Regulatory Story

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VietNam Holding Limited - VNH Audited Annual Accounts
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VietNam Holding Limited ("VNH" or the "Company")

Audited Annual Accounts

VietNam Holding Limited ("VNH" or the "Company") (AIM: VNH) is pleased to announce its audited accounts for the year ended 30 June 2017.

This announcement contains inside information, which is disclosed in accordance with the Market Abuse Regulation.

More information on the Company is available at	www.vietnamholding.com
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Stuart Andrews/William Marle/Giles Rolls,	
Nominated Adviser and Broker	

The information contained within the announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ("MAR"). Upon the publication of this announcement via Regulatory Information Service ("RIS"), this inside information is now considered to be in the public domain

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 Fun 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 Capita 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

Statement of Financial Position

As at 30 June 2018

	Note	2018	2017
		USD	USD
Assets			
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
Total assets		**203,710,858**	**218,765,950**
Equity			
Share capital	5	122,020,264	141,822,097
Retained earnings		79,964,849	68,713,405
Total equity, representing net assets attributable to shareholders		**201,985,113**	**210,535,502**
Liabilities			
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	-
Total liabilities		**1,725,745**	**8,230,448**
Total equity and liabilities		**203,710,858**	**218,765,950**

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

Statement of Comprehensive Income

As at 30 June 2018

	Note	2018	2017
		USD	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
Net investment income		**17,034,813**	**34,808,653**
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
Total operating expenses		**5,783,369**	**7,493,669**
Change in net assets attributable to shareholders		**11,251,444**	**27,314,984**
Basic and diluted earnings per share	14	0.16	0.49

Statement of Changes in Equity

As at 30 June 2018

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

Statement of Cash Flows

As at 30 June 2018

	Note	2018 USD	2017 USD
Cash flows from operating activities			
Change in net assets attributable to shareholders		11,251,444	27,314,984
Adjustments to reconcile change in net assets attributable to shareholders to net cash from operating activities:			

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
Net cash from/(used in) operating activities		12,705,620	(29,820,057)
Cash flows from financing activities			
Issuance of ordinary shares *		-	39,667,862
Repurchase of own shares	5	(19,894,999)	(4,685,979)
Warrants issuance cost		93,166	-
Net cash (used in)/from financing activities		(19,801,833)	34,981,883
Net (decrease)/increase in cash and cash equivalents		(7,096,213)	5,161,826
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)
Cash and cash equivalents at end of the year		3,122,618	10,323,903

* 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.

Notes to 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.

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.

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.

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		2017	
	Fair value in USD	% of total assets	Fair value in USD	% 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
	200,017,349	98.19	208,273,147	95.20

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:

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

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.

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)
	65,988,673	82,729,439
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
	-	(9,427,772)
Total outstanding ordinary shares with voting rights	**65,988,673**	**73,301,667**

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.

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
	13,419,988	30,275,746

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 an 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.

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
2018				
Financial assets classified at fair value upon initial recognition				
Investments in securities	188,095,761	11,921,588	-	200,017,349
2017				
Financial assets classified at fair value upon initial recognition				
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.

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 and fair value measurement
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: • the risk-adjusted discount rate was lower (higher); • the dividend yield was lower (higher)

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.

	Financial assets at fair value through profit or loss	
	2018 USD	2017 USD
Balance at 1 July	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
Balance at 30 June	-	1,179,177

* 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 USD	Loans and receivables USD	Other liabilities USD	Total carrying amount USD
2018					
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

2017

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

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.

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