**Principle 5 – Maintain the board as a well-functioning, balanced team led by the chair.**

The Board has five members, all of whom are independent non-executive and all of whom were appointed in September/October 2017 following the retirement of the previous board in September 2017.

The board is supported by four committees - audit, investment, management and remuneration committees. All board members are currently members of all committees - the Company is going through a period of considerable change following the changes in September/October 2017 and further changes are planned in 2018.

The Board has also very recently appointed an additional Administrator based in Guernsey to provide corporate governance, secretarial and compliance services to the Company. Until June 2018 these back up services were provided by the former Investment Manager.

Each director is required to allocate sufficient time to meet the requirements of their role including attendance at all Board meetings, the Annual General Meeting and committees of which they are a member.



## Corporate Governance Report

(Continued)

As a minimum the Board aims to hold 4 meetings each year with further ad hoc meetings held as required. Given the level of corporate activity, as at 19 September 2018, 7 board meetings had been held since the 2017 AGM with all directors attending each meeting.

Going forward the Company intends to report annually on the number of Board and Committee meetings held during the year and the attendance record of individual Directors.

**Principle 6 – Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities.**

The Board members have a range of skills covering investment management, legal, banking, compliance and corporate governance as well as prior experience of acting as directors of companies listed on AIM. A profile of each board member is included in at the end of this Annual Report.

The Company's Nomad and lawyers are consulted on any matters where the external expertise is required, and external advisers attend board meetings as invited by the Chairman to report and/or discuss specific matters relevant to the Company.

**Principle 7 – Evaluate board performance based on clear and relevant objectives, seeking continuous improvement.**

A summary of each Directors experience and skill set is outlined on the website. The Directors are also identified and their roles and responsibilities are highlighted in the Report and Accounts.

The Board intends to undertake performance evaluations by the end of 2018 (one year after their appointments). The issue of succession planning will also be considered.

Board appointments are made after consultation with advisers and with major shareholders in some cases. Detailed due diligence is carried out on all new potential board candidates.

The Board will consider using external advisers to review and evaluate the effectiveness of the Board in future to supplement its own internal evaluation processes.

**Principle 8 – Promote a corporate culture that is based on ethical values and behaviours.**

The Board recognises that their decisions regarding strategy and risk impacts the corporate culture of the Company as a whole and therefore will impact performance. The Board is also mindful that the tone and culture it sets will impact many aspects of the Company and the way that stakeholders behave and form views.

The Company's main stakeholders are its shareholders, third party service providers and the employees of its professional advisers and service providers. The Board welcomes the views of all stakeholders, and in particular its shareholders who can contact the Directors by email / telephone.

On their appointments in 2017, the Board along with its advisers instigated a detailed review of all aspects of the Company's operations. As a result of the review, a number of actions have been implemented as detailed in RNS announcements made and reports contained in the 2017 Interim Financial Statements and this Annual Report.

The corporate governance arrangements that the Board have now adopted are designed to ensure that the Company delivers value to its shareholders in line with its investment objective.

The Company has adopted, a share dealing code for directors' dealings in securities of the Company which is in accordance with the requirements of the Market Abuse Regulation.

As described earlier, the Company also maintains an active ESG policy further details of which are available from the website.

<http://www.vietnamholding.com/sustainability/policy>

**Principle 9 – Maintain governance structures and processes that are fit for purpose and support good decision-making by the board.**

The Directors are responsible for reviewing and approving the following:

- Strategy and management
- Policies and procedures
- Financial reporting and controls
- Capital structure
- Contracts
- Shareholder documents / Press announcements
- Adherence to Corporate Governance and best practice procedures

In monitoring these key topics, the Board will be developing its Committee structure as well as the interaction with the new Administrator appointed as detailed in this report.

**Principle 10 – Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.**

The Board maintains four committees: an Audit Committee, an Investment Committee, a Management Committee and a Remuneration Committee. All Committees are made up of all five Directors who work closely on all board and committee matters. The Board also appoints the Investment Manager and is responsible for reviewing the performance of the portfolio and adherence with the investment policy. Additionally, the board must approve all investments which are over 4% of NAV at the time of investment.

The Audit Committee, chaired by Philip Scales, is responsible for appointing the external auditors, subject to shareholder approval, and reviewing the results of all audits. It is also responsible for reviewing internal business controls and audit procedures.

The Investment Committee, chaired by Milton Lawson, is responsible for monitoring the interaction between the Board and the Investment Manager and for reviewing the

current investment policy. As Milton Lawson does not intend to stand for re-election at the 2018 AGM, the board will appoint a new Investment Committee chairman on his retirement

The Management Committee, chaired by Hiroshi Funaki is responsible for reviewing the overall structure of the Company and liaising closely with the Company's advisors to consider any changes to be implemented.

The Remuneration Committee, chaired by Damien Pierron meets annually to review fees paid to non-executive directors. For the financial year ended 30 June 2019, the Board intends to include separate reports from each committee.

Notices of previous shareholder meetings are available from the website and going forward, the Board intends to include the results of votes cast at general meetings in RNS announcements.

<http://www.vietnamholding.com/investor-relations/shareholder-circular>

The Company will continue to communicate with shareholders through:

- the Annual Report and Accounts and Interims;
- the Annual General Meeting;
- the daily announcement of the estimated NAV;
- the monthly investor report;
- ad hoc RNS announcements; and updates on the website.

Corporate Governance issues are currently considered by the Board as a whole.

On behalf of the Board of Directors:

**Sean Hurst**  
Chairman

8 October 2018

## Independent Auditors' Report

To the Shareholders of

**VietNam Holding Limited**

CO Services Cayman Limited

Willow House, Cricket Square

PO Box 1008

George Town, Grand Cayman

Cayman Islands, KY1-1001

### Report on the audit of the financial statements

We have audited the financial statements of VietNam Holding Limited ('the Company'), which comprise the statement of financial position as at 30 June 2018, the statements of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 19-40.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the International Financial Reporting Standards ('IFRSs') as adopted by the European Union so as to give a true and fair view of the financial position of the Company as at 30 June 2018 and of the financial performance, and cash flows of the Company for the year ended on that date.

### 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 'Auditors' 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'), the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ('ACRA Code'), together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements, the IESBA Code and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

We have determined that there are no key audit matters to communicate in our report.

### KPMG LLP

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Hong Leong Building F: +65 6225 0984

Singapore, 048581 W: www.kpmg.com

### Other information

Vietnam Holding Asset Management Limited, the Investment Manager of the Company, and the directors of the Company ("the directors") are responsible for the other information contained in the annual report. The other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the IFRSs, and for devising and maintaining a system of internal accounting

controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, the directors are 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.

The directors' responsibilities include overseeing the Company's financial reporting process.

#### **Auditors' 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 auditors' 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 judgement and maintain professional scepticism 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 controls.
- Obtain an understanding of internal controls 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 auditors' 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 auditors' 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 the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

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

The engagement partner on the audit resulting in this independent auditors' report is Hong Cho Hor Ian.

**KPMG LLP**  
Public Accountants and  
Chartered Accountants



Singapore, 8 October 2018

## Statement of Financial Position

As at 30 June 2018

	Note	2018 USD	2017 USD
<b>Assets</b>			
Cash and cash equivalents		3,122,618	10,323,903
Investments in securities at fair value	3	200,017,349	208,273,147
Accrued dividends		469,406	155,582
Receivables on sale of investments		101,485	-
Other receivables		-	13,318
<b>Total Assets</b>		<b>203,710,858</b>	<b>218,765,950</b>
<b>Equity</b>			
Share capital	5	122,020,264	141,822,097
Retained earnings		79,964,849	68,713,405
<b>Total Equity, representing net assets attributable to shareholders</b>		<b>201,985,113</b>	<b>210,535,502</b>
<b>Liabilities</b>			
Payables on purchase of investments		403,069	4,981,932
Other payables		134	139
Accrued expenses		1,129,493	3,248,377
Payables on Redemption		193,049	-
<b>Total liabilities</b>		<b>1,725,745</b>	<b>8,230,448</b>
<b>Total equity and liabilities</b>		<b>203,710,858</b>	<b>218,765,950</b>

The financial statements on pages 19 to 40 were approved by the Board of Directors on 8 October 2018 and were signed on its behalf by



**Sean Hurst**

Chairman of the Board of Directors



**Philip Scales**

Chairman of the Audit Committee

The accompanying notes form an integral part of these financial statements

## Statement of Comprehensive Income

As at 30 June 2018

	Note	2018 USD	2017 USD
Dividend income from equity securities at fair value through profit or loss		3,716,081	4,561,766
Net gain from investments in securities at fair value through profit or loss	7	13,419,988	30,275,746
Net foreign exchange loss		(105,071)	(119,173)
Interest income from investments in securities		3,815	90,314
<b>Net Investment Income</b>		<b>17,034,813</b>	<b>34,808,653</b>
Investment management fees	8	3,845,714	2,880,552
Incentive fees	8	-	3,132,919
Advisory fees		59,528	107,815
Administrative and accounting fees	10	140,231	111,404
Custodian fees	9	195,123	172,607
Directors' fees and expenses	8	636,387	349,872
Brokerage fees		165,839	58,455
Audit fees		47,675	41,904
Publicity and investor relations fees		132,668	154,520
Insurance costs		15,000	15,000
Administrative expenses		102,333	224,164
Risk management expenses		429,037	216,062
Technical assistance for investee companies		13,834	28,395
<b>Total operating expenses</b>		<b>5,783,369</b>	<b>7,493,669</b>
<b>Change in net assets attributable to shareholders</b>		<b>11,251,444</b>	<b>27,314,984</b>
Basic and diluted earnings per share	14	0.16	0.49

The accompanying notes form an integral part of these financial statements

## Statement of Changes in Equity

As at 30 June 2018

	Share Capital USD	Reserve for own shares USD	Retained earnings USD	Total USD
<b>Balance at 1 July 2016</b>	125,521,247	(20,043,799)	41,398,421	146,875,869
<b>Total comprehensive income for the year</b>				
Change in net assets attributable to shareholders	-	-	27,314,984	27,314,984
<b>Total comprehensive income</b>	-	-	<b>27,314,984</b>	<b>27,314,984</b>
<b>Contributions and distributions</b>				
Issuance of ordinary shares	41,030,628	-	-	41,030,628
Repurchase of own shares (note 5)	-	(4,685,979)	-	(4,685,979)
<b>Total contributions and distributions</b>	<b>41,030,628</b>	<b>(4,685,979)</b>	-	<b>36,344,649</b>
<b>Balance at 30 June 2017</b>	<b>166,551,875</b>	<b>(24,729,778)</b>	<b>68,713,405</b>	<b>210,535,502</b>
<b>Balance at 1 July 2017</b>	<b>166,551,875</b>	<b>(24,729,778)</b>	<b>68,713,405</b>	<b>210,535,502</b>
<b>Total comprehensive income for the year</b>				
Change in net assets attributable to shareholders	-	-	11,251,444	11,251,444
<b>Total comprehensive income</b>	-	-	<b>11,251,444</b>	<b>11,251,444</b>
<b>Contributions and distributions</b>				
Issuance of ordinary shares	93,166	-	-	93,166
Repurchase of own shares (note 5)	-	(19,894,999)	-	(19,894,999)
<b>Total contributions and distributions</b>	<b>93,166</b>	<b>(19,894,999)</b>	-	<b>(19,801,833)</b>
<b>Balance at 30 June 2018</b>	<b>166,645,041</b>	<b>(44,624,777)</b>	<b>79,964,849</b>	<b>201,985,113</b>

The accompanying notes form an integral part of these financial statements



## Statement of Cash Flows

As at 30 June 2018

	Note	2018 USD	2017 USD
<b>Cash flows from operating activities</b>			
Change in net assets attributable to shareholders		11,251,444	27,314,984
<b>Adjustments to reconcile change in net assets attributable to shareholders to net cash from operating activities:</b>			
Dividend income		(3,716,081)	(4,561,766)
Interest income		(3,815)	(90,314)
Net gain from investments in securities at fair value through profit or loss		(13,419,988)	(30,275,746)
Purchase of investments		(130,485,216)	(87,232,623)
Proceeds from sale of investments		147,582,138	56,483,302
Net foreign exchange loss		105,071	119,173
(Increase)/decrease in receivables on sale of investments		(99,317)	3,055,910
(Decrease)/increase in accrued expenses		(2,118,884)	26,546
(Decrease)/increase in other payables		(5)	2
Increase in payable on redemption		193,049	-
Dividends received		3,402,257	5,238,629
Interest received		14,967	101,846
<b>Net cash from/(used in) operating activities</b>		<b>12,705,620</b>	<b>(29,820,057)</b>
<b>Cash flows from financing activities</b>			
Issuance of ordinary shares *		-	39,667,862
Repurchase of own shares	5	(19,894,999)	(4,685,979)
Warrants issuance cost		93,166	-
<b>Net cash (used in)/from financing activities</b>		<b>(19,801,833)</b>	<b>34,981,883</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the year		10,323,903	5,281,215
Effect of exchange rate fluctuations on cash held		(105,072)	(119,138)
<b>Cash and cash equivalents at end of the year</b>		<b>3,122,618</b>	<b>10,323,903</b>

\* On 25 September 2017, the Company announced that in partial payment of the incentive fee amounting to US\$ 208,861 which was due to the Company's Investment Manager, VietNam Holding Asset Management Limited ("VNHAM"), for the year ended 30 June 2017, 88,899 ordinary shares of US\$1.00 each in the Company ("Ordinary Shares") then held as treasury shares were transferred to VNHAM (the "Transfer"). The Transfer took place in late September 2017.

The accompanying notes form an integral part of these financial statements

## Notes to the Financial Statements

As at 30 June 2018

### 1 THE COMPANY

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

The investment objective of the Company is to achieve long-term capital appreciation by investing in a diversified portfolio of companies that have high growth potential at an attractive valuation.

During the Extraordinary General Meeting in April 2015 the shareholders voted in favour of the continuance resolution, authorising the Company to operate in its current form through to the 2018 Annual General Meeting when a similar resolution will be put forward for shareholders’ approval.

VietNam Holding Asset Management Limited (“VNHAM”) has been appointed as the Company’s Investment Manager and is responsible for the day-to-day management of the Company’s investment portfolio in accordance with the Company’s investment policies, objectives and restrictions.

Standard Chartered Bank, Singapore Branch and Standard Chartered Bank (Vietnam) Limited are the custodian and the sub-custodian respectively. Standard Chartered Bank, Singapore Branch is also the administrator.

The registered office of the Company is CO Services Cayman Limited, Willow House, Cricket Square, PO Box 1008 George Town, Grand Cayman, Cayman Islands, KY1-1001.

### 2 PRINCIPAL ACCOUNTING POLICIES

#### (a) Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union.

#### (b) Basis of preparation

The financial statements are presented in United States dollars (“USD”), which is the Company’s functional currency. They are prepared on a fair value basis for financial assets and financial liabilities at fair value through profit or loss. Other assets and liabilities are stated at amortised cost.

The Company’s shares were issued in USD and the listing of the shares on the AIM market of the London Stock Exchange is in USD. The performance of the Company is measured and reported to the investors in USD, although the primary activity of the Company is to invest in the Vietnamese market. The Board considers the USD as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

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

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

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. The Company is engaged in a single segment of business, being investment in Vietnam. The Board, as a whole, has been determined as constituting the chief operating decision maker of the Company. The key measure of performance used by the Board to assess the Company's performance and to allocate resources is the total return on the Company's net asset value ("NAV") calculated as per the prospectus.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### **(c) Foreign currency translation**

Transactions in foreign currencies other than the functional currency are translated at the rate ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated to USD at the rates ruling on the year-end date. Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are included in the statement of comprehensive income. Foreign currency exchange differences relating to financial instruments at fair value through profit or loss are included in the realised and unrealised gains and losses on those investments. All other foreign currency exchange differences relating to other monetary items, including cash and cash equivalents, are included in net foreign exchange gains and losses in the statement of comprehensive income.

#### **(d) Financial instruments**

##### **(i) Classification**

The Company classifies all its investments as financial assets at fair value through profit or loss category. Financial instruments are classified at fair value through profit or loss upon initial recognition. These include financial assets that are not held for trading purposes and which may be sold. These are investments in exchange-traded securities and unlisted securities.

Financial assets that are classified as loans and receivables include accrued dividends, cash and cash equivalents, and receivables on sale of investments. Cash and cash equivalents are measured at amortised cost. Financial liabilities that are not at fair value through profit or loss include accrued expenses.

## Notes to the Financial Statements (Continued)

As at 30 June 2018

### 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (d) Financial instruments (Continued)

##### (ii) Recognition

Financial assets and liabilities at fair value through profit or loss are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. Other financial assets and liabilities are recognised on the date they are originated.

Financial assets and financial liabilities at fair value through profit or loss are recognised initially at fair value, with transaction costs recognised in profit or loss. Financial assets or financial liabilities not at fair value through profit or loss are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition or issue.

##### (iii) Derecognition

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

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

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

##### (iv) Measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Company measures instruments quoted in an active market at last traded price.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Company recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

In the previous year, the Company used quotes obtained from brokers to determine the fair value of an unlisted equity security with a carrying value of USD3,864,056 which was 1.84% of the net assets of the Company, while the Company used valuation techniques to value a convertible bond with a carrying value of USD1,179,177 which was 0.56% of the net assets of the Company.

Any increases or decreases in values are recognised in the statement of comprehensive income as an unrealised gain or loss.

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

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

**(vi) Impairment**

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

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

**(vii) Cash and cash equivalents**

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

**(e) Offsetting**

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

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

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

**(g) Share capital**

**Ordinary shares**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

**Repurchase, disposal and reissue of share capital (treasury shares)**

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own share account. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in non-distributable capital reserve.

## Notes to the Financial Statements (Continued)

As at 30 June 2018

### 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (h) Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

At present, no income, profit, capital, or capital gain taxes are levied in the Cayman Islands, and accordingly, no provision for such taxes has been recorded by the Company in the accompanying financial statements. In the event that such taxes are levied, the Company has received an undertaking from the Governor in Cabinet of the Cayman Islands exempting it from all such taxes for a period of twenty years from 2 May 2006.

The Company is liable to Vietnamese tax of 0.1% (2017: 0.1%) on the sales proceeds of the onshore sale of equity investments.

**(i) Interest income and expense**

Interest income and expense is recognised in the statement of comprehensive income using the effective rate method.

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

**(j) Dividend income**

Dividend income is recognised in profit or loss on the date on which the right to receive payment is established. For listed equity securities, this is usually the ex-dividend date. For unlisted equity securities, this is usually the date on which the shareholders approve the payment of a dividend. Dividend income from equity securities designated as at fair value through profit or loss is recognised in profit or loss as a separate line item.

**(k) Fee and commission expense**

Fees and commission expenses are recognised in profit or loss as the related services are performed.

**(l) Earnings per share**

The Company presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all potentially dilutive ordinary shares, which comprise warrants granted to shareholders.

**3 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS**

Financial assets of the Company include investments in securities at fair value, cash and cash equivalents and accrued dividends. Financial liabilities comprise payables on purchase of investments and accrued expenses. Accounting policies for financial assets and liabilities are set out in note 2.

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

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

## Notes to the Financial Statements (Continued)

As at 30 June 2018

### 3 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

#### Market risk

Market risk is the risk that the value of a financial asset will fluctuate as a result of changes in market prices, whether or not those changes are caused by factors specific to the individual asset or factors affecting all assets in the market. The Company is exposed to market risk within its securities purchased in the Vietnamese market.

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

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

	2018 Fair Value in USD	2018 % of Total Assets	2017 Fair Value in USD	2017 % of Total Assets
Investments in listed securities	200,017,349	98.19	203,229,914	92.89
Investments in an unlisted equity security	-	-	3,864,056	1.77
Investments in a convertible bond	-	-	1,179,177	0.54
	<b>200,017,349</b>	<b>98.19</b>	<b>208,273,147</b>	<b>95.20</b>

At 30 June 2018, a 5% reduction in the market value of the portfolio would have led to a reduction in NAV and profit or loss of USD10,000,867 (2017: USD10,413,657). A 5% increase in market value would have led to an equal and opposite effect on NAV and profit or loss.

#### Currency risk

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

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

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



As at 30 June 2018, the Company had the following foreign currency exposures:

	2018 Fair Value in USD	2017 Fair Value in USD
Vietnamese Dong	201,848,361	208,636,021
Pound Sterling	12,747	727
Swiss Franc	5,728	(19)
Euro	35,844	2,353
	<b>201,902,680</b>	<b>208,639,082</b>

At 30 June 2018, a 5% reduction in the value of the Vietnamese Dong, Pound Sterling, Swiss Franc, Euro versus the US Dollar would have led to a reduction in NAV and profit or loss of USD 10,092,418 (2017: USD10,431,801), USD637 (2017: USD36), USD 286 (2017: USD(1)) and USD1,792 (2017: USD118) respectively. A 5% increase in value would have led to an equal and opposite effect.

#### Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The majority of the Company's financial assets are non-interest-bearing. Interest-bearing financial assets and interest-bearing financial liabilities mature or reprice in the short-term, no longer than twelve months. As a result, the Company is subject to limited exposure to interest rate risk due to fluctuations in the prevailing levels of market interest rates.

#### Credit risk

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

At 30 June 2018, the following financial assets were exposed to credit risk (including settlement risk): cash and cash equivalents, receivables on sale of investments and other receivables. The total amount of financial assets exposed to credit risk amounted to USD3,693,509 (2017: USD11,671,980).

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

## Notes to the Financial Statements (Continued)

As at 30 June 2018

### 3 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

#### Liquidity risk

The Company, a closed-end investment company, invests in companies through listings on the Vietnam stock exchanges. There is no guarantee however that the Vietnam stock exchanges will provide liquidity for the Company's investments. The Company also invests in equity securities which are not listed on stock exchanges. The Company may have to resell such investments in privately negotiated transactions.

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

Payables on purchase of investments, other payables, accrued expenses and payables on redemption of the Company are generally payable within one year.

### 4 OPERATING SEGMENTS

Information on gains and losses derived from investments are disclosed in the statement of comprehensive income.

The Company is domiciled in the Cayman Islands. Entity wide disclosures are provided as the Company is engaged in a single segment of business, investing in Vietnam. In presenting information on the basis of geographical segments, segment investments and the corresponding segment net investment income arising thereon are determined based on the country of domicile of the respective investment entities.

All of the Company's investments in securities at fair value are in Vietnam as at 30 June 2018 and 30 June 2017. All of the Company's investment income can be attributed to Vietnam for the years ended 30 June 2018 and 30 June 2017.

### 5 SHARE CAPITAL

#### Ordinary shares of USD1 each

The ordinary shares have been created pursuant to the Companies Law in the Cayman Islands. The Company was incorporated with an authorised share capital of USD100,000,000 divided into 100,000,000 ordinary shares of USD1 each. On 23 September 2010, during its Annual General Meeting, the shareholders approved that the Company's authorised share capital be increased by USD100,000,000, divided into 200,000,000 shares of a nominal or par value of USD1.00 each. According to the Companies Law and articles of association, the Company may from time to time redeem all or any portion of the shares held by the shareholders upon giving notice of not less than 30 calendar days to the shareholders.

On 6 June 2006, the Board resolved that 56,250,000 ordinary shares would be allotted at a placing price of USD2 per ordinary share.

	2018 No. of shares	2017 No. of shares
Total shares issued and fully paid (after repurchases and cancellations) at beginning of the year	82,729,439	65,342,620
Shares issued upon exercise of warrants during the year	-	19,941,819
Shares cancellation	(16,740,766)	(2,555,000)
	<b>65,988,673</b>	<b>82,729,439</b>
Repurchased and reserved for own shares At beginning of the year	(9,427,772)	(10,487,673)
During the year	(7,401,893)	(2,126,783)
Shares reissued to ordinary shares	88,899	631,684
Shares cancellation	16,740,766	2,555,000
	-	<b>(9,427,772)</b>
<b>Total outstanding ordinary shares with voting rights</b>	<b>65,988,673</b>	<b>73,301,667</b>

On 23 September 2010, during its annual general meeting, the shareholder approved a Share Repurchase Programme. The approvals were renewed at the Company's annual general meetings in 2011, 2012, 2013, 2014, 2015, 2016 and 2017.

As a result, as at 30 June 2018 the Company has 65,988,673 (2017: 73,301,667) ordinary shares with voting rights in issue (excluding the reserve for own shares), and nil (2017: 9,427,772) are held as reserve for own shares.

The Company does not have any externally imposed capital requirements.

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

## Notes to the Financial Statements (Continued)

As at 30 June 2018

### 5 SHARE CAPITAL (Continued)

#### Warrants

On 19 May 2015, the Company issued a Prospectus for a bonus issue of warrants to shareholders pro rata, on the basis of one warrant for every three ordinary shares held. The exercise dates of these warrants were 1 June 2016, 1 December 2016 and 1 June 2017 with the exercise price of USD1.998. A total of 19,977,746 warrants were issued and admitted to trading on the AIM Market. As at 30 June 2018, nil (2017: nil) warrants are outstanding. During the year, there was an exercise of nil (2017: 19,941,819) warrants to subscribe for nil (2017: 19,941,819) ordinary shares at a price of USD1.998 per ordinary share.

The proceeds that arise on the warrant exercise for the year were USDnil (2017: USD39,843,754). The net proceeds arising on the exercise of the warrants will be invested in accordance with the Company's investment policy.

### 6 NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

Total equity of USD201,985,113 (2017: USD210,535,502) represents net assets attributable to shareholders. There is no difference between net assets attributed to shareholders calculated as per the prospectus and in accordance with the Company's policy (2017: none).

### 7 NET GAIN FROM INVESTMENTS IN SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 USD	2017 USD
Net gain from investments in securities at fair value through profit or loss:		
Realised gain	49,457,762	14,944,033
Adjustment to fair value of investments in securities at fair value through profit or loss	(36,037,774)	15,331,713
	<b>13,419,988</b>	<b>30,275,746</b>

### 8 RELATED PARTY TRANSACTIONS

#### Investment management fees

The Company's Shareholders approved an amendment to the Investment Manager Agreement as detailed in the Company's circular dated 16 August 2013. Pursuant to the amended agreement the Investment Manager is entitled to receive a monthly management fee, paid in the manner set out as below:

- On the amount of the Net Asset Value of the Company up to and including USD100 million, one-twelfth of two per cent.;

- On the amount of the Net Asset Value of the Company above USD100 million up to and including USD150 million, one-twelfth of 1.75 per cent.; and
- On the amount of the Net Asset Value of the Company that exceeds USD150 million, one-twelfth of 1.50 per cent.

The management fee accruing to the Investment Manager for the year to 30 June 2018 was USD3,845,714 (2017: USD2,880,552).

#### Incentive fees

The Company will pay the Investment Manager an incentive fee equal to 15 per cent of the Excess Performance amount each year, subject to certain criteria being met. The fee is calculated and payable as set out in the Investment Management Agreement Side Letter dated 11 September 2013. Excess performance amount is calculated as follows:

Excess Performance amount = (A – B) x C

Where:

**A** is the closing NAV per share as at the end of the reporting period.

**B** is equal to the higher of:

(i) the Initial High Water Mark increased by five per cent per annum on a compound basis; and

(ii) the highest previous value for A in respect of a reporting period in which an incentive fee was paid, increased by five per cent per annum on a compound basis.

**C** is equal to the time weighted average number of shares in issue as at the end of the reporting period.

	2018 USD	2017 USD
Performance fee	-	3,132,919

The Company has a payable amounting to USD 1,044,306 to the Investment Manager. The Company entered a deed of termination and settlement with the Investment Manager on 26 June 2018 to early terminate the investment management agreement. The payable is a compensation payment in respect of the early termination.

#### Directors' fees and expenses

The Board determines the fees payable to each Director, subject to a maximum aggregate amount of USD350,000 (2017: USD350,000) per annum being paid to the Board as a whole. The Company also pays reasonable expenses incurred by the Directors in the conduct of the Company's business including travel and other expenses. The Company pays for directors and officers liability insurance coverage. The charges for the year for the Directors fees were USD514,832 (2017: USD257,000) and expenses were USD121,555 (2017: USD92,872). Included in the fees paid for the year of USD514,832 was an amount of USD175,000 which related to performance fees paid to the former Chairman. The net amount of fees therefore, exclusive of performance fees, payable to both the previous and current board members was USD339,832. As announced on 6 September 2018, USD125,000 was refunded to the Company by the former board.

## Notes to the Financial Statements (Continued)

As at 30 June 2018

### 8 RELATED PARTY TRANSACTIONS (Continued)

#### Directors' ownership of shares and warrants

As at 30 June 2018, none of the Directors directly held ordinary shares of the Company (2017: 131,371 shares, those share belongs to the previous board members). Mr. Funaki is a Director of Discover Investment Company which holds 3,600,000 ordinary shares in VNH representing 5.5% of the issued share capital.

### 9 CUSTODIAN FEES

Custodian fees are charged at a minimum of USD12,000 (2017: USD12,000) per annum and received as a fee at 0.08% on the assets under administration ("AUA") per annum. Custodian fees comprise safekeeping fees, transaction fees, money transfer fees and other fees. Safekeeping of unlisted securities up to 20 securities is charged at USD12,000 (2017: USD12,000) per annum. Transaction fees, money transfers fees and other fees are charged on a transaction basis.

The charges for the year for the Custodian fees were USD195,123 (2017: USD172,607).

### 10 ADMINISTRATIVE AND ACCOUNTING FEES

The administrator receives a fee of 0.07% per annum for AUA less than USD100,000,000; or 0.06% per annum for AUA greater than USD100,000,000 calculated on the basis of the net assets of the Company, subject to an annual minimum amount of USD5,500 per month.

The charges for the year for the Administration and Accounting fees were USD140,231 (2017: USD111,404).

### 11 CONTROLLING PARTY

The Directors are not aware of any ultimate controlling party as at 30 June 2018 or 30 June 2017.

### 12 FAIR VALUE INFORMATION

For certain of the Company's financial instruments not carried at fair value, such as cash and cash equivalents, accrued dividends, other receivables, receivables/payable upon sales/purchase of investments and accrued expenses, the amounts approximate fair value due to the immediate or short term nature of these financial instruments.

Other financial instruments are measured at fair value on the statement of comprehensive income.

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

- **Level 1:** Inputs that are quoted market prices (unadjusted) in active markets for identical instruments. This level includes listed equity securities on exchanges (for example, Ho Chi Minh Stock Exchange).
- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This level includes instruments valued using: quoted prices for identical or similar instruments in markets that are considered less than active; quoted market prices in active markets for similar instruments; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- **Level 3:** Inputs that are not based on observable market data (i.e. unobservable inputs). This level includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position. All fair value measurements below are recurring.

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
<b>2018</b>				
<b>Financial assets classified at fair value upon initial recognition</b>				
Investments in securities	188,095,761	11,921,588	-	200,017,349
<b>2017</b>				
<b>Financial assets classified at fair value upon initial recognition</b>				
Investments in securities	182,827,649	24,266,321	1,179,177	208,273,147

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Assessing whether an input is significant requires judgement including consideration of factors specific to the asset or liability. Moreover, if a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that fair value measurement is a Level 3 measurement.

## Notes to the Financial Statements (Continued)

As at 30 June 2018

### 12 FAIR VALUE INFORMATION (Continued)

Valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used:

Investment type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs & fair value
Convertible bond	Discounted cash flows (in valuing the straight bond); and Black-Scholes model (in valuing the conversion feature)	Risk-adjusted discount rate (2018: N/A; 2017: 8.50%); Dividend yield (2018: N/A; 2017: 4.32%)	The estimated fair value will increase (decrease) if: <ul style="list-style-type: none"> <li>the risk-adjusted discount rate was lower (higher);</li> <li>the dividend yield was lower (higher)</li> </ul>

Although the Company believes that its estimates of fair value are appropriate, the use of different assumptions could lead to different measurements of fair value. The directors consider that any reasonably possible changes to the unobservable input will not result in a significant financial impact.

### LEVEL 3 RECONCILIATION

Financial assets at fair value through profit or loss	2018 USD	2017 USD
<b>Balance at 1 July</b>	1,179,177	1,911,733
Purchases	-	-
Sales	(895,613)	(894,897)
Total gains and losses recognised in profit or loss *	(283,564)	162,341
<b>Balance at 30 June</b>	<b>-</b>	<b>1,179,177</b>

\* Total gains or losses recognised in profit or loss for assets and liabilities held at the end of the reporting period, as included in the statement of comprehensive income.



### 13 CLASSIFICATIONS OF FINANCIAL ASSETS AND LIABILITIES

The table below provides a breakdown of the line items in the Company's statement of financial position to the categories of financial instruments.

	Note	Fair Value through profit or loss	Loans & receivables USD	Other liabilities USD	Total carrying amount USD
<b>2018</b>					
Cash and cash equivalents		-	3,122,618	-	3,122,618
Investments in securities at fair value	3	200,017,349	-	-	200,017,349
Accrued dividends		-	469,406	-	469,406
Receivables on sale of investments		-	101,485	-	101,485
Other receivables		-	-	-	-
		200,017,349	3,696,509	-	203,710,858
Payables on purchase of investments		-	-	403,069	403,069
Other payables		-	-	193,183	193,183
Accrued expenses		-	-	1,129,493	1,129,493
		-	-	1,725,745	1,725,745
<b>2017</b>					
Cash and cash equivalents		-	10,323,903	-	10,323,903
Investments in securities at fair value	3	208,273,147	-	-	208,273,147
Accrued dividends		-	155,582	-	155,582
Receivables on sale of investments		-	-	-	-
Other receivables		-	13,318	-	13,318
		208,273,147	10,492,803	-	218,765,950
Payables on purchase of investments		-	-	4,981,932	4,981,932
Other payables		-	-	139	139
Accrued expenses		-	-	3,248,377	3,248,377
		-	-	8,230,448	8,230,448

## Notes to the Financial Statements (Continued)

As at 30 June 2018

### 14 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share at 30 June 2018 was based on change in net assets attributable to ordinary shareholders of USD11,251,444 (2017: USD27,314,984) and the weighted average number of shares outstanding of 70,298,637 (2017: 55,760,831). The warrants of the Company had been fully exercised as of the last year end.

### 15 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2017 and earlier application is permitted; however, the Company has not early applied these new or amended standards in preparing these financial statements. The one new standard potentially relevant to the Company is IFRS 9 Financial Instruments ("IFRS9"), which is discussed below.

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for the Company's annual reporting periods beginning on or after 1 July 2018, with early adoption permitted.

#### **Classification of financial assets and financial liabilities**

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option are recognised in profit or loss, under IFRS 9 fair value changes are generally presented as follows:

- The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- The remaining amount of change in the fair value is presented in profit or loss.
- Based on the Company's initial assessment, this standard is not expected to have a material impact on the classification of financial assets and financial liabilities of the Company. This is because:
  - The financial instruments classified as held-for-trading under IAS 39 will continue to be classified as such under IFRS 9;
  - Other financial instruments currently measured at FVTPL under IAS 39 are designated into this category because they are managed on a fair value basis in accordance with a documented investment strategy. Accordingly, these financial instruments will be mandatorily measured at FVTPL under IFRS 9; and
  - Financial instruments currently measured at amortised cost are: cash and cash equivalents, accrued dividends, and other receivables. These instruments meet the solely principal and interest criterion and are held in a held-to-collect business model. Accordingly, they will continue to be measured at amortised cost under IFRS 9.

#### **Impairment of financial assets**

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments. Under IFRS 9, credit losses are recognised earlier than under IAS 39. Based on the Company's initial assessment, changes to the impairment model are not expected to have a material impact on the financial assets of the Company. This is because:

- The majority of the financial assets are measured at FVTPL and the impairment requirements do not apply to such instruments; and
- The financial assets at amortised cost are short-term (i.e. no longer than 12 months), of high credit quality and/or highly collateralised. Accordingly, the expected credit losses on such assets are expected to be small.

## **16 SUBSEQUENT EVENT**

The investment manager for the Company has changed to Dynam Capital Management Limited effective on 16 July 2018.



## Key Parties

### Directors

Mr. Hiroshi Funaki  
 Mr. Sean Hurst  
 Mr. Milton Lawson  
 Mr. Damien Pierron  
 Mr. Philip Scales

### Investment Manager

#### **VietNam Holding Asset Management Ltd**

(Until 15 July 2018)  
 Collas Crill Corporate Services Limited  
 Floor 2, Willow House  
 Cricket Square  
 PO Box 709  
 George Town, Grand Cayman  
 Cayman Islands, KY1-1107

#### **Dynam Capital Management Ltd**

(From 16 July 2018)  
 PO Box 10008, Willow House  
 Cricket Square  
 Grand Cayman KY1-1001  
 Cayman Islands

#### **Registered Office, Company Secretary and Cayman Islands Legal Advisor**

c/o CO Services Cayman Limited  
 Willow House, Cricket Square  
 PO Box 10008  
 George Town, Grand Cayman  
 Cayman Islands, KY1-1001

### Nominated Adviser (AIM)

finnCap Ltd.  
 60 New Broad Street  
 London EC2M 1JJ  
 United Kingdom

### Corporate Broker (AIM)

finnCap Ltd.  
 60 New Broad Street  
 London EC2M 1JJ  
 United Kingdom

### Administrator, Custodian and Trustee

Standard Chartered Bank  
 7 Changi Business Park Crescent  
 Level 3, Securities Services  
 Singapore 486028

### Registrar

Computershare Investor Services (Cayman) Ltd  
 One Capital Place  
 PO Box 897  
 George Town KY1-1103  
 Grand Cayman  
 Cayman Island

### UK Legal Adviser

Stephenson Hardwood LLP  
 1 Finsbury Circus,  
 London EC2M 7SH  
 United Kingdom

### Independent Auditor

KPMG LLP  
 16 Raffles Quay #22-00  
 Hong Leong Building  
 Singapore 048581



## Directors' Profiles

**Sean Hurst (Chairman, Chairman of Buyback Committee)** was co-founder, Director and CIO of Albion Asset Management, a French regulated asset management company, from 2005-2009. He is an experienced multi-jurisdictional Director including roles at London/AIM-listed funds and numerous offshore and UCITS funds. In addition to advising companies on launching both offshore and onshore investment funds he is currently Non-Executive Chairman of JPEL Private Equity Ltd and Non-Executive Director at CIAM Opportunities Fund and Satellite Event-Driven UCITS Fund. Mr Hurst was formerly a Non-Executive Director of AIM-listed ARC Capital Holdings Ltd. He holds an MBA in Finance from CASS Business School in London and is a resident of France.

**Philip Scales (Chairman of Audit Committee)** has over 40 years' experience working in offshore corporate, trust, and third party administration. For 18 years, he was Managing Director of Barings Isle of Man (subsequently to become Northern Trust) where he specialised in establishing offshore fund structures, latterly in the closed-ended arena (both listed and unlisted entities). Mr. Scales subsequently co-founded IOMA Fund and Investment Management Limited (now named FIM Capital Limited) where he is a Deputy Chairman. He is a Fellow of the Institute of Chartered Secretaries and Administrators and holds a number of directorships of listed companies and collective investment schemes. He is an Isle of Man resident.

**Hiroshi Funaki (Chairman of the Management Committee)** has been actively involved in raising, researching and trading Vietnam funds for 23 years. He worked at Edmond de Rothschild Securities from 2000 to 2015 where he led the Investment Companies team, focusing on Emerging Markets and Alternative Assets. Prior to that he was Head of Research at Robert Fleming Securities, also specialising in closed-end funds. He currently acts as a consultant to a number of emerging market investors. He has a BA in Mathematics and Philosophy from Oxford University and is a UK resident.

**Milton Lawson (Chairman of the Investment Committee)** was resident in Vietnam from 1993 to 2017 prior to his retirement from his position as Managing Lawyer of Freshfields Bruckhaus Deringer LLP's Ho Chi Minh City office in June 2017. Mr. Lawson joined Freshfields Bruckhaus Deringer LLP in 1997, having previously headed Sinclair Roche and Temperley's Vietnam practice since 1993. During Mr. Lawson's full-time practice in Vietnam for the last 20 years, he has worked on many of the leading transactions involving investment in Vietnam. Mr. Lawson holds both Bachelor of Arts and Master's degrees in Philosophy from the University of Lancaster and is a UK resident.

**Damien Pierron (Chairman of Remuneration Committee)** is currently Managing Director at Société Generale in Dubai, where he is heading the coverage for Family Offices and Wealthy Families in Middle East and Russia. He has fifteen years' experience in M&A, private equity, equity derivatives, wealth management and investment banking gained at, among others, Lafarge Holcim, OC&C Strategy Consultants and Natixis. Mr. Pierron is a CFA charterholder and holds a Degree in Mathematics, Physics and Economy from Ecole Polytechnique in Paris and a Masters Degree in Quantitative Innovation from Ecole Nationale Supérieure des Mines de Paris. He is a Dubai resident.

