As in previous years, this annual report features a **sustainability report** in which we discuss VietNam Holding’s environmental, social and governance (ESG) efforts. The **Portfolio Companies** section is focused on ESG issues as well.

A special article is dedicated to the **impact of climate change on Vietnam** in which we advocate policy directions for the country’s future.
Conscious of the global initiatives to reduce CO2 emissions, VietNam Holding decided to measure its portfolio carbon footprint this year. South Pole Group, a leading sustainability solutions provider, analyzed the impact of the underlying holdings on the fund’s overall carbon footprint in comparison to the benchmark. The outcome of this very first assessment is part of the sustainability report (page 15).
Chairperson’s Statement

At this ten-year anniversary, we can proudly reflect on an exciting history.

Dear Shareholders,

Our financial year ended 30 June 2016, marking our tenth anniversary, has been an excellent one for VietNam Holding. Our NAV per share rose 28% to USD 2.68 and our share price increased 18% to USD 2.13. In the same period, the USD-adjusted Vietnam All Share Index (VNAS) rose just 7.7%, marking yet another year of benchmark outperformance for your fund. Moreover, as we show in the table below, we were again the best performing Vietnam equity fund among all closed- and open-ended Vietnam equity funds with assets under management in excess of USD 50m. The result is that at 30 June 2016, VNH ranks number one in Vietnam for all full-year, cumulative performance periods for the last five years.

Vietnam Fund Universe – Historical NAV Performance

<table>
<thead>
<tr>
<th>Period</th>
<th>VNH</th>
<th>#2 Ranking Fund</th>
<th>VNH Share Price</th>
<th>VNAS USD Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 year</td>
<td>28.0%</td>
<td>18.2%</td>
<td>18.1%</td>
<td>7.7%</td>
</tr>
<tr>
<td>2 years</td>
<td>39.5%</td>
<td>22.6%</td>
<td>45.5%</td>
<td>9.2%</td>
</tr>
<tr>
<td>3 years</td>
<td>74.0%</td>
<td>49.0%</td>
<td>71.6%</td>
<td>26.2%</td>
</tr>
<tr>
<td>4 years</td>
<td>121.7%</td>
<td>73.8%</td>
<td>101.2%</td>
<td>34.8%</td>
</tr>
<tr>
<td>5 years</td>
<td>155.8%</td>
<td>95.4%</td>
<td>176.4%</td>
<td>44.8%</td>
</tr>
</tbody>
</table>

Source: Bloomberg.

Funds covered (NAV greater than USD 50mn and track record of min. 5 years):
Total NAV of peers: USD 2.87bn as of 30 June 2016.

“The story of the overall Vietnamese economy remains impressive. During the past year, underlying GDP growth has continued to be strong.”

At this ten-year anniversary, we can proudly reflect on an exciting history. The early years of the fund mirrored a very difficult period for the Vietnamese stock market, especially the three years from 2006 to 2009 that featured a peak-to-trough index fall of over 80% in USD terms. This was followed by a much friendlier investment environment and the market-leading performance described above.

Meanwhile, the May 2015 issue of warrants has now seen its first exercise date of 1 June 2016, with an unsurprisingly small number (35,927) of warrants converted to shares. To recap, the total issue size was 19.98 million warrants, with each warrant convertible to one share at a price USD 1.998. The remaining exercise dates are 1 December 2016 and 1 June 2017. We expect the bulk of the conversions to occur on the latter date.

Our aggressive efforts to achieve a reduction in the discount of the share price to NAV continue. Periods of heightened market volatility presented regular challenges. In reaction to the surprising result of the UK’s referendum on EU membership on 23 June, the discount spiked from 15% to 20%. If we factor in the diluting impact of the remaining warrants on the fund’s NAV, the discount would be significantly lower. Nevertheless, your Board continues to prioritize discount reduction. A total of 4.6 million shares were bought and 1.9 million treasury shares were cancelled during the year. There were 10.5 million shares in treasury at June 30, compared to total shares outstanding of 54.9 million.

We pursue a pragmatic approach to discount reduction that mixes buybacks with an openness to the possibility of reselling treasury shares to long term fundamental investors who seek an exposure to Vietnamese equities, and share our core investment philosophy. We believe that such redistribution from shorter-term holders to long term investors is consistent with long term discount reduction. At the time of this writing, we have not placed any treasury shares to investors. However, it is VNH’s intention to pay 30% of the incentive fee due to the fund manager in the form of treasury shares.
The story of the overall Vietnamese economy remains impressive. During the past year, underlying GDP growth has continued to be strong, with calendar 2015’s rate of 6.7% likely to be followed by a 2016 performance in the region of 6%. The ostensible slowdown reflects the difficulties in the first half of 2016 for the agriculture and oil sectors. They were impacted by an El Niño induced drought and the continued global oil glut, respectively. Ironically, this serves to highlight the strength of Vietnam’s emerging economy, based on growing manufacturing prowess and a continually reducing reliance on commodity and extractive industries. This makes Vietnam a very attractive investment case, in contrast to many other emerging and frontier markets.

Foreign direct investment (FDI) in Vietnam continues its multi-year boom, with USD 7.3bn disbursed during the first half of 2016, up 15% year-on-year. New registrations indicate continued strong growth in the year ahead. Occasionally, fundamentally minded Vietnamese equity investors lament the continued relative smallness and illiquidity of the market. We feel that there is a realistic and optimistic reply to this. Vietnamese market size and liquidity is indeed showing strong growth, with market capitalization approaching USD 70bn. Trading days of over USD 100m are now the norm on the main southern exchange. At the same time, the potential for accelerated privatization remains an enticing, market-expanding prospect. There is also the comforting knowledge that, in the long run, FDI generates skilled work force, an appreciation for international standards, the impetus to generate entrepreneurial spark and more locally owned businesses. It is also the major driver of ongoing high domestic consumption spending.

Perhaps the most striking macroeconomic fact in the past year has been that while the Chinese renminbi has continued to experience weakness, the Vietnamese dong has actually risen slightly against the dollar. It seems the currency markets have finally begun to appreciate the distinctions between China and Vietnam. Although the challenge China faces to reorient its economy has not gone away, it is good to see that Vietnam is not being tarred with the same brush. As we have argued before, Vietnam is at a very different stage of economic development than China, and is in a very resilient position to China risk compared to most other major Asian countries.

The outlook for Vietnam over the next ten years appears to be at least as positive as it has been over the last ten. The Vietnamese authorities have learned many valuable lessons and gained much valuable experience, all of which adds to the fundamental attraction of the country as an investment destination. There is now a critical size and momentum to the Vietnamese economy and stock market. These factors make for a very exciting future that long term, fundamental, ESG-integrated value investing will be well placed to profit from.

The outlook for Vietnam over the next ten years appears to be at least as positive as it has been over the last ten. The Vietnamese authorities have learned many valuable lessons and gained much valuable experience, all of which adds to the fundamental attraction of the country as an investment destination. There is now a critical size and momentum to the Vietnamese economy and stock market. These factors make for a very exciting future that long term, fundamental, ESG-integrated value investing will be well placed to profit from.

Thank you, our shareholders, for your continued support, and thanks to the VietNam Holding Asset Management team for its continued excellent performance.

Min-Hwa Hu Kupfer, Chairperson
VietNam Holding Limited
18 August 2016
VietNam Holding Asset Management is very pleased with both the investment performance of VNH’s portfolio as well as its share price performance as set out in the Chairperson’s Statement. In last year’s Report, we claimed that “Bull Markets never last forever, but there are good reasons to believe that Vietnam’s current one will enjoy plenty of support in the coming year”. Reality turned out to be far better than our expectations.

However, the very positive outcome of the past five years does not mask the fact that VNH’s NAV performance over the first five years of our corporate life was negative by -41.6%. We are most appreciative of the many investors in those early days who have remained both patient and loyal. Thanks to their support, we have been able to more than make up for those lean first five years and we realize now that in many ways those challenging early days laid the foundation for where we are today. Both Vietnam’s political and business leaders have learned valuable lessons from their five years of “growth-at-any-cost” trials. Economic and monetary policies were adjusted to bring annual inflation rates of over 20% to low single digits. A growing number of business leaders supported their growth objectives with realistic business plans and focused on strengthening their companies’ core competencies, balance sheets and earnings.

As a result, Vietnamese companies have enjoyed several years of high earnings growth. This year, Vietnamese listed companies are likely to show the highest earnings-per-share (EPS) growth in Asia.

The EPS growth of our portfolio companies last year was 18%. This year, we estimate it to be at around the same level. Nevertheless, the portfolio P/E of 12.7x remains lower than that of the total market.

We launched VietNam Holding Ltd as a value investment vehicle. In 2006, that was a rather unusual approach in a notoriously short-term oriented market environment. We refined the value style successfully by defining precise investment and divestment criteria and by strictly abiding by them. Towards the end of the first decade we observed that Vietnam’s economic growth, the second fastest in the world, created increasing environmental, social and corporate governance (ESG) challenges. This led us to fully commit to sustainable investment principles and to become in 2009 the first signatory of the UN Principles for Responsible Investment active in Vietnam.

Fully set on not wanting to just pay lip-service to this commitment, VNHAM systematically reviews the ESG practices of our investee companies as a fundamental component of our investment strategy. We then track each company’s progress on a variety of relevant ESG indicators. We were aware that there was no available ESG reporting on the listed companies in Vietnam, or in nearly all emerging market countries for that matter. To
be able to collect the data directly from the companies themselves, we have developed a direct engagement approach aimed at their top management. By involving the board members of both VNH and of VNHAM, we have initiated a unique Company Engagement Program. Each board member is assigned to several portfolio companies and visits them regularly, together with our local analysts. Through this we can ensure that we have a direct line of communication with the top management, which allows us to review previously agreed milestones and propose new objectives for the future.

“**In the last twelve months, our team has accomplished much more than we could have ever anticipated. Our team members have worked very hard and remained focused on our core principles and objectives throughout the year.**”

We strongly believe that this combination of value investment and sustainable investment criteria has been key to selecting the high performing companies in our portfolio. Indeed, a CEO or Chairman who is willing to make a commitment to invest in clean technology, consider the needs of all stakeholders, and improve corporate transparency is a strategic manager with a long-term perspective and a broad view of risk. In all of our experience, this future-oriented thinking is a frequent proxy for high-quality corporate management and thus company success.

We could not successfully implement this investment strategy without a strong team of motivated and proactive analysts. Our research managers and strategists have acquired the additional skills and the dual approach to investing that are essential to our strategy. We take this opportunity to thank them for their commitment in implementing an investment philosophy that remains singular and strikingly successful in Vietnam.

Aside from our active direct engagement with the portfolio companies, we also organize an annual VNH Forum. These semi-public events are typically attended by the senior executives of over 50 companies. The Forum keynote speakers present the current global best practices in a wide range of ESG areas. Subsequently, a panel of local experts discuss how these foreign practices and standards may be relevant and applicable for Vietnamese enterprises. We can thus contribute to building awareness of the sustainability issues among the local business community. We will continue to pursue this effort to spread the importance of the ESG theme in the years to come.

Our affiliated VNH Foundation, a philanthropic institution registered in Switzerland, has provided charitable support in Vietnam since its launch in 2007. Current projects are focused on assisting handicapped or socially and educationally marginalized children and young adults. Since its inception, VNHAM has assigned one third of any earned incentive fees to the VNH Foundation. To date, we have donated over USD 2.8 million to our philanthropic sister organization, which has also received over half a million USD from private donators.

In the last twelve months, our team has accomplished much more than we could have ever anticipated. Our team members have worked very hard and remained focused on our core principles and objectives throughout the year. On behalf of the Board of Directors of VietNam Holding Asset Management, I express our sincere thanks to them.

**Jean-Christophe Ganz, Chairman**

*VietNam Holding Asset Management Limited*

18 August 2016
Portfolio Companies

Nafoods has established an integrated value chain for fruit processing. STX uses advanced production management systems.

TLG developed an innovative proprietary production line.

Traphaco’s artichoke plantation in Sapa, north-west Vietnam. One of FPT’s own campuses in Hoa Lac Hi-tech Park, Hanoi.
FPT CORPORATION (FPT)

SHARE INFORMATION (AS AT 30 JUNE 2016)

Stock exchange
Date of listing
Market capitalization (USD million)
Free float
Foreign ownership
Share price performance (12 months)
2016 price/earnings ratio

VIETNAM HOLDING’S INVESTMENT

Date of first investment
Ownership
Percentage of NAV
Internal rate of return (annualized)

FINANCIAL INDICATORS

Equity capital (USD million)
Revenues (USD million)
Revenue growth (in VND)
EBIT (USD million)
NPAT (USD million)
EPS (USD):
Gross margin
EPS growth
ROE
D/E
Current ratio

Sources: FPT audited financial statements 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. Quality human resources, sustained by its 100% owned subsidiary, FPT University, is one of FPT’s competitive advantages. The company employs the largest engineer workforce in Vietnam, with 10,617 employees, a +24% increase over last year. FPT offers outsourcing services to more than 350 globally well-known customers and partners, including Microsoft and IBM. Additionally, the company owns a comprehensive telecom infrastructure with a main North-South link, that has recently been upgraded from copper wires 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 2015. Net sales were up 16.3% YoY. Net profits (after minority interests) were up 18.3% YoY. The company’s performance was mainly driven by the Software Outsourcing and the Retail business units. All of FPT’s outsourcing markets registered higher than expected revenue growth, such as Japan up 39.8% YoY, the U.S. up 37.5% YoY, the E.U. up 55.6% YoY, and APAC countries up 29.9% YoY. The Japanese market contributed the largest (45%) share of the company’s outsourcing sales.

FPT is in the process of selling its Distribution and Retail businesses.

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 1) Profit, achieved by competitive enhancements, 2) People, driven by developments of human resources and community activities, and 3) Planet, via environmental protection.

ESG ACHIEVEMENTS

In 2015, the company spent nearly USD 1.5 million on social responsibility activities and created more than 5,000 new jobs.

FPT has a strong focus on training. Each employee received 8.5 training courses, up 136.2% YoY with a total of 54.3 hours, up 443% YoY in 2015. The training budget was USD 3.2 million, up 52.8% 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.

Additionally, FPT’s new environmentally friendly campus in Da Nang has completed its first phase operations to host more than 1,000 employees in 1Q2016. 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 192.2 tons of 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.
SHARE INFORMATION (AS AT 30 JUNE 2016)

Stock exchange: HOSE
Date of listing: October 2015
Market capitalization (USD million): 37.5
Free float: 31.6%
Foreign ownership: 10.5%
Share price performance (since listing): -0.4%
2016 price/earnings ratio: 17.3x

VIETNAM HOLDING’S INVESTMENT

Date of first investment: 30 October 2015
Ownership: 8.4%
Percentage of NAV: 2.2%
Internal rate of return (annualized): -0.9%

FINANCIAL INDICATORS 2014 2015
Equity capital (USD million): 5.5 17.8
Revenues (USD million): 13.8 24.2
Revenue growth (in VND): 98.2% 81.8%
EBIT (USD million): 1.1 3.5
NPAT (USD million): 0.9 2.1
EPS (VND): 4,499 1,751
EPS growth: 895.4% -61.0%
Gross margin: 11.7% 21.0%
EBIT margin: 7.7% 14.4%
ROE: 24.6% 17.5%
D/E: 0.29x 0.18x
Current ratio: 2.34x 3.19x

ABOUT THE COMPANY

Established in 1995, NAF is a leading exporter of fruit pulp concentrate and Individually Quick Frozen (IQF) fruits in Vietnam. It accounts for 8-10% of passion fruit exports and almost 100% of gac fruit (baby jack fruit) exports out of Vietnam.

NAF exports its products to more than 50 countries including Switzerland, Netherlands, Spain, USA, Japan, Korea, Australia and nations in the Middle East. With products satisfying standards set by the most difficult markets, NAF has gradually built its reputation to access a wider global customer base.

The company focuses on its core business of processing fruit puree concentrate and IQF fruits by creating a value chain around its vital competences, which include the raising of plant seedlings farmed on land owned by the company or sold to farmers, the collection of harvested fruit from the company’s own fields and from the farmers, and the processing of the fruit.

RECENT DEVELOPMENTS

NAF increased its seedling capacity from 0.5 million seeds per year to 2.4 million per year. These often have a gross margin of 50-60%. NAF is also building a new factory in the South of Vietnam to double its current capacity of 5,000 tons of fruit pulp concentrates p.a. and increase its current IQF fruit processing line to 6,800 tons p.a.

SUSTAINABILITY STRATEGY

NAF has committed to building an integrated green agriculture value chain to produce high quality, natural and nutritious fruit products. Its mission is to contribute to a positive change in Vietnamese agriculture and improve the farmers’ lives.

NAF’s keen management team is aware of the importance of ESG in the company’s sustainable development and they have already applied several ESG practices with promises of more to come.

ESG ACHIEVEMENTS

NAF products meet several international standards such as the BRC Food Certificate, and ISO 22000: 2500 / HACCP. It is an approved supplier of both kosher and halal foods. The company has in-house plantations and outsources passion fruit seedlings from farmers with controlled plantation techniques. This cooperation with farmers helps them improve their income and living standards.

NAF has established a friendly and cooperative working environment. The company makes a priority of employees’ health and safety. They’ve built having built a staff dormitory and offer meals to workers.

In addition, NAF has an active reward program for good employees. The company uses KPI and BSC systems and applies a 3P salary policy.

With VNH’s engagement activities, NAF has further improved its corporate governance and investor relation activities.

ESG CHALLENGES

Early this year NAF published its 2015 annual report which contained sufficient ESG information. The company should further improve the level of disclosure in the next version with extensive ESG information. It should also prepare a sustainable development report.

In addition, we have recommended that NAF increase the frequency at which the information on its website is updated by using monthly bulletins or regular articles and news about the company’s business and operation.
SHARE INFORMATION (AS AT 30 JUNE 2016)

Stock exchange                        HOSE
Date of listing                       September 2015
Market capitalization (USD million)  57.5
Free float                            47.8%
Foreign ownership                     12.9%
Share price performance (since listing) 0.0%
2016 price/earnings ratio             17.9x

VIETNAM HOLDING’S INVESTMENT

Date of first investment              18 Dec 2014
Ownership                              7.6%
Percentage of NAV                      3.0%
Internal rate of return (annualized)   21.0%

Sources: STK audited financial statement and Bloomberg.

FINANCIAL INDICATORS

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity capital (USD million)</td>
<td>31.6</td>
<td>30.7</td>
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<tr>
<td>Revenues (USD million)</td>
<td>68.8</td>
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<td>Revenue growth (in VND)</td>
<td>0.3%</td>
<td>-29.0%</td>
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<tr>
<td>EBIT (USD million)</td>
<td>6.9</td>
<td>4.2</td>
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<tr>
<td>NPAT (USD million)</td>
<td>5.0</td>
<td>3.3</td>
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<tr>
<td>EPS (VND)</td>
<td>2,458</td>
<td>1,537</td>
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<tr>
<td>EPS growth</td>
<td>42.1%</td>
<td>-37.5%</td>
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<td>Gross margin</td>
<td>14.6%</td>
<td>18.1%</td>
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<tr>
<td>EBIT margin</td>
<td>9.9%</td>
<td>8.9%</td>
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<tr>
<td>ROE</td>
<td>18.0%</td>
<td>10.4%</td>
</tr>
<tr>
<td>D/E</td>
<td>0.35x</td>
<td>1.18x</td>
</tr>
<tr>
<td>Current ratio</td>
<td>2.23x</td>
<td>1.16x</td>
</tr>
</tbody>
</table>

CENTURY SYNTHETIC FIBER CORPORATION (STK)

ABOUT THE COMPANY
STK was established on 1 June 2000 and its shares were listed on HOSE on 10 September 2015. STK’s main products are Draw Textured Yarn (DTY), Fully Drawn Yarn (FDY), and Partially Oriented Yarn (POY); all of which creates an integrated value chain for STK.

STK has a clear business strategy focusing on the mid-end and premium segments, targeting both the domestic market and countries where Vietnam has preferential tariff duties.

The company has a clear development vision and is striving to improve the supply chain both upstream (polyester chips) and downstream (textile and dyeing) to reduce costs and more fully integrate.

RECENT DEVELOPMENTS
STK posted a 5-year CAGR of 15.4% in revenues and -1.9% in earnings after-tax during the period of 2010-2015. Although STK had experienced strong growth rates during the period 2008-2014, the company faced unexpected difficulties in 2015 and 1H2016 due to a crisis in the dyeing sector in China. This led to lower fiber demand and price dumping in the yarn market. STK’s management expects near-term demand and price recovery in the sector, with a better 2017 outlook.

As a result of these difficulties, the STK share price plunged from its peak of VND 30,300 on 7 December 2015 to VND 24,000 on 30 June 2016.

SUSTAINABILITY STRATEGY
STK’s vision is to become a leading global pioneer in the textile sector and develop into multi-business fields relevant to its core business.

The company’s mission is to adopt an advanced and environmentally friendly technology, a modern management system, a wholly professional team and an innovative corporate culture. Its goal is to contribute to society by bringing new and environmentally sound products and services to the community, saving natural resource and protecting the environment.

ESG ACHIEVEMENTS
Although STK has experienced challenging times in the last two years, the company had several notable achievements in the area of ESG.

STK has obtained ISO 9001-2008 certification and applied modern management practices such as SS, Kaizen and Lean Production. STK has also implemented ERP – SAP Business All-in-One Management as well as a new KPI system.

The company has also developed ethical values and a formal code of conduct with related parties including shareholders, customers, employees, suppliers, competitors, the government and the media.

In addition, STK has developed a production line for recycled yarns and has applied for the Global Recycling Standard 3.0, which includes guidelines on not only the production of recycled products, but also other social, environmental and safety matters.

With VNHI’s encouragement, STK prepared a 2015 Sustainable Development Report following the GRI G4 guideline. VNHI has also suggested that STK disclose more information regarding ESG areas in its 2016 annual and sustainability reports.

ESG CHALLENGES
To follow-up STK’s achievements with its electricity and fuel consumption records, it should now proceed with estimating the carbon footprint caused by its current energy usage compared with the sector benchmark. STK can then measure its carbon footprint emission, and mitigate the effects by applying appropriate strategies for energy consumption.
THIEN LONG GROUP (TLG)

SHARE INFORMATION (AS AT 30 JUNE 2016)

Date of listing November 2009
Free float 14%
Foreign ownership 21%
Share price performance (12 months) 94.5%
2016 price/earnings ratio 16.5x

FINANCIAL INDICATORS

Equity capital (USD million) 34.2 36.5
Revenues (USD million) 76.2 86.0
Revenue growth (in VND) 14.7% 16.7%
EBIT (USD million) 9.7 11.5
NPAT (USD million) 6.9 8.6
EPS (USD million) 3.463 4.415
EPS growth 26.4% 27.4%
Gross margin 36.9% 38.6%
EBIT margin 12.7% 15.4%
ROE 21.7% 24.2%
D/E 0.5x 0.3x
Current ratio 0.5x 0.3x

VIETNAM HOLDING’S INVESTMENT

Date of first investment 25 January 2013
Ownership 6.6%
Percentage of NAV 70%
Internal rate of return (annualized) 72.4%

SUSTAINABILITY STRATEGY

TLG considers its business as an inherent part of society and demonstrates a strong commitment to community activities and environment protection. "The Power of Knowledge" has been a consistent message spread by Thien Long by way of several social and community outreach activities.

ESG ACHIEVEMENTS

Integrated Management System (IMS) of ISO 9001, ISO14001, OHSAS 18001, SA8000, ISO17025 and ERP system have all been fully applied in TLG at a group level. In addition, the company has also been granted ICTI certification on safety standards and social accountability in the children’s toy industry. Its Innovation Team has actively proposed new initiatives focused on pollution reduction and the improved usage of natural resources, materials and energy for cost saving and environmental protection purposes.

Through advocacy activities to limit the effects of climate change, Thien Long has adopted energy-saving solutions that have helped reduce energy consumption significantly, and save more than VND 1.6billion each year. In addition, it has built a system for collecting and sorting waste for recycling.

For 14 continuous years, TLG has participated in the University Entrance Exam Support and Consultation program by sponsoring the publication of guidebooks and a CD ROM on career-orientation advice for young pupils from rural areas.

ABOTU THE COMPANY

TLG, founded in 1981, is the leading producer and distributor of pens and stationery in Vietnam, with a 65% market share in pens and 30% share in office supplies. TLG’s products are certified with international quality and environment standards and meet the requirements of demanding customers such as BIC, Crayola, TOMA and Mitsubishi. The company exports their products under the FlexOffice and Colokit brand names to more than 40 countries. The company has strong brand recognition and a distribution network of more than 130 wholesalers and 57,600 points of sales, including locations in Germany, China, Japan, USA and various South East Asian countries.

The company set a clear vision to become the leading supplier of pens and stationery in the region through strong investments in R&D, technology and automation, input material self-production, human resources and improved efficiency.

RECENT DEVELOPMENTS

TLG recorded an increase of 16.7% in revenue in 2015 thanks to a remarkable growth in office supplies, art supplies and export sales. Gross margins reached 38.6%, compared to an average of 37% in the previous two years. Other expenses have been kept stable. Net profit margins reached 10%, the highest since 2010, translating to a 2015 ROA of 15.6% and an ROE of 24.2%.

TLG's stock price showed an impressive 94.5% increase during the 12 months to 30 June 2016. The company continued to report spectacular growth in early 1H2016 thanks to well-controlled input costs. Gross margin expanded to 39.4%, resulting in a net income growth of 52.7% in the period.

ESG CHALLENGES

TLG management’s commitment on sustainable development should be developed into specific commitments and targets on environment, social responsibility and corporate governance. Investor relation activities could be enhanced by more information disclosure, regular analyst meetings, periodical investor publications and a formal sustainability report. Supporting TLG’s plan to publish an initial sustainability report for fiscal year 2016, VNH organized training sessions on the related regulations and guidelines.

Sources: TLG audited financial statement and Bloomberg.
## TRAPACO (TRA)

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<tr>
<th>SHARE INFORMATION (AS AT 30 JUNE 2016)</th>
<th>FINANCIAL INDICATORS</th>
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<td>2016 price/earnings ratio</td>
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<tr>
<th>VIETNAM HOLDING'S INVESTMENT</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of first investment</td>
<td>20 December 2007</td>
</tr>
<tr>
<td>Ownership</td>
<td>10.4%</td>
</tr>
<tr>
<td>Percentage of NAV</td>
<td>12.7%</td>
</tr>
<tr>
<td>Internal rate of return</td>
<td>33.1%</td>
</tr>
<tr>
<td>Sources: TRA audited financial statements and Bloomberg.</td>
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</tbody>
</table>

### ABOUT THE COMPANY

TRA is the leading manufacturer of herbal medicinal products in Vietnam. Founded as a state-owned enterprise (SOE), TRA went public in 2000.

From the fifth largest listed pharmaceutical firm on Vietnam’s stock markets in 2011, TRA has gone on to become the second largest player due to three strong competitive advantages: It has built a fully integrated value chain, achieved strong brand recognition and created a countrywide distribution network featuring three subsidiaries and 20 branches serving a client base of 22,000 accounts. During the last five years, TRA registered the highest average annual growth rate in sales and profit after tax of 18.1% and 22.1% respectively among listed local peers, and its market capitalization increased more than four times.

The company has long been well known for its high-quality traditional medicines. Its many recognitions include the Top Ten Vietnam’s Gold Star Award for Enterprises with Social Responsibilities (2011, 2013, and 2015), and the Best International Enterprise and Best Manager Award by the European Business Assembly (2013).

### SUSTAINABILITY STRATEGY

TRA’s sustainability strategy ("The Way to Green Health") focuses on Vietnam’s great biological diversity and rich culture of traditional medicines. The company’s many efforts to improve its green supply chain include domestic herb plantations which cover nearly 80% of its input materials, improved product manufacturing, and a distribution network that weakens wholesalers’ influence on retail market prices. The company strives to ensure that its long-term business growth aligns with social development and environmental protection. TRA values both foremost as foundations to the overall sustainable development of Vietnam.

### ESG ACHIEVEMENTS

TRA’s wholly owned subsidiary, TRA Sapa, recently became a member of the Union for Ethical Biotrade (UEBT). Its resulting commitments include ensuring that its sourcing practices promote the conservation of biodiversity, respect traditional knowledge, and assure the equitable sharing of benefits among all parties along the supply chain. Additionally, TRA has implemented the GreenPlan program, which follows GACP-WHO (Good Agriculture and Collection Practices), as instructed by the Ministry of Health in Vietnam.

Fertilizer and pesticides are strictly controlled in accordance with these standards. The GreenPlan program encourages a 4-party co-operation that includes farmers, provincial government officers, scientists and TRA. Policies from the government providing guidelines to farmers to apply GACP in the cultivation of herbs are strictly followed. TRA employed scientists provide invaluable advice and improved techniques to farmers.

Furthermore, TRA applies an ISO 9001:2008 certified quality control system, and an ISO 14001:2010 certified environmental impact control system.

In 2015, TRA organized 78 training courses mainly in GMP (good manufacturing practices), customer services, corporate culture, and sales techniques for 2,558 employees. Labor productivity increased 13.7% compared to 2014.

### ESG CHALLENGES

Corporate governance remains a challenge at TRA. The company’s biggest shareholder, State Capital Investment Corporation (SCIC), works closely with TRAs management in this regard. Improvement was indicated when SCIC agreed to sit with other major shareholders to discuss this issue and TRA’s future.

### RECENT DEVELOPMENTS

TRA’s efforts to restructure its sales force and distribution channels to lessen its dependence on wholesalers delivered strong results in 2015. TRA’s 2015 sales increased 17.3% compared to its pre- restructuring 2013 revenues. And its 2015 profit after tax also exceeded its 2013 figure by 20.5%. In addition, the restructuring boosted the percentage of TRA’s retail clients to 80% in 2015 compared to 40% in 2013.
Sustainability Report
As a long-term investor, we remain committed to the application of sound sustainability criteria in our value investing approach.

OUR APPROACH
Sustainability Principles
As a long-term investor, VietNam Holding remains committed to the application of sound sustainability criteria in our value investing approach. As Vietnam’s modernization continues to shape the society in which we deploy assets, major macro-shifts can be discerned, posing both challenges and opportunities. Rural development, urbanization and the growth of a more affluent demographic are examples of the trends that continue to engender change in local values and consumer patterns.

As a responsible investor, we choose to invest in enterprises that demonstrate a commitment to positive change within the communities in which they operate and serve. By investing in the growth of living standards, more inclusive economic participation and higher value-added products we can capitalize on the positive developments of our portfolio companies.

As a signatory of the UN’s Principles for Responsible Investment, we avoid investments involving products and services with known negative effects. The fund’s exclusion criteria cover businesses dealing in tobacco, firearms, distilled alcohol and gambling, among others. In addition, each short-listed investment is thoroughly screened for controversial business practices in an intensive due diligence process. Companies engaged in pollution, child labor, bribery or other damaging business practices are excluded from our investment consideration.

ESG Integration
As part of the investment process, our investment team identifies key environmental, social and governance (ESG) issues through tailored industry evaluation methods and direct requests for information from target companies. When sustainability issues have a real or potentially significant impact on revenues or costs, they are systematically factored into the investment analysis.

By monitoring these material performance indicators, VNH engages individual portfolio companies on the basis of their ESG profile and seeks to impel positive change. Our divestment policy captures companies that fail to demonstrate real awareness of – or to consider improvements in – key sustainability issues.

Challenges
As in most developing markets the availability of relevant and reliable ESG information remains one of the biggest challenges for ESG integration in Vietnam. Even though some companies have been reporting on certain environmental, social and corporate governance aspects of their businesses, systematic and state-of-the art sustainability reporting frameworks remain the exception rather than the rule. Therefore it is difficult for investors in Vietnam to gather ESG data by conducting pure desk research. This is also the reason why sustainability information for emerging markets in general is scarcely covered by the large ESG data providers. We tackled this problem by collaborating with the Swiss-based sustainability rating agency Inrate to create a custom-made questionnaire for Vietnamese companies. This questionnaire forms the basis of our ESG analysis tools which VNHAM’s Ho Chi Minh City based research team constantly improve upon by building an internal database containing relevant sustainability criteria.

Another major challenge is the low level of sustainability awareness at many companies. In order to address this concern, the directors of VNH and VNHAM are actively engaging with investee companies by regularly visiting them to hold high-level ESG discussions. The openness and willingness of a company to pro-actively address sustainability challenges within its business is crucial when it comes to decide if a position in our portfolio is increased, held or decreased.

Due to the country’s socialist political regime, the “S” part of ESG issues is usually not a concern at local companies. The “E” aspect has enjoyed some significant coverage in the local media over the past years as Vietnam is a direct neighbor of pollution-ridden China and at the same time, as a mostly coastal country, extremely vulnerable to the rising sea levels. Finally, the “G” part, corporate governance has been the prime concern in terms of ESG investing in Vietnam as local companies are in general still far away from “Western” practices. Meager corporate governance standards were the main motivation behind the launch of the VNH Forum in 2007. This event series brings together local company executives with international experts in fields such Strategic Management, Board of Directors standards or Investor Relations. In recent years environmental and social topics were also covered.
LEAD BY EXAMPLE
Since the inception of VNH ten years ago it has been our goal to act as role models in Vietnam in the field of corporate responsibility. Proper corporate governance has been at the top of our agenda since our beginnings in 2006, and in 2007 the VNH Foundation was established to address our social concerns. Over the past years VNH has intensively looked into environmental issues as well, not only at the portfolio level but also internally. We like to think that VNH truly is a leader by example in all three ESG aspects.

Environmental: CO2 offsetting
VNH is very conscious of the carbon footprint of the fund as well as that of the fund management company. With offices in Vietnam and Switzerland as well as an international Board of Directors, the emission of greenhouse gases tied to VNH and VNHAM’s activities is relatively high compared to the size of the organization. The Company has been offsetting its CO2 emissions since 2010 through Swiss-based South Pole Group, a leading global developer and promoter of emission reduction projects.

The carbon footprint of our business activities for the respective fiscal years is calculated by considering the international and domestic air travel of our directors and staff as well as the energy consumption of our two offices. For the past fiscal year we have estimated that the carbon footprint of our travel activity amounts to 400 tons of CO2, while the energy consumed in our offices amounts to 81 tons.

As reported in our last annual report, a member of VNHAM’s investment team visited the Dak Pone hydropower plant which VNH supported in the previous years through its CO2 offsetting. As the findings of this field visit were very satisfying and encouraging, VNH decided to further support South Pole’s projects in Vietnam as it is important to us that we have a positive impact in the country where we are most active.

Since the Dak Pone project did not have any available room for 2016, VNH chose to support a very similar project in Central Vietnam to offset the total 481 tons of CO2. The Tra Linh hydropower plant is located in Quan Nam Province and also fulfills South Pole’s rigorous quality standards.

Social: VNH Foundation
Motivated by our dedication to social responsibility the VNH Foundation is the creation of the founders of VNH and VNHAM. Its focus is on the youth of South East Asia, and in particular Vietnam. This charity locates and supports projects that help to meet the needs and enhance the lives of disadvantaged children in the region.

Since its establishment in June 2007 the VNH Foundation has been under the supervision of the Swiss Foundation Oversight Committee. VNHAM has been donating one third of any incentive fees received from VNH to the Foundation. On top of that an increasing number of private donors are supporting it. Since 2007, the VNH Foundation has raised over USD 3.5 million to fund a wide variety of projects such as orthopedic surgeries for Agent Orange victims in Danang and a care center for homeless children in the south of Thailand.

For more information about the VNH Foundation please visit www.vnhfoundation.com

Governance: High Corporate Governance Standards
Corporate governance has always been a cornerstone of our organization. It is the basis of every action we take. The adherence to international best practices in this field is not only something we demand from our portfolio companies and but it is also at the core of our internal guidelines.

As an example, the two boards of VNH and VNHAM are completely segregated and independent from each other. A group-wide code of ethics as well as a conflict of interest policy are in place to institutionalize our high corporate governance standards.

Another important element of VNH’s governance efforts is our active investor relations. By maintaining a regular exchange with existing and potentially new shareholders we ensure a two-way flow of information which benefits both, our investors as well as the Company.

More information on VNH’s corporate governance efforts can be found in the Director’s Report section (page 19).

ACTIVE OWNERSHIP
Director Engagement
The Boards of Directors of VNH and its investment manager are committed to the established practice of engaging portfolio company executives in face-to-face meetings. Each VNH and VNHAM director is assigned to selected portfolio companies according to their industry specialization. In concert with members of the investment team, they follow a systematic engagement schedule of personal meetings with the management of our portfolio companies.

Through these direct engagement visits VNH emphasizes the importance of enhanced company disclosure and transparency. In many cases, tangible progress in annual reports and company websites are noted, which rewards VNH’s ongoing commitment to spread ESG awareness and enforcement throughout Vietnam’s corporate community.
The fruits of our engagement initiatives continue to be very encouraging. Following the recommendation from the Director Engagement meetings, our portfolio companies have shown an increased awareness for ESG issues and have applied best practices into their production in areas such as energy and water conservation, waste recycling, environmental and social management systems, product quality and corporate governance. A significant area of improvement is ESG information disclosure: 18 out of 23 companies disclosed their ESG information in their 2016 annual and/or sustainability reports, compared to 12 companies in the previous year. Some companies, such as Binh Minh Plastics, Century Synthetic Fiber, DHG Pharmaceutical and FPT have successfully enhanced their reporting quality by using the Global Reporting Initiative’s G4 guidelines.

During the past financial year our directors attended 23 meetings with 21 different investee companies from the industry sectors VNH invests in. The topics discussed during those engagement meetings with local executives were mainly concerning information disclosure, environmental monitoring procedures, environmental and social management systems (i.e. ISO certification), carbon footprint and corporate governance. The local executives generally appreciated our suggestions regarding improvements to their operations and committed to implement these in the near future. The directors of VNH and VNHAM are fully committed to continue their active engagement program in the coming years.

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

During this reporting period VNH attended 23 AGMs in which a total of more than 200 individual agenda items were proposed. The investment team considered each issue on the basis of strategic merit and long-term profitability.

In most cases, VNH voted for the agenda items proposed by the companies’ boards of directors (BoD). We voted “No” at the AGM of two investee companies: (i) on the approval of changes to current company charter; (ii) segregation of duty between the Chairperson and the CEO. We abstained from voting in six other cases: (i) high bonus and welfare fund for management, (ii) high ESOP, (iii) dilution concern, (iv) segregation of chairman and CEO, (v) BoD structure, and (vi) adding members to the BoD.

VNH Forum
The VNH Forum events showcase international best practices through select international key-note speakers and panel sessions which also feature local experts. The Forums target the senior executives of both private and state-owned enterprises. Through these events, VNH seeks to foster awareness of value investment and sustainability principles within Vietnam’s investment community. Past speakers have included local and international experts from finance, industry, academia and government bodies.

The latest Forum, which happened to be the 10th jubilee edition of this series, was held in December 2015 on the topic “Managing corporate reputation with responsible business practices”. Keynote speaker, Professor Klaus Leisinger - President of the Global Value Alliance Foundation - analyzed important factors that can impact corporate reputation and brand loyalty. The following panel discussion on this topic was moderated by the renowned economist and VNH advisory council member, Dr. Le Dang Doanh. Dr. Doanh and Prof. Leisinger were joined by Mrs. Tran Anh Dao, Executive Vice President of the Ho Chi Minh Stock Exchange and Mrs. Vu Thi Thuan, Chairperson of Traphaco Joint Stock Company.

The next VNH Forum is scheduled to take place in December 2016 with a focus on environmental and climate change issues.
PORTFOLIO CARBON FOOTPRINT
Governments, civil society and an increasing number of investors are focusing on the climate impact of investment portfolios. The focus now lies on the link between capital allocation and its impact on the economy, with the need for new metrics to measure environmental performance to ultimately achieve a net decarbonisation effect.

The following assessment analyses the climate impact of VNH’s portfolio. By assessing the carbon footprint of our companies, we are able to understand the level of our individual companies’ emissions. These results help us to encourage the investee companies to adopt/expand green technologies, or alternatively, the aid us in the decision of divesting from companies that we cannot engage with.

South Pole Group has been tasked with measuring and analysing the carbon emissions of all listed companies that are in the VNH portfolio as at 30 June 2016. The portfolio companies’ carbon footprints are analysed against the footprint of the companies figured in the VN All Share Index, which serves as VNH’s benchmark.

<table>
<thead>
<tr>
<th></th>
<th>VNH Portfolio</th>
<th>VN All Share Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Emissions Scope 1 &amp; 2 (tCO2e)</td>
<td>14,823</td>
<td>52,209</td>
</tr>
<tr>
<td>Total Emissions Scope 1, 2 &amp; 3 (tCO2e)</td>
<td>57,627</td>
<td>161,868</td>
</tr>
<tr>
<td>Emissions (kgCO2e) per USD 100 invested</td>
<td>10.5</td>
<td>36.9</td>
</tr>
<tr>
<td>Weighted Emissions (tCO2e) / Weighted Revenue USD Million</td>
<td>196.1</td>
<td>212.9</td>
</tr>
<tr>
<td>Financed Emissions (tCO2e) / Financed Revenue USD Million</td>
<td>130.4</td>
<td>403.1</td>
</tr>
</tbody>
</table>

In general, the overall annual carbon footprint of the portfolio is 14’823 tons of CO2 (Scopes 1 & 2), which is 46% less carbon intense than the equivalent percentage of the VN All Share Index. With the appropriate investment strategy, VNH obtained 44.8% carbon outperformance through sector weighting and 25.8% carbon outperformance by stock picking. The outperformance of the portfolio versus the benchmark is the result of two main effects. First, VNH did not invest in the utilities sector during the reporting period; second, the selection of stocks in the materials sector also showed a strong contribution, meaning that less emission intensive alternatives were selected from this sector compared to the benchmark.

MEMBERSHIPS AND PARTNERSHIPS
Through the long-term relationships of our senior staff and advisors, and during the past ten eventful years as an investor in Vietnam, VNH has developed a strong local and international network of partnerships. The following organizations have contributed to shaping VNH’s strategy and profile, and continue to support our desire to bring forward the sustainability agenda in Vietnam:

Global Compact
VietNam Holding Asset Management has been a founding and active member of the Global Compact network in Vietnam since 2007. Part of our commitment is to report on our efforts in the field of sustainable development through Global Compact’s annual Communication on Progress.

Managed by the United Nations, the Global Compact is a strategic policy initiative for companies that wish to align their activities with the ten key principles that form the core of Global Compact’s mission. At VNH, we continue to do so.

UN PRI
The United Nations’ Principles for Responsible Investment (PRI) is the world’s leading proponent of responsible investment.

At its AGM in 2009, shareholders voted to endorse the comprehensive alignment of VNHH’s investment policy with the PRI. As a consequence, 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.

South Pole Group
South Pole Group is a Swiss-based global leader in the development of emission reduction projects, the providing of climate action solutions, and active carbon asset management.

South Pole has helped VNH to calculate its own CO2 footprint for the past six fiscal years and to identify a suitable project in Vietnam to properly and meaningfully offset harmful emissions. This year, for the first time, South Pole analyzed the VNH portfolio’s carbon footprint.
Climate Change and Vietnam: Right Choices Required

Evidence firmly ranks Vietnam as one of the main countries in the world to be strongly affected by climate change.

In December 2015 at the Twenty-first Conference of Parties on Climate Change (COP21), Vietnam pledged a particularly unambitious 8% reduction in its greenhouse gas (GHG) emissions by 2030. With an unspecified amount of international financial support, it pledged an intended reduction of 25% compared to a “business as usual scenario”, which in turn would amount to an increase of 3.2x the total of carbon dioxide emissions between 2010 and 2030, or 787m tons.

There are big problems to overcome in even this minimal effort. The overarching global one is that COP21 was only made possible by requiring that all such commitments be voluntary and therefore legally and even morally unenforceable. On a national level, even Vietnam’s weak and uninspiring proposed 8% contribution to climate change mitigation will be challenging for a country that is likely to bear a large brunt of the consequences of global warming. Next, worrying industrial data casts great skepticism on achieving even these very modest reductions. And finally, the country is faced with a palpable knowledge gap. Most listed companies do not yet know the level of their own basic GHG emissions. The nation’s environment minister recently described emissions monitoring in Vietnam as “untimely, inaccurate and infrequent”.

“A one metre rise in sea level would cause the inundation of up to 2m hectares or 33-50% of the region, flooding perhaps 14m residents.”

Inland, 60% of Vietnam’s total river flow and fully 95% of the flow of the mighty Mekong come from outside its borders, with upstream damming in China and Laos affecting flows and sediment deposits. The Mekong’s water level in February this year, during the recent El Niño phenomenon, was at its lowest since 1926. A full 40-50% of the 2.2m hectares of arable land in the Mekong Delta was badly hit by salinization as a result of less river water relative to sea water concentrations. This affects river fisheries, and even more importantly rice, which is about 75% of total Vietnamese agricultural crop value. Rice is an export crop worth USD 1.6bn in 2015 and a sector contributing about 8% of GDP. Together, agriculture and fisheries in 2015 occupied 44% of the nation’s population and contributed 17% of GDP.

Although Vietnam’s rice yields per hectare have risen four times since the 1970s amidst increasingly intensive use of fertilizers and pesticides, the outlook over the next 40 years for both yields and total plantation area is worrying. One reason is that fertilizers cannot be used any more intensively than they already are. Vietnam already ranks near the top of the world order for amount of fertilizer used per hectare. Additionally, with increased urbanization and industrialization, total rice plantation area is on a long term decline, perhaps as much as 10%.

Fisheries & Agriculture

Some 24% of the country’s population lives in districts along its 3,200km coastline. Fish is a central part of the nation’s diet, and seafood exports were about USD 8bn in 2015. This equates to 5% of total exports. If we include domestic consumption, this is nearly 7% of GDP. Coastal mangroves, salt marshes and coral reefs are all endangered by rising sea levels and the tidal surges associated with typhoons and cyclones. These areas are critical to breeding marine life. The warming ocean temperatures and rising acidification associated with climate change are already causing a northern migration of fish stocks into colder Chinese or China-claimed waters. In the South China Sea, coastal fishing grounds have been depleted to 5-30% of their unexploited stocks.

The weight of evidence firmly ranks Vietnam as one of the main countries in the world to be strongly affected by climate change over the remainder of this century. According to the UN’s Intergovernmental Panel on Climate Change, some 1.2bn people will be directly affected by rising sea levels by 2060, with Asia being hit hardest. The IPCC cites five major countries in this regard: China, India, Bangladesh, Indonesia and Vietnam. Major littoral cities in these countries are squarely at the center of the likely economic and social consequences.

The impact on Vietnam can be broken down into three major areas: food/agriculture, industrial development, and quality of habitat and the human condition.
over the next 20-30 years. Just 28% of Vietnam’s overall land area is suitable for agriculture, with only two thirds of this capable of high-intensity crop production.

But most alarming of all is rising air temperatures, the risk of higher sea levels and falling river levels. These are principle causes of drought, salinization and sea inundation. Average temperature increases of 2-3 degrees centigrade over large parts of Vietnam are forecast over the coming half-century, strongly raising the risk of drought. Excessive precipitation during the wet season and extreme weather events are also forecast to rise, especially in the vital Mekong Delta which typically produces over half of the nation’s rice. The low, flat topography of this region - including half of Ho Chi Minh City itself - means that a one meter rise in sea level would cause the inundation of up to 2m hectares flooding up to 14m residents.

Industrial development
Vietnam has been an industrial and economic development success story since the early 1990s. The fall in its World Bank-measured poverty rate from 60% in 1993 to 13.5% in 2014 is one of the world’s fastest declines over this period. As in other successful Asian economies before it, this has been led by the strong development of export-driven processing and manufacturing. The majority of Vietnam’s production capacity is in the southeast of the country, in and near the areas that could be so seriously affected by rising sea levels. As a result of combined impacts of these factors, and given its relative economic size, Vietnam may be the single most badly affected country in Asia by a modest rise in sea levels.

Quality of habitat and the human condition
A host of direct negative effects on human life result from such climate and sea level changes. They include involuntary migration, pressure on food and land resources, injury, death, malnutrition, and diseases such as malaria and dengue. Such phenomena, apart from their innate tragedy and seriousness, can be expected to cause political and social discontentment and instability. They would thereby remove a key enabling factor behind Vietnam’s strong economic growth record and outlook, and replace it with a disabling one.

**VIETNAM’S CONTRIBUTION TO GHG**
Vietnam’s global contribution to GHG emissions is small, totalling just 247m tons of carbon dioxide equivalent in 2010. This compares with 6.7bn tons in the US, 4.7bn in the EU, 9.7bn in China, and 346m in Thailand. However, estimates for future Vietnamese energy consumption have it growing by 6-9x over the next 20 years, with GHG emissions tripling over the same period.

The cynical Vietnamese policy maker or businessman might argue that Vietnam is not a major GHG emitter, and is too undeveloped to worry about the issue. This should not stop them from recognizing the bilateral and multilateral development aid for any GHG reduction that may be done. Whether this aid would go to supplement the money that will have to be spent on mitigating the effects of climate change and adapting to it remains to be seen.

This is a classic opportunity for a developing country with abundant wind, solar and hydro resources to perform a leapfrog of its energy sector to a low GHG one. In this respect, the prospect of Vietnam’s demand for coal increasing at a CAGR of 23% over the period 2015-20 needs to be squeezed dramatically downwards. This could be done via an effective package of incentives to promote low-GHG energy, including natural gas, and to dissuade investment in coal-fired energy. Such a policy could lead to an internationally competitive, low-GHG energy equipment industry in Vietnam with strong export potential. As is well known, developing competitive...
Climate Change and Vietnam: Right Choices Required
Continued

exports in high-growth industries is the holy grail of sustainable economic growth.

Another opportunity for Vietnam is the fact that autocratic governments retain an important advantage in their ability to conduct the far-reaching policy changes that most democracies can only dream of. Vietnam has the institutional capacity to move forcefully in such a direction. Additional budgetary costs could be amply met by a radical acceleration of the privatization of the remaining 1000-plus state owned enterprises.

We have already seen the vast improvement potential of SOEs once they join the private sector. For example, since being listed ten years ago, Vinamilk has grown its sales at a compound annual rate of 22%, its net profits by 29%, and its share price has risen 26-fold.

Beyond Vietnam’s borders, China has been moving towards GHG-mitigating industries in recent years. Vietnam has done well by shadowing China, and positioning itself as the lower-cost alternative. For this to remain a potent factor, Vietnam needs to continue to move up the value curve industrially, just as China and the prior Asian economic developers have done. With respect to China, it might also strike Vietnamese policy makers that it would be wise to avoid the recent horrific environmental stresses suffered by that nation.

MAKE THE RIGHT CHOICES VIA FIAT AND FISCAL INCENTIVES

Attracting investment in solar panels, large-scale batteries, electricity storage and wind turbines should be the overriding focus of the Vietnamese government over the coming decade. A country with only 2% automobile penetration should easily be aiming for a majority of such vehicles to be electric in 10-15 years’ time. A program to electrify half of the existing motorcycles in the country could cut Vietnam’s current overall GHG emissions by 4.2m tons of carbon dioxide equivalent. A significant shift from private vehicles to walking, cycling, trains and buses, and from buses to water transport, would cut 13.6m tons.

The urban rail projects underway in Hanoi and Ho Chi Minh City will cut an additional 1.6m tons. An energy sector set to grow more than six-fold over the next 20 years should be aiming for a vast majority of it to be low-carbon, including a place for gas and nuclear. Mandatory fuel economy standards for passenger cars should be introduced immediately, following the new labelling requirement brought in last year. A nation with a flood of enthusiastic inward foreign direct investment should be insisting on best-in-class environmental standards for the new factories being built.

The above measures, and others, should receive top priority. The Vietnamese middle class is reasonably environmentally minded and there is now a critical mass of opinion for such measures to be adhered to and supported. Many of these measures will not only generate better achievement in the rather abstract matter of GHG reduction, but they will also generate noticeable improvement in here-and-now urban pollution levels.

Vietnam’s government has an impressive record of mobilizing its people towards shared or imposed objectives, from war victories against the odds to overnight observance of helmets being required while on motorcycles. In the interests of sustainable and rapid economic advancement, we urge it to devote policymaking priority to becoming a leading, clean-energy emerging economy. We wish it much success and will continue to do our part by way of market education and our own corporate action.

Data in this article was sourced from the World Bank, IMF, Asian Development Bank, German development institution GIZ, World Resources Institute, the General Statistics Office of Vietnam, McKinsey, Global Insight, and the Center for Climate and Security.
Directors’ Report

Recognizing the importance of a set of sustainability principles that guides the Company and its investing, an ESG Committee was established jointly with the Investment Manager in the past year.

The Board of Directors plays a key role in the operation of VietNam Holding Ltd. In consultation with the creator of the VNHB Group, Mr. Juerg Vontobel, the Board sets the Company’s Founding Principles. The Board makes all policy decisions on investment strategies, environmental, social and governance matters (“ESG”), asset allocations, investment risk profiles, capital increases and profit distributions to Shareholders. It also appoints the Investment Manager, to whom it provides appropriate guidance and instruction.

The Board is also responsible for reviewing the Company’s Investment Policy and the performance of its investment portfolio. In particular, the Board is required to approve all investments, which are over 4% of the Company’s Net Asset Value at the time the investment is made. Sales of investments where the Company holds 4% or greater of the total share capital of the respective portfolio company are also subject to the approval of the Board.

As a Cayman Islands incorporated fund that is admitted to trading on London’s AIM market, the Company is not required to and does not adhere to any official code of corporate governance. However, the Directors recognise the importance of sound corporate governance commensurate with the size of the Company and the interests of its Shareholders. In reflection of this strong belief, the Company has adopted a comprehensive code of ethics. The Directors also comply with AIM Rules and other relevant UK regulations, including the Market Abuse Regulation relating, inter alia, to directors’ dealings, which came into effect on July 3, 2016. Accordingly, the Company has additionally adopted a dealing policy in accordance with AIM Rule 21.

Presently, the Board consists of three non-executive Directors, all of whom are regarded by the Board as independent, including the chairperson, and are subject to re-election annually:

Mrs. Min-Hwa Hu Kupfer, Chairperson
Professor Rolf Dubs
Mr. Nguyen Quoc Khanh

The Board gives careful consideration when recommending Directors for re-election, and believes that length of service alone does not necessarily restrict Directors from seeking re-election.

The Board maintains two committees: an Audit Committee, and a Corporate Governance Committee. Both committees are made up of all three Directors who work closely on all board and committee matters.

The Audit Committee, chaired by Mr. Nguyen Quoc Khanh, is responsible for appointing the Auditors, subject to Shareholder approval, and reviewing the results of all audits. It is also responsible for establishing internal business controls and audit procedures.

The Corporate Governance Committee, chaired by Professor Rolf Dubs, is responsible for the governance of the Company and the Company's relationships with multiple constituents, including the Investment Manager and its affiliates.

Recognizing the importance of a set of sustainability principles that guides the Company and its investing, an ESG Committee was established jointly with the Investment Manager in the past year. The ESG Committee is chaired by Mr. Vu Quang Thinh, Vice Chairman and CEO of VietNam Holding Asset Management.

In the fiscal year 2016, the Board met quarterly and additionally held three telephonic meetings.

During this period the Board concluded that concentrating the trading activities of the Company’s shares in London was likely to benefit the overall trading liquidity in the shares. Following this decision, the Company ceased the secondary listing of its shares on the Entry Standard of Frankfurt Stock Exchange as of the end of September, 2015.

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During this period the Board concluded that concentrating the trading activities of the Company’s shares in London was likely to benefit the overall trading liquidity in the shares. Following this decision, the Company ceased the secondary listing of its shares on the Entry Standard of Frankfurt Stock Exchange as of the end of September, 2015.
Given the majority of the Company’s Shareholder base is located in Europe, the Board believes that it would be desirable for the Company to re-domicile from the Cayman Islands to a European jurisdiction. Having considered a number of different jurisdiction, the Directors currently believe that Luxembourg is the most appropriate jurisdiction for a re-domiciliation of the Company. A resolution will be proposed at the upcoming 2016 Annual General Meeting on 15 September, asking Shareholders to authorize the Board to continue the preparation for re-domiciling.

Concurrently with each formal meeting, the Board reviewed with the Investment Manager the status and the performance of the portfolio, including investment themes, pipelines, divestitures, industry trends and peer group performance comparisons. Following the recommendations made under the portfolio management policy of the Investment Manager, the Board approved or ratified the asset allocation limits and target position of each investment.

As part of these actions, the Board approved and monitored portfolio rebalancing activities in which the Investment Manager exited nine portfolio companies and initiated nine new investments, maintaining the number of equity holdings in the portfolio at twenty-three as of June 30, 2016. Among the exits were three investments where the Company held at least 4% of the outstanding shares of the respective portfolio companies.

The Company’s share buy-back program and share price discount control efforts were also reviewed quarterly during the Board meetings. As has been the case for several years, the Company held investor presentations in Zurich and London at which the Directors met and engaged with shareholders. The Board regularly reviewed other investor-relations activities, all coverages by brokerage research and investment analysts, and all investor communications.

The Audit Committee held four meetings in the past year in parallel with the Board meetings. In each one, the Chair of the Investment Manager’s Risk Management Committee reviewed with the Audit Committee the Master Risk Matrix. In addition, it reviewed compliance reporting and evaluated risk control issues. The Committee Chairperson worked closely with the Investment Manager and its Risk & Compliance Committee to formulate the objectives and the scope of this year’s internal audit, to be conducted in two phases. Phase One constituted a field test that focused on the risk management framework and assessment. It was carried out by Ernst & Young Vietnam Ltd in the second quarter of 2016. Phase Two, which is scheduled to take place in the second half of 2016, will address the Company’s compliance and risk management assessment.

The Corporate Governance Committee also met four times in line with the quarterly board meetings. As part of each meeting’s agenda, the Chairman of the Committee led the review with the Investment Manager as it presented its strategic plans, financial position, and organizational development activities. An evaluation of the Board’s own undertakings together with a review of the on-going projects of the Board were also held during each meeting.

A main initiative of the Committee in the last twelve months was to set the objectives and goals of the Company for the period of 2016 – 2018. Action plans relating to each goal were also established during the Committee discussions.

The Committee conducted the yearly performance review of the Investment Manager and approved the Key Performance Indicators as jointly recommended by the CEO and the Board of the Investment Manager. The Committee also oversaw the annual certification of the “VNH Code of Ethics” by all employees and Board members of both the Investment Manager and the Company.
Throughout the year, the Committee evaluated the communications between the Chairperson and the Board members, the timeliness and completeness of the Board meeting material submission, and the overall effectiveness of each Board meeting.

The ESG Committee met four times. It finalized the ESG Policy, the internal operational manual of the Investment Manager on Environmental, Social, and Governance integration, and upgraded the tools for ESG screening, analysis and risk management. The Committee also embarked on a project with the South Pole Group of Switzerland to assess the carbon footprint of the Company's portfolio.

In each meeting, the Committee held a comprehensive quarterly de-brief of the most recent engagement visits with the portfolio companies that were undertaken by the Directors and the Board members of the Investment Manager. A review of all ESG activities during the quarter that were pertinent to the portfolio companies was also a part of each committee meeting.

Remuneration
The remuneration of each of the Company's Directors contains two parts:

1. Base Fee
2. Committee and Board related service, including attendance of Committee and Board meetings, based on the number of days worked.

In 2016, the Company's Directors' Base Fees were:

Mrs. Min-Hwa Hu Kupfer USD 60,000
Professor Rolf Dubs USD 50,000
Mr. Nguyen Quoc Khanh USD 50,000

These Base Fees represent an increase of USD 30,000 each to Professor Dubs and Mr. Nguyen Quoc Khanh and USD 32,000 to Mrs. Min-Hwa Hu Kupfer. For attendance in person at each Committee and Board meeting, which took place quarterly, each Director was paid USD 1,500 per day. For attending any Committee or Board meeting held telephonically, each Director was paid USD 750 per meeting. Each Director was also compensated USD 1,500 for each day of service related to Committee and Board initiatives.

The total remuneration of the Company's Directors in FY2015-16 as the result of meeting attendance and Committee work was USD 261,000 as follows:

Mrs. Min-Hwa Hu Kupfer Chairperson USD 83,750
Professor Rolf Dubs Director & Chair of Corp. Governance Committee USD 82,250
Mr. Nguyen Quoc Khanh Director & Chair of Audit Committee USD 65,000

In addition, Mrs. Kupfer was awarded a USD 30,000 discretionary bonus as the Board recognized her contribution to the Company during the prior fiscal year, which ended on 30 June 2015.

Ownership of VietNam Holdings

<table>
<thead>
<tr>
<th></th>
<th>as of 30 June 2015</th>
<th>as of 30 June 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mrs. Min-Hwa Hu Kupfer</td>
<td>36,667 Shares</td>
<td>36,667 Shares</td>
</tr>
<tr>
<td>Professor Rolf Dubs</td>
<td>30,000 Shares</td>
<td>35,152 Shares</td>
</tr>
<tr>
<td>Mr. Nguyen Quoc Khanh</td>
<td>10,000 Shares</td>
<td>15,468 Shares</td>
</tr>
</tbody>
</table>

On behalf of the Board of Directors:

Min-Hwa Hu Kupfer
Chairperson
18 August 2016
Independent Auditors’ Report

To the Shareholders of
VietNam Holding Limited
c/o Collas Crill Corporate Services Limited
Floor 2, Willow House
Cricket Square
PO Box 709
George Town, Grand Cayman
Cayman Islands, KY1-1107

Report on the financial statements
We have audited the accompanying financial statements of VietNam Holding Limited (the Company), which comprise the statement of financial position as at 30 June 2016, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 23 to 38.

Management’s responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2016 and the financial performance, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

KPMG LLP
Public Accountants and Chartered Accountants
Singapore
18 August 2016
Statement of Financial Position  
as at 30 June 2016

The financial statements on pages 23 to 38 were approved by the Board of Directors on 18 August 2016 and were signed on its behalf by

Min-Hwa Hu Kupfer  
Chairperson of the Board of Directors

Nguyen Quoc Khanh  
Chairman of the Audit Committee

<table>
<thead>
<tr>
<th>Assets</th>
<th>2016 USD</th>
<th>2015 USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>5,281,215</td>
<td>4,146,270</td>
</tr>
<tr>
<td>Investments in securities at fair value</td>
<td>143,591,112</td>
<td>120,754,647</td>
</tr>
<tr>
<td>Accrued dividends</td>
<td>832,445</td>
<td>500,219</td>
</tr>
<tr>
<td>Receivables on sale of investments</td>
<td>3,055,954</td>
<td>620,123</td>
</tr>
<tr>
<td>Other receivables</td>
<td>24,840</td>
<td>2,123</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>152,585,566</strong></td>
<td><strong>126,023,382</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Equity</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>105,477,448</td>
<td>114,375,064</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>41,398,421</td>
<td>9,984,471</td>
</tr>
<tr>
<td><strong>Total equity, representing net assets attributable to shareholders</strong></td>
<td><strong>146,875,869</strong></td>
<td><strong>124,359,535</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>2016 USD</th>
<th>2015 USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payables on purchase of investments</td>
<td>1,124,964</td>
<td>955,420</td>
</tr>
<tr>
<td>Other payables</td>
<td>137</td>
<td>144</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>4,584,596</td>
<td>708,283</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>5,709,697</strong></td>
<td><strong>1,663,847</strong></td>
</tr>
</tbody>
</table>

| **Total equity and liabilities**            | **152,585,566**| **126,023,382**|

The accompanying notes form an integral part of these financial statements.
## Statement of Comprehensive Income

for the year ended 30 June 2016

<table>
<thead>
<tr>
<th>Note</th>
<th>2016 USD</th>
<th>2015 USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend income from equity securities at fair value through profit or loss</td>
<td>4,247,751</td>
<td>4,070,467</td>
</tr>
<tr>
<td>Net gain from investments in securities at fair value through profit or loss</td>
<td>35,428,336</td>
<td>9,990,217</td>
</tr>
<tr>
<td>Net foreign exchange loss</td>
<td>(44,734)</td>
<td>(125,693)</td>
</tr>
<tr>
<td>Interest income from investments in securities</td>
<td>76,657</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net investment income</strong></td>
<td><strong>39,708,010</strong></td>
<td><strong>13,934,991</strong></td>
</tr>
<tr>
<td>Investment management fees</td>
<td>2,460,388</td>
<td>2,444,321</td>
</tr>
<tr>
<td>Incentive fees</td>
<td>4,542,553</td>
<td>580,890</td>
</tr>
<tr>
<td>Advisory fees</td>
<td>143,345</td>
<td>185,162</td>
</tr>
<tr>
<td>Administrative and accounting fees</td>
<td>95,073</td>
<td>93,032</td>
</tr>
<tr>
<td>Custodian fees</td>
<td>122,024</td>
<td>141,333</td>
</tr>
<tr>
<td>Directors’ fees and expenses</td>
<td>376,336</td>
<td>317,586</td>
</tr>
<tr>
<td>Brokerage fees</td>
<td>67,734</td>
<td>71,822</td>
</tr>
<tr>
<td>Audit fees</td>
<td>40,580</td>
<td>36,457</td>
</tr>
<tr>
<td>Publicity and investor relations fees</td>
<td>103,772</td>
<td>160,510</td>
</tr>
<tr>
<td>Insurance costs</td>
<td>15,500</td>
<td>15,500</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>206,643</td>
<td>199,860</td>
</tr>
<tr>
<td>Risk management expenses</td>
<td>45,884</td>
<td>67,626</td>
</tr>
<tr>
<td>Technical assistance for investee companies</td>
<td>74,228</td>
<td>28,783</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td><strong>8,294,060</strong></td>
<td><strong>4,342,882</strong></td>
</tr>
<tr>
<td>Change in net assets attributable to shareholders</td>
<td><strong>31,413,950</strong></td>
<td><strong>9,592,109</strong></td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>0.55</td>
<td>0.16</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>0.53</td>
<td>0.16</td>
</tr>
</tbody>
</table>

The accompanying notes form an integral part of these financial statements.
Statement of Changes in Equity
for the year ended 30 June 2016

<table>
<thead>
<tr>
<th>Share capital USD</th>
<th>Reserve for own shares USD</th>
<th>Retained earnings USD</th>
<th>Total USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1 July 2014</td>
<td>126,127,956</td>
<td>(6,033,625)</td>
<td>392,362</td>
</tr>
</tbody>
</table>

Total comprehensive income for the year
Change in net assets attributable to shareholders
Total comprehensive income

Contributions and distributions
Issuance of ordinary shares | 95,445 | – | – | 95,445 |
Shares cancellation | (292,655) | 292,655 | – | – |
Repurchase of own shares (note 5) | – | (5,672,230) | – | (5,672,230) |
Warrants issuance cost | (142,482) | – | – | (142,482) |
Total contributions and distributions | (339,692) | (5,379,575) | – | (5,719,267) |
Balance at 30 June 2015 | 125,788,264 | (11,413,200) | 9,984,471 | 124,359,535 |
Balance at 1 July 2015 | 125,788,264 | (11,413,200) | 9,984,471 | 124,359,535 |

Total comprehensive income for the year
Change in net assets attributable to shareholders
Total comprehensive income

Contributions and distributions
Issuance of ordinary shares | 129,871 | – | – | 129,871 |
Repurchase of own shares (note 5) | – | (8,630,599) | – | (8,630,599) |
Warrants issuance cost | (396,888) | – | – | (396,888) |
Total contributions and distributions | (267,017) | (8,630,599) | – | (8,897,616) |
Balance at 30 June 2016 | 125,521,247 | (20,043,799) | 41,598,421 | 146,875,869 |

The accompanying notes form an integral part of these financial statements.
**Statement of Cash Flows**
for the year ended 30 June 2016

<table>
<thead>
<tr>
<th>Cash flows from operating activities</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets attributable to shareholders</td>
<td>31,413,950</td>
<td>9,592,109</td>
</tr>
<tr>
<td>Dividend income</td>
<td>4,247,751</td>
<td>4,070,467</td>
</tr>
<tr>
<td>Interest income</td>
<td>76,657</td>
<td>–</td>
</tr>
<tr>
<td>Net gain from investments at fair value through profit or loss</td>
<td>35,428,336</td>
<td>9,990,217</td>
</tr>
<tr>
<td>Purchase of investments</td>
<td>47,964,534</td>
<td>52,747,130</td>
</tr>
<tr>
<td>Proceeds from sale of investments</td>
<td>60,925,949</td>
<td>60,858,987</td>
</tr>
<tr>
<td>Net foreign exchange loss</td>
<td>44,734</td>
<td>125,693</td>
</tr>
<tr>
<td>(Increase)/decrease in receivables on sale of investments</td>
<td>2,435,831</td>
<td>70,813</td>
</tr>
<tr>
<td>Increase/(decrease) in accrued expenses</td>
<td>4,006,184</td>
<td>(409,130)</td>
</tr>
<tr>
<td>(Decrease)/increase in other payables</td>
<td>(7)</td>
<td>144</td>
</tr>
<tr>
<td>Dividends received</td>
<td>3,915,525</td>
<td>4,196,059</td>
</tr>
<tr>
<td>Interest received</td>
<td>53,973</td>
<td>–</td>
</tr>
<tr>
<td><strong>Net cash from operating activities</strong></td>
<td>10,207,199</td>
<td>7,626,861</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flows from financing activities</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Repurchase of own shares</td>
<td>8,630,599</td>
<td>5,672,230</td>
</tr>
<tr>
<td>Warrants issuance cost</td>
<td>(396,888)</td>
<td>(142,482)</td>
</tr>
<tr>
<td><strong>Net cash used in financing activities</strong></td>
<td>(9,027,487)</td>
<td>(5,814,712)</td>
</tr>
</tbody>
</table>

| Net increase in cash and cash equivalents                     | 1,179,712 | 1,812,149 |
| Cash and cash equivalents at beginning of the year            | 4,146,270 | 2,459,814 |
| Effect of exchange rate fluctuations on cash held             | (44,767)  | (125,693) |
| **Cash and cash equivalents at end of the year**              | 5,281,215 | 4,146,270 |

The accompanying notes form an integral part of these financial statements.
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 Collas Crill Corporate Services Limited, Floor 2, Willow House, Cricket Square, PO Box 709, George Town, Grand Cayman, Cayman Islands, KY1-1107.

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 as well. 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.
2  **PRINCIPAL ACCOUNTING POLICIES (continued)**

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 are measured at amortised cost.

Financial liabilities that are not at fair value through profit or loss include accrued expenses.

(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.

As at 30 June 2016, nil% (2015: 3.1%) of the valuations of the net assets of the Company were based on quotes obtained from brokers, while 1.3% (2015: nil%) of the valuations of the net assets of the Company were based on valuation techniques.

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 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.
2 PRINCIPAL ACCOUNTING POLICIES (continued)

(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.

(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% (2015: 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 quoted equity securities, this is usually the ex-dividend date. For unquoted 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 predominately 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:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Fair Value in USD</th>
<th>% of Net Assets</th>
<th>Fair Value in USD</th>
<th>% of Net Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in listed securities</td>
<td>141,479,379</td>
<td>96.3%</td>
<td>116,850,605</td>
<td>94.0%</td>
</tr>
<tr>
<td>Investments in unlisted securities</td>
<td>1,911,733</td>
<td>1.3%</td>
<td>3,904,042</td>
<td>3.1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>143,391,112</strong></td>
<td><strong>97.6%</strong></td>
<td><strong>120,754,647</strong></td>
<td><strong>97.1%</strong></td>
</tr>
</tbody>
</table>

At 30 June 2016, a 5% reduction in the market value of the portfolio would have led to a reduction in NAV and profit or loss of USD7,169,556 (2015: USD6,037,732). A 5% increase in market value would have led to an equal and opposite effect on NAV and profit or loss.
3 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

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 2016, the Company had the following foreign currency exposures:

<table>
<thead>
<tr>
<th>Currency</th>
<th>Fair value 2016 USD</th>
<th>Fair value 2015 USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vietnamese Dong</td>
<td>149,607,240</td>
<td>122,940,708</td>
</tr>
<tr>
<td>Pound Sterling</td>
<td>748</td>
<td>24,575</td>
</tr>
<tr>
<td>Swiss Franc</td>
<td>-</td>
<td>26,470</td>
</tr>
<tr>
<td>Euro</td>
<td>2,319</td>
<td>14,469</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>149,610,307</strong></td>
<td><strong>123,006,222</strong></td>
</tr>
</tbody>
</table>

At 30 June 2016, 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 USD7,480,362 (2015: USD6,147,035), USD37 (2015: USD1,229), USDnil
(2015: US1,324) and USD116 (2015: USD723) 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 2016, the following financial assets were exposed to credit risk (including settlement risk): cash and cash equivalents,
investments in unlisted securities, accrued dividends, receivables on sale of investments and other receivables. The total amount
of financial assets exposed to credit risk amounted to USD11,106,187 (2015: USD5,268,735).

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.
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.

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 2016 and 30 June 2015. All of the Company's investment income can be attributed to Vietnam for the years ended 30 June 2016 and 30 June 2015.

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.

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 and 2015.

<table>
<thead>
<tr>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of shares</td>
<td>No. of shares</td>
</tr>
<tr>
<td>Total shares issued and fully paid (after repurchases and cancellations) at beginning of the year</td>
<td>67,235,739</td>
</tr>
<tr>
<td>Shares issued upon exercise of warrants during the period</td>
<td>35,927</td>
</tr>
<tr>
<td>Shares cancellation</td>
<td>(1,929,046)</td>
</tr>
<tr>
<td>Repurchased and reserved for own shares</td>
<td>65,342,620</td>
</tr>
<tr>
<td>At beginning of the year</td>
<td>(7,819,500)</td>
</tr>
<tr>
<td>During the year</td>
<td>(4,629,554)</td>
</tr>
<tr>
<td>Shares reissued to ordinary shares</td>
<td>32,335</td>
</tr>
<tr>
<td>Shares cancellation</td>
<td>1,929,046</td>
</tr>
<tr>
<td>(10,487,673)</td>
<td>(7,819,500)</td>
</tr>
<tr>
<td>Total outstanding ordinary shares with voting rights</td>
<td>54,854,947</td>
</tr>
</tbody>
</table>

As a result, as at 30 June 2016 the Company has 54,854,947 (2015: 59,416,239) ordinary shares with voting rights in issue (excluding the reserve for own shares), and 10,487,673 (2015: 7,819,500) are held as reserve for own shares.

The Company does not have any externally imposed capital requirements.
5 SHARE CAPITAL (continued)

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.

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 will be on 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 2016, 19,941,819 (2015: 19,977,746) warrants are outstanding. During the year, there was an exercise of 35,927 (2015: none) warrants to subscribe for 35,927 ordinary shares at a price of USD1.998 per ordinary share.

Although there can be no certainty as to whether all of the warrants will be exercised, if the bonus issue proceeds and all of the warrants are exercised on the exercise dates at the exercise price, the maximum net proceeds that could arise on such exercise would be approximately USD39.92 million. 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 USD146,875,869 (2015: USD124,359,535) 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 (2015: none).

7 NET GAIN FROM EQUITY SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net gain from equity securities at fair value through profit or loss:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realised gain</td>
<td>2,625,360</td>
<td>16,802,070</td>
</tr>
<tr>
<td>Adjustment to fair value of equity securities at fair value through profit or loss</td>
<td>31,802,976</td>
<td>(6,811,853)</td>
</tr>
<tr>
<td></td>
<td>35,428,336</td>
<td>9,990,217</td>
</tr>
</tbody>
</table>

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 2016 was USD2,460,388 (2015: USD2,444,321).
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:

\[ \text{Excess Performance amount} = (A - B) \times C \]

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

<table>
<thead>
<tr>
<th>Performance fee</th>
<th>2016 USD</th>
<th>2015 USD</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4,342,553</td>
<td>580,890</td>
</tr>
</tbody>
</table>

Directors’ fees and expenses
The Board determines the fees payable to each Director, subject to a maximum aggregate amount of 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 USD261,000 (2015: USD224,500) and expenses were USD115,336 (2015: USD93,086).

Directors’ ownership of shares and warrants
As at 30 June 2016, three Directors, Min-Hwa Hu Kupfer, Nguyen Quoc Khanh and Rolf Dubs held 36,667 (2015: 36,667), 13,468 (2015: 10,000) and 35,152 (2015: 30,000) ordinary shares of the Company respectively, representing 0.06% (2015: 0.06%), 0.02% (2015: 0.02%) and 0.06% (2015: 0.05%) of the total shares outstanding.

During the year, Min-Hwa Hu Kupfer, Nguyen Quoc Khanh and Rolf Dubs exercised nil (2015: nil), 3,333 (2015: nil) and 10,000 (2015: nil) warrants to subscribe ordinary shares, amounting to 13,333 (2015: nil) and 0.07% (2015: nil) of the total warrants issued respectively.

9 Custodian fees
Custodian fees are charged at a minimum of 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 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 USD122,024 (2015: USD141,333).

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 USD3,500 per month.

The charges for the year for the Administration and Accounting fees were USD95,073 (2015: USD 93,032).
Notes to the Financial Statements
Year ended 30 June 2016

11 CONTROLLING PARTY
The Directors are not aware of any ultimate controlling party as at 30 June 2016 or 30 June 2015.

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.

<table>
<thead>
<tr>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD</td>
<td>USD</td>
<td>USD</td>
<td>USD</td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets classified at fair value upon initial recognition</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity investments</td>
<td>126,523,082</td>
<td>14,956,297</td>
<td>1,911,733</td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets classified at fair value upon initial recognition</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity investments</td>
<td>116,337,749</td>
<td>4,416,898</td>
<td>-</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Investment type</th>
<th>Valuation technique</th>
<th>Significant unobservable inputs</th>
<th>Inter-relationship between key unobservable inputs and fair value measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convertible bond</td>
<td>• Discounted cash flows (in valuing the straight bond); and • Black-Scholes model (in valuing the conversion feature)</td>
<td>• Risk-adjusted discount rate (2016: 9.5%; 2015: nil); • Dividend yield (2016: 5.91%; 2015: nil)</td>
<td>The estimated fair value will increase (decrease) if: • the risk-adjusted discount rate was lower (higher); • the dividend yield was lower (higher)</td>
</tr>
</tbody>
</table>

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. Management considers that any reasonably possible changes to the unobservable input will not result in a significant financial impact.

**Level 3 reconciliation**

<table>
<thead>
<tr>
<th>Financial assets designated at fair value through profit or loss</th>
<th>2016 USD</th>
<th>2015 USD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at 1 July</strong></td>
<td>–</td>
<td>1,394,749</td>
</tr>
<tr>
<td><strong>Purchases</strong></td>
<td>1,790,510</td>
<td>–</td>
</tr>
<tr>
<td><strong>Transfers to level 1</strong></td>
<td>–</td>
<td>(1,394,749)</td>
</tr>
<tr>
<td><strong>Total gains and losses recognised in profit or loss</strong> *</td>
<td>121,223</td>
<td>–</td>
</tr>
<tr>
<td><strong>Balance at 30 June</strong></td>
<td>1,911,733</td>
<td>–</td>
</tr>
</tbody>
</table>

* 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 AND FAIR VALUES 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.

<table>
<thead>
<tr>
<th>Note</th>
<th>Fair value through profit or loss USD</th>
<th>Loans and receivables USD</th>
<th>Other liabilities USD</th>
<th>Total carrying amount USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>–</td>
<td>5,281,215</td>
<td>–</td>
<td>5,281,215</td>
</tr>
<tr>
<td>Investments in securities at fair value</td>
<td>5</td>
<td>143,391,112</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Accrued dividends</td>
<td>–</td>
<td>832,445</td>
<td>–</td>
<td>832,445</td>
</tr>
<tr>
<td>Receivables from sale of investments</td>
<td>–</td>
<td>3,055,954</td>
<td>–</td>
<td>3,055,954</td>
</tr>
<tr>
<td>Other receivable</td>
<td>–</td>
<td>24,840</td>
<td>–</td>
<td>24,840</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>143,391,112</td>
<td>9,194,454</td>
<td>–</td>
<td>152,585,566</td>
</tr>
<tr>
<td>Payables on purchase of investments</td>
<td>–</td>
<td>–</td>
<td>1,124,964</td>
<td>1,124,964</td>
</tr>
<tr>
<td>Other payable</td>
<td>–</td>
<td>–</td>
<td>137</td>
<td>137</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>–</td>
<td>–</td>
<td>4,584,596</td>
<td>4,584,596</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>–</td>
<td>–</td>
<td>5,709,697</td>
<td>5,709,697</td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>–</td>
<td>4,146,270</td>
<td>–</td>
<td>4,146,270</td>
</tr>
<tr>
<td>Investments in securities at fair value</td>
<td>3</td>
<td>120,754,647</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Accrued dividends</td>
<td>–</td>
<td>500,219</td>
<td>–</td>
<td>500,219</td>
</tr>
<tr>
<td>Receivables from sale of investments</td>
<td>–</td>
<td>620,123</td>
<td>–</td>
<td>620,123</td>
</tr>
<tr>
<td>Other receivable</td>
<td>–</td>
<td>2,123</td>
<td>–</td>
<td>2,123</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>120,754,647</td>
<td>5,268,735</td>
<td>–</td>
<td>126,023,382</td>
</tr>
<tr>
<td>Payables on purchase of investments</td>
<td>–</td>
<td>–</td>
<td>955,420</td>
<td>955,420</td>
</tr>
<tr>
<td>Other payable</td>
<td>–</td>
<td>–</td>
<td>144</td>
<td>144</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>–</td>
<td>–</td>
<td>708,283</td>
<td>708,283</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>–</td>
<td>–</td>
<td>1,663,847</td>
<td>1,663,847</td>
</tr>
</tbody>
</table>
14 EARNINGS PER SHARE
The calculation of basic earnings per share at 30 June 2016 was based on the change in net assets attributable to ordinary shareholders of USD 31,413,950 (2015: USD 9,592,109) and the weighted average number of shares outstanding of 57,315,656 (2015: 60,782,065). The calculation of diluted earnings per share at 30 June 2016 was based on the change in net assets attributable to ordinary shareholders of USD 31,413,950 (2015: USD 9,592,109) and the diluted weighted average number of shares outstanding of 59,095,991 (2015: 60,782,065). As at 30 June 2015, 19,977,746 warrants were excluded from diluted weighted average number of shares calculation as their effect would have been anti-dilutive.

15 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2015, and have not been applied in preparing these financial statements. Those that may be relevant to the Company are set out below. The Company is currently assessing the potential impact of adopting these new standards and interpretations on the financial statements of the Company. The Company does not plan to adopt these standards early.

• IFRS 9 replaces most of the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. IFRS 9 is mandatory for adoption by the Company on 1 January 2018.
Key Parties

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Nguyen Quoc Khanh

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VietNam Holding became a signatory of the UN Principles for Responsible Investment (PRI) in 2009. Our investment practices and corporate behavior incorporate environmental, social and corporate governance issues. We promote the principles in our markets and align the fund’s goals with the broader objectives of sustainable progress.
VietNam Holding Ltd

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