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**Company** [VietNam Holding Ltd](#)  
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**VietNam Holdings Limited  
("VNH" or "the Company")**

**Final Results  
For the Year Ended 30 June 2008**

VietNam Holding Limited (AIM : VNH), is an investment company with a diversified, value-based portfolio of Vietnamese companies and is pleased to announce its results for the year ended 30 June 2008.

**Highlights:**

**Net Asset Value**

- Outperformed VNI (Vietnam Index) by 16.5%
- NAV at 30 June 2008 - US\$1.231
- Current NAV as at 31 July 2008 - US\$1.337

**Portfolio**

- Percentage of net asset value invested in equities increased from 45% to 80%
- Investment portfolio now diversified over 14 different industries

**VNI & Vietnamese Economy**

- Stock market correction - 61% drop in year to June 2008 - following record level of foreign investment and record high inflation (reported at 26.8% year on year)
- Average P/E of 10.7 in June 2008 decreased from 39.9 in October 2007

## **Outlook**

- Privatization pipeline remains strong
- Regularization of market prices and PE ratios creating attractive buying opportunity

## **Min-Hwa Hu Kupfer, Chairperson of VNH, commented:**

"The Vietnam market continues to present opportunities for strategic long-term investors in value-based portfolios with foreign investors remaining substantial net buyers of equity at more realistic valuations. VNH recognizes the strengths underlying the Vietnamese economy and we continue our efforts to build and enhance our diversified portfolio. "

## **Juerg Vontobel, Chairman, Vietnam Holding Asset Management, added :**

"As the new fiscal year unfolds, the portfolio's value continues to benefit from a rising market and a well diversified stable of securities with both a solid foundation and strong prospects for the future."

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## **Directors' Report**

Since June 2007, Vietnam's economy has experienced some of its most significant changes in several years. The Consumer Price Index at June 2008, a common indicator of inflation, rose 27% compared to a year earlier. As a result, the Vietnamese government stepped up measures to contain imports, tighten the money supply and to curtail fiscal spending. An improved trade balance in June 2008, helped by declining imports, showed the initial effects of the government's programs at work. Moreover, the GDP growth projection for 2008 has been lowered from 8% to 7% as the government stays the course, taking measures to stabilize and slow the economy in order to control inflation.

Facing a variety of challenging economic conditions, the Vietnam Index suffered a 61% drop in the year ending 30 June 2008, having dipped to as low as 366 points earlier that month. Foreign investors, while cautiously weathering the downward spiral of the VNI, have remained substantial net buyers of shares. Companies that have sustained healthy core earnings and growth prospects were able to attract foreign buyers as their Price/Earnings ratios reached more competitive levels.

The difficult economic environment of Vietnam, coupled with a depressed local stock market during FY 2008, contributed to the decline of VietNam Holding's Net Asset Value from USD 124.8 million a year earlier to USD 69.2 million at 30 June 2008. The percentage of our net asset value invested in equities, however, increased from 45% to 80% during the same 12 month period.

Despite a slow down in the economy in 2008, Vietnam's long term growth potential is poised to exceed that of its neighboring peers with the sole exception of China. However, Vietnam has been able to outperform China in the area of local labor cost. This competitive advantage may have partially accounted

for the country's record level of Foreign Direct Investment ("FDI") at June 2008. It is even more encouraging to note that FDI directed to higher value-added industries has continued to increase.

Cautious optimism characterizes the outlook for the rest of the year. The inflation fever has broken as the monthly increase in the CPI has begun to slow. Deterioration in the foreign exchange rate has been arrested and the trade deficit, while substantial, has been reduced. Moreover, with rice prices starting to soften, headline inflation may improve beyond expectations.

On the other hand, the effects of monetary policy tightening are expected to impact the third quarter, and may result in lower posted earnings due to higher interest rates, higher production costs for labor and materials, as well as slowing sales. Banks' balance sheets are yet another barometer to watch as the convergence of fiscal and monetary policies may lead to a rise in non-performing loans. Nevertheless, as several significant corrective measures have been taken, the market continues to look ahead for clearer signs of much anticipated improvement.

The fundamentals of Vietnam's economy have been the drivers for many members of the international investor community who recognize the strengths and stability underlying the economy. Notwithstanding the recent turbulence, the Vietnam market continues to present opportunities for strategic long-term investors in value based investment portfolios. VietNam Holding continues its efforts to structure and enhance such a portfolio.

Min Hwa Hu Kupfer  
Chairperson, Vietnam Holding

### **Investment Manager's Report**

It has been a year of challenge and opportunities in a difficult and declining market. Expectations that a largely overvalued securities market was destined for correction were met with greater speed and impact than foreseen by the most keen market observers. Throughout these changes, your fund manager maintained its long term, value added strategy in building a promising portfolio in well selected sectors at increasingly attractive prices, while outperforming the indexed market.

In addition to market correction and uncertainty, the investment arena in Vietnam was increasingly characterized by the difficult by-products of a quickly growing and rapidly changing economy. The most significant of these continue to be inflation and a currency under pressure. Both have greatly affected market sentiment and market values. The inflationary pressures resulted in a policy of drastic tightening of liquidity, which in turn forced many institutional investors to reduce their market exposure. Small investors, many of whom were first time market entrants, were squeezed by price declines and margin calls. Concern about devaluation made foreign investors reluctant to increase their exposure to the Vietnamese equity market. Forced selling exacerbated an already oversold market and the inevitable decline hit investors both large and small. The pressures of excessively high inflation fueled both a reduction in available funds for much of the investor population, and a decline in the value of the Vietnamese Dong. These factors continue to cast a shadow over the market, which nevertheless offers the potential for increasing medium and long-term reward for the careful and patient investor.

Against this back-drop, your investment manager has maintained a steady focus on the strategy upon which VNH was founded. We remained faithful to our top-down analysis, and focused on industries that will continue to benefit from a fast growing economy. In fact, we remain convinced that the economy has lost none of its core strengths. In each of the chosen sectors of agro-business, construction and materials, oil and gas, and consumer products, we have added and increased our holdings in core portfolio companies with proven competitive strength and promise. And we have done so at increasingly attractive prices, which reflect more reasonable and sustainable P/E ratios.

At the same time, we have reduced our exposure in those companies that no longer offer the same value expectation. In particular, we have decreased our investments in several companies which did not keep their promise of focusing on their areas of core competencies. VNH has been an early and consistent critic of the trend of expansion into the real estate and financial markets. As a result we have strengthened a well

diversified portfolio focused on companies that will benefit from the inevitable growth of Vietnam's rapidly developing economy, with the welcome promise of increased shareholder value.

A significant positive result of the price corrections of the last fiscal year has been a much needed downward adjustment of market Price/Earnings ratios. Previously, these ratios were well in excess of those in nearly every other world market. As shown in the chart below, regionally only China's valuations were higher during the height of Vietnam's market in October last year. Since the price corrections, Vietnam once more represents an increasingly attractive investment market.

The pressures on an investment manager are greatest in a year of rapidly declining market prices and portfolio values. The best result that careful market timing and stock selection can generate is an overall performance that is better than that of the market benchmarks

We are pleased to report that in a challenging fiscal year, our equity portfolio - excluding liquidity reserves - has succeeded in outperforming both the VNI and the Hanoi Securities Trading Center (HaSTC) Index by 12.8% and 12.2% respectively:

The market value of VNH's total investments in Ho Chi Minh City Stock Exchange (HOSE) listed securities were USD 30.64 million, or 56.0% of the Company's equity portfolio. The market value of VNH's investments in Over-the-counter (OTC) traded securities were USD 20.26 million, representing 37.0% of the equity portfolio. In only the smallest part of our portfolio, the Hanoi listed equities, did we show an under-performance. A total market value of USD 3.83 million, or 7.0% of the portfolio was listed in Hanoi.

The overall results, while well below our expectations of a year ago, reflect a successful performance in the reality of the market on which we focus. As the new fiscal year unfolds, the portfolio's value continues to benefit from a rising market and a well diversified stable of securities with both a solid foundation and strong prospects for the future.

As part of our portfolio development efforts, we have made personal visits to each of our core investment companies, several on more than one occasion. The purpose of these visits is to build a mutually beneficial relationship with companies of whose long-term growth and value prospects we are convinced, and to whose success we are dedicated. Each of our analysts has designated responsibility for selected industries and investee companies, and our knowledge base and the help we offer the companies as committed partners, continue to grow.

In order to be fully prepared to capitalize on a corrected equity market poised for growth, we maintain our efforts to build a high-quality, efficient and well managed team of professionals in Vietnam and Zurich. Our most significant new staff addition this year was Vinnie James Yu, who joined us in January as Managing Director. Mr. Yu brings us a wealth of talent and experience acquired during a twenty-five year career in financial services and fund management with some of the world's most well known companies. These have included the former First National Bank of Chicago, and Lehman Brothers, as well as the Philippine government industrial holding company, the National Development Company. Mr. Yu also served as the Chairman of the Philippines' Privatization Committee. Mr. Yu is now well established in our new offices in Hanoi and has successfully guided the company through a difficult period. Other important additions to our team include Vuong Van Anh our Chief Financial Officer, and Do Le Thu Ngoc, Chief Economist. We are also happy to have welcomed Celinda (Cindy) Mullins as Manager in our Zurich office.

The VietNam Holding organization was very pleased that Dr. Le Thi Bang Tam accepted a nomination as a member of our Advisory council. We were privileged to appoint Dr. Tam, the former Chairperson of the State Capital Investment Corporation and Vice-Minister of Finance of Vietnam, to the Council in April of this year.

We believe that our value-based investment strategy will continue to serve us well in the future. Today, more than at any time since VNH was launched, we see very attractive values in a market in which many companies are producing both sound earnings growth and continuing earnings quality.

One of the major challenges in the market continues to be the practice of good Corporate Governance. We will therefore carry on efforts with our investee companies to improve their internal governance standards. We will also extend the VietNam Holding Forum events, focusing on specific corporate governance topics and sound practices.

Our Company and your fund have experienced the inevitable good times and bad during two years of dramatic change and development in Vietnam's capital markets. We have learned in the process, and look forward to demonstrating the value of our expanded capabilities and strengthened portfolio in the months and years ahead.

Juerg Vontobel  
Chairman  
Vietnam Holding Asset Management Ltd.

### Balance Sheet as at 30 June 2008

		As at 30.06.08	As at 30.06.07
	Note	USD	USD
<b>Assets</b>			
Cash and cash equivalents	2	14,329,694	51,396,716
Receivables from reverse repurchase agreements	2	-	5,242,209
Investments in securities at fair value	2,3	54,735,131	70,353,957
Accrued interest on bonds and dividends due		-	414,973
Accrued interest on deposits		-	167,517
Amounts due from brokers		-	299,766
Other assets		105,000	-
<b>Total assets</b>		<b>69,169,825</b>	<b>127,875,138</b>
<b>Liabilities</b>			
Accrued expenses		535,648	3,118,811
<b>Total liabilities</b>		<b>535,648</b>	<b>3,118,811</b>
<b>Net assets attributable to shareholders (bid-market prices)</b>		<b>68,634,177</b>	<b>124,756,327</b>
Represented by:			
- Net assets attributable to shareholders (last traded prices)		69,231,745	124,756,327
- Adjustment from last traded prices to bid - market prices		(597,568)	-

The net asset value per share based on last traded prices was USD 1.231 as at June 30, 2008 (June 30, 2007: USD 2.218) as per the prospectus and the net asset value per share based on bid-market prices, as per IFRS, was USD 1.220 as at June 30, 2008. This is based on 56,250,000 shares outstanding.

**Income statement for the year ended June 30, 2008**

		Year ended 30.06.08	Year ended 30.06.07
	Notes	USD	USD
<b>Income</b>			
Interest income	5	1,444,311	5,135,846
Dividend income from equity securities designated at fair value through profit or loss		1,424,548	262,274
Realised gain on investments		678,821	4,862,383
Net foreign exchange loss	2	(177,391)	(48,739)
Movement in unrealised gain on investments	2	(54,946,791)	13,167,622
<b>Net investment income</b>		<b>(51,576,502)</b>	<b>23,379,386</b>
<b>Expenses</b>			
Investment Management fee	6	2,349,957	2,318,008
Performance fee	6	-	2,849,276
Advisory fees		122,804	122,603
Accounting fees	8	110,626	117,022
Custodian fee	7	198,184	303,935
Director fees and expenses	6	488,208	357,052
Brokerage fees		15,284	40,969
Audit fees		89,730	60,106
Investor relations expenses		413,766	-
Insurance fees		42,500	137,269
Administration expenses		191,080	171,134
Risk management expenses		357,349	218,775
Technical assistance for investee companies		166,160	-
<b>Total operating expenses</b>		<b>4,545,648</b>	<b>6,696,149</b>
<b>Change in net assets attributable to shareholders</b>		<b>(56,122,150)</b>	<b>16,683,237</b>
Earnings per share	11	(1.00)	0.30

Statement of changes in net assets attributable to shareholders for the year ended June 30, 2008

Year ended 30.06.08	Year ended 30.06.07
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	Notes	USD	USD
<b>Net assets at the beginning of the year</b>		124,756,327	108,073,090
Change in net assets attributable to shareholders as a result of operations		(56,122,150)	16,683,237
Issue of shares during the year	4	-	-
		<hr/>	<hr/>
<b>Net assets at the end of the year</b>		<b>68,634,177</b>	<b>124,756,327</b>

Statement of cash flows for the year ended June 30, 2008

	Year ended 30.06.08	Year ended 30.06.07
	USD	USD
<b>Cash flows from operating activities</b>		
(Decrease)/increase in net assets attributable to shareholders	(56,122,150)	16,683,237
Adjustments for:		
Interest income	(1,444,311)	(5,135,846)
Dividend income	(1,424,548)	(262,274)
Net realised gain on investments	(678,821)	(4,862,383)
Net unrealised loss/(gain) on debt and equity instruments	54,946,791	(13,167,622)
Unrealised foreign currency loss	153,679	14,247
	<u>(4,569,360)</u>	<u>(6,730,641)</u>
Net decrease/(increase) in amounts due from brokers	299,766	(299,766)
Net decrease/(increase) in other receivables and payables	3,136,536	(2,732,045)
Cash used in operations	<u>(1,133,058)</u>	<u>(9,762,452)</u>
Interest received	1,444,311	5,135,846
Dividends received	1,424,548	262,274
<b>Net cash from /(used in) operating activities</b>	<u>1,735,801</u>	<u>(4,364,332)</u>
<b>Cash flows from investing activities</b>		
Purchase of investments	(80,108,575)	(76,091,823)
Proceeds from sale of investments	41,459,431	23,767,871

<b>Net cash used in investing activities</b>	<u>(38,649,144)</u>	<u>(52,323,952)</u>
<b>Cash flows from financing activities</b>		
Proceeds from redeemable units	-	-
Redemption of redeemable units	-	-
<b>Net cash from financing activities</b>	<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents	(36,913,343)	(56,688,284)
<b>Cash and cash equivalents at the beginning of the year</b>	<b>51,396,716</b>	<b>108,099,247</b>
Effect of exchange rate fluctuations on cash held	(153,679)	(14,247)
<b>Cash and cash equivalents at the end of the year</b>	<u><b>14,329,694</b></u>	<u><b>51,396,716</b></u>

Notes to the financial statements  
Year ended June 30, 2008

## 1 THE COMPANY

VietNam Holding Limited (the "Company") is a closed-end investment holding company incorporated on April 20, 2006 as an exempt company under the Companies Law in the Cayman Islands and commenced its operations on June 15, 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.

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.

Credit Suisse (Luxembourg) S.A. has been appointed to act as custodian of the Company's assets (as can be legally held outside of Vietnam). Vietnamese law requires that the Company's shares in listed companies must be held by a custodian registered as such in Vietnam and these assets will therefore be held by the Vietnam sub-custodian. HSBC (Vietnam) has been appointed to act as sub-custodian. Credit Suisse Asset Management Fund Service (Luxembourg) S.A. has been appointed to act as the administrator of the Company.

The registered office of the Company is Card Corporate Services Ltd., Fourth Floor, Zephyr House, 122 Mary Street, PO Box 709 GT, Grand Cayman, KY1-1107, Cayman Islands.

## 2 PRINCIPAL ACCOUNTING POLICIES

### (a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board.

### (b) Basis of preparation

The financial statements are presented in USD and rounded to the nearest USD. They are prepared on a fair value basis for financial assets and financial liabilities are reported at fair value through the profit or loss account or stated at amortised cost.

The preparation of financial statements in accordance with IFRS 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 the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from the 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.

**(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 income statement. Foreign currency exchange differences relating to financial instruments held-for-trading 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 gain and losses in the income statement.

**(d) Financial instruments**

***(i) Classification***

The category of financial assets and financial liabilities at fair value through profit and loss comprises:

Financial instruments held-for-trading. These include forward contracts, options and liabilities from short sales of financial instruments. All derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as financial assets held-for-trading. All derivatives in a net payable position (negative fair value), as well as options written, are reported as financial liabilities held-for-trading.

The Company designated all its investments into the financial assets at fair value through profit and loss category.

Financial instruments designated at fair value through profit and 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 debt and equity instruments, unlisted offshore open-ended investments funds, unlisted equity instruments and commercial paper.

Financial assets that are classified as loans and receivables include balances due from brokers, receivables from reverse repurchase agreements and accounts receivable.

Financial liabilities that are not at fair value through profit and loss include balances due to brokers, payables under repurchase agreements, accounts payable and financial liabilities arising on redeemable shares.

***(ii) Recognition***

The Company recognises financial assets held for trading on the trade date, being the date it commits to purchase the instruments. From this date, any gains and losses arising from changes in fair value of the assets or liabilities are recorded.

Financial liabilities are not recognised unless one of the parties has performed.

**(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.

Assets held-for-trading that are sold are derecognised, and 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.

The weighted average method is used to determine realised gains and losses on derecognition.

**(iv) Measurement**

The financial statements are prepared on a fair value basis for derivative financial instruments, financial assets and liabilities held for trading. Other financial assets and liabilities not at fair value through profit and loss and non-financial assets and liabilities are stated at amortised cost.

Valuation

Marketable securities are recorded at fair value. The fair value of the securities is based on their quoted price at the balance sheet date without any deduction for transaction costs.

If quoted market prices are unavailable or do not, in the opinion of the Board of Directors, represent probable realisable values, or if the securities are not listed, the value of the relevant securities is ascertained by the Board of Directors in good faith using valuation methods which it considers fair in the circumstances including quotes received from brokers and other third party sources where possible.

Any increases or decreases in values are recognized in the Income statement 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 income statement.

**(vi) Specific instruments**

**Cash and cash equivalents**

Cash comprises current deposits with banks, fixed deposits and bank overdrafts. 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.

**Reverse repurchase transactions**

Securities purchased under agreements to resell (reverse repurchase agreements) are reported as receivables and are carried in the balance sheet at amortised cost.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements is recognised as interest income or interest expense, over the life of each agreement using the effective interest method.

**Forward foreign exchange contracts**

Forward foreign exchange contracts are stated at market value, with the resulting net realised and unrealised gains and losses reflected in the income statement.

**(e) Interest income and expense**

Interest income and expense is recognised in the income statement on an accruals basis.

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.

**(f) Miscellaneous income**

Miscellaneous income is recognised in the income statement on an accruals basis.

**(g) Formation expenses**

Costs attributable to the establishment of the Company have been expensed in full.

**(h) Offsetting**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet 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.

**(i) 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 accounting period.

**(j) Taxation**

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 May 2, 2006.

**(k) Adoption of new and revised standards**

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to its operations and effective for annual reporting periods beginning on January 1, 2007.

The adoption of these new and revised Standards and Interpretations has not resulted in any changes to the Company's accounting policies. However the adoption of IFRS 7 *Financial Instruments: Disclosures* has led to expanding the disclosures provided in these financial statements regarding the Company's financial instruments.

*Standards and Interpretations in issue not yet adopted*

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- IAS 23 Borrowing Costs (Effective for borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after January 1, 2009).
- The amendments to IAS 32 and IAS 1 (*Puttable Financial Instruments and Obligations Arising on Liquidation*) (Effective for accounting periods beginning on or after January 1, 2009) require that certain types of financial instruments should be classified as equity provided that they have particular features and meet specific conditions.
- IFRS 8 Operating Segments ("IFRS 8") (Effective for accounting periods beginning on or after January 1, 2009). IFRS 8 is a disclosure Standard which has resulted in a redesignation of the Company's reportable segments but has had no impact on the reported results or financial positions of the Company.

- IFRIC 11 IFRS 2: Group and Treasury Share Transactions (Effective for annual periods beginning on or after March 1, 2007).
- IFRIC 12 Service Concession Arrangements (Effective for annual periods beginning on or after January 1, 2008).
- IFRIC 13 Customer Loyalty Programmes (Effective for annual periods beginning on or after January 1, 2008).
- IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding requirements and their Interaction (Effective for annual periods beginning on or after January 1, 2008).

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Company, although the impact due to amendments IAS 32 and IAS 1 still have to be analysed by the Directors.

### 3 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

Financial assets of the Company include investments, receivables from reverse repurchase agreements, cash at banks and with brokers and debtors, prepaid expenses and accrued income. Financial liabilities include bank loans and overdrafts, creditors and accrued charges. 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, 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 on the vietnamese market. Furthermore, there is no certainty that the market price of the ordinary shares of the Company will fully reflect their underlying net asset value. Shares of closed-end investment companies frequently trade at a discount to net asset value. This characteristic of shares of a closed-end investment company is a risk separate and distinct from the risk that the net asset value may decrease.

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

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

Description	30.06.08		30.06.07	
	Fair value in USD	% of net assets	Fair value in USD	% of net assets
Bonds and similar investments	-	-	14,502,837	11.62%
Shares and similar investments - listed	34,472,619	50.23%	36,729,362	29.44%
Shares and similar investments - unlisted	20,262,512	29.52%	19,121,758	15.33%
	<u>54,735,131</u>	<u>79.75%</u>	<u>70,353,957</u>	<u>56.39%</u>

At June 30, 2008 a 5% reduction in the market value of the portfolio would have lead to a reduction in net asset value of 3.99% or USD 2,736,757. A 5% increase in market value would have lead to an equal and opposite effect.

#### Currency risk

The Company may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency of USD. 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 VNH Board of Directors at least once per 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 June 30, 2008 the Company had the following currency exposure:

Currency	Assets Fair value	Assets Fair value
	30.06.08 USD	30.06.07 USD
Vietnamese Dong	58,191,637	66,180,173

At June 30, 2008 a 5% reduction in the value of the Vietnamese Dong would have lead to a reduction in net asset value of 4.24% or USD 2,909,582. A 5% increase in value would have lead to an equal and opposite effect.

#### 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 June 30, 2008, the following financial assets were exposed to credit risk: cash and cash equivalents, investments in debt instruments, receivables from reverse repurchase agreements, accrued interest, amounts due from brokers and other receivables. The total amount of financial assets exposed to credit risk amounted to USD 14,434,694 (30.06.07: USD 72,024,018).

#### Liquidity risk

The Company, a closed-end investment company, will invest in companies through listings on the Vietnam stock exchange or on other stock exchanges. There is no guarantee however that

the Vietnam stock exchange will provide liquidity for the Company's investments in unlisted companies. 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 of Directors. The Company is a closed-end Investment Company so shareholders cannot redeem their shares directly from the Company.

**Interest rate risk**

The Company could be exposed to interest rate risk, due to any investment in fixed interest rate bonds. The prices of these securities are sensitive to interest rate fluctuations, and unexpected fluctuations in interest rates could cause the valuations of the fixed interest rate bonds to move in a direction which was not anticipated.

There were no securities exposed to interest rate risk as at June 30, 2008.  
As at June 30, 2007, debt instruments of USD 2,049,467 had maturity dates of 1 to 5 years and debt instruments of USD 12,453,371 had maturity dates over 5 years.

4 SHARE CAPITAL

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 USD 100,000,000 divided into 100,000,000 ordinary shares of USD 1.00 each. The one ordinary share in issue was transferred to the Investment Manager on April 28, 2006 and purchased by the Company on June 15, 2006 for USD 1.00 and was immediately cancelled.

On June 6, 2006, the Board resolved that 56,250,000 ordinary shares would be allotted at a placing price of USD 2.00 per ordinary share at, but conditional upon, admission. The ordinary shares' ISIN number is KYG9361X1043. No shares have been issued or redeemed since June 6, 2006.

**Redeemable shares**

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 in its discretion, either use the proceeds of sales of investments to meet the Company's expenses or distribute them to shareholders. Alternatively, the Board may redeem ordinary shares with such proceeds for shareholders pro rata to their shareholding upon not less than 30 calendar days' notice to shareholders (subject always to applicable law) or repurchase ordinary shares at a price not exceeding the last published net asset value per share.

5 INTEREST INCOME

		<b>30.06.08</b>
		<b>30.06.07</b>
	USD                      USD	
	Interest income arising from financial assets that are not at fair value through profit or loss:	
	Cash and cash equivalents	1,444,311
	3,864,248	
	Investment in other debt securities and receivables from reverse repurchase agreements	—
	<u>1,271,598</u>	
	Total	<u>1,444,311</u>
	<u>5,135,846</u>	

## 6 RELATED PARTY TRANSACTIONS

### **Investment Management fees**

The Investment Manager is entitled to an investment management fee of 2% per annum on the monthly net assets under management. The fee is payable monthly in advance and is calculated by reference to the NAV at the end of the preceding month. In addition, the Investment Manager is reimbursed by the Company for administrative functions that it performs on behalf of the Company.

The Company will pay to the Investment Manager a performance bonus each year at the rate of 20% of the annual increase in net asset value over the higher of an annualised hurdle rate of 5% and a "high water mark" requirement.

The total fees accruing to the Investment Manager for the year to June 30, 2008 were USD 2,349,957 (30.06.07: USD 2,318,008) as management fee and USD 146,971 (30.06.2007: USD 151,865) for administrative support. At June 30, 2008, USD 50,000 due to the Investment Manager are included in accrued expenses (30.06.2007: USD 48,130).

No performance fee was due as at June 30, 2008 (30.06.07: USD 2,849,276).

### **Directors' fees and expenses**

The Board will determine the fees payable to each Director, subject to a maximum aggregate amount of USD 350,000 per annum being paid to the Board as a whole. The Company will also pay reasonable expenses incurred by the Directors in the conduct of the Company's business including travel and other expenses. The Company will pay for directors and officers liability insurance coverage.

The charges for the year for the Directors fees were USD 298,000 (30.06.07: USD 254,333) and expenses were USD 190,208 (30.06.07: USD 102,719).

### **Directors' ownership of shares**

As at June 30, 2008, Min-Hwa Hu Kupfer held 20,000 ordinary shares of the Company representing 0.04% of the total shares outstanding. John J. Hoey held 100,000 ordinary shares representing 0.18% of the Company.

## 7 CUSTODIAN FEES

The custodian will receive a fee of 0.16% per annum of the value of the assets held by it. The custodian will also charge fees for transactions and is entitled to charge out-of-pocket and any third party expenses.

The charges for the year for the Custodian fees were USD 198,184 (30.06.07: USD 303,935).

## 8 ADMINISTRATION AND ACCOUNTING FEES

The Administrator will receive a fee of 0.1% per annum calculated on the basis of the net assets of the Company during the last half year, with the fee payable at the end of each half year, subject to an annual minimum amount of 100,000 USD per annum.

The charges for the year for the Administration and Accounting fees were USD 110,626 (30.06.07: USD 117,022).

## 9 CONTROLLING PARTY

The Directors are not aware of any ultimate controlling party as at June 30, 2007 or June 30, 2008.

10 FAIR VALUE INFORMATION

For certain of the Company's financial instruments not carried at fair value, such as cash and cash equivalents, debtors, prepaid expenses and accrued income and creditors and accrued charges, 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 the net assets attributable to shareholders.

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.

11 EARNINGS PER SHARE

The calculation of earnings per share at June 30, 2008 was based on the change in net assets attributable to shareholders of USD (56,122,150) (June 30, 2007: USD 16,683,237) and the number of shares outstanding of 56,250,000 (June 30, 2007: 56,250,000).

Report Distribution

Copies of the annual report and accounts will be sent to shareholders and will be available, free of charge, from the offices of Grant Thornton Corporate Finance, 30 Finsbury Square, London, EC2P 2YU or Vietnam Holding Asset Management, Gartenstrasse 19, CH 8002 Zurich, Switzerland. A pdf version of the annual report and accounts will also be available for download from the Company's website [www.vietnamholding.com/news.htm](http://www.vietnamholding.com/news.htm).

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