VIETNAM EMERGING EQUITY FUND LIMITED

2009

Annual report and audited financial statements
for the year ended 31 December 2009

VIETNAM
EMERGING EQUITY FUND

Contents

SPECIAL CONSIDERATIONS AND RISK FACTORS

THE INVESTMENT OBJECTIVE OF VIETNAM EMERGING EQUITY FUND LIMITED ('the Fund' or 'the Company') is to seek long-term capital appreciation of its assets by investing in a portfolio of equity securities of listed or prelisting Vietnamese companies, whether established with domestic or foreign ownership. The Fund may also invest up to 30% of its assets at the time of investment in the shares of overseas listed companies.

SHAREHOLDERS SHOULD BE AWARE THAT THE RISKS INHERENT IN THE INVESTMENTS of the Company in Vietnam are of a nature and degree not typically encountered when investing in securities of companies listed on the major securities markets. Such risks include, but are not limited to, political and economic risks in addition to the normal risks inherent in any equity investment. A full description of the risks involved in investment in the Company can be found in the Prospectus.

INVESTMENT IN THE COMPANY SHOULD BE REGARDED AS LONG-TERM IN NATURE. There can be no guarantee that the Company's investment objectives will be achieved.

SHAREHOLDERS SHOULD BE AWARE THAT THE VALUE OF THE COMPANY'S SHARES and the income from them may fluctuate.

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of Vietnam Emerging Equity Fund Limited presents its report together with the audited financial statements for the year ended 31 December 2009.

OVERVIEW

The Company was incorporated in the Cayman Islands on 25 July 2005 under the provisions of the Companies Law, Cap. 22 (Revised) as a closed-end investment company with limited liability. The number of the Company's Certificate of Incorporation is CD-152440.

The registered office of the Company is located at CARD Corporate Services Ltd., 4th Floor, Zephyr House, 122 Mary Street, PO Box 709, Grand Cayman, KY1-1107, Cayman Islands.

PRINCIPAL ACTIVITY

The principal activity of the Company is investment holding with an objective to seek long-term capital appreciation of its assets by investing in a portfolio of the equity securities of listed or prelisting Vietnamese companies, whether established with domestic or foreign ownership. The Company may also invest up to 30% of its assets at the time of investment in the shares of overseas listed companies.

REDEMPTION OF CERTAIN SHARES

As more fully explained in Note 10 to the financial statements, at an Extraordinary General Meeting of the Company on 17 February 2009, the shareholders of the Company passed resolutions that gave shareholders who wished to do so the opportunity to redeem their shares in the Company. Shareholders representing 5,531,347 shares (72.2%) of the Company elected to redeem their shares. The redemption of shares was completed by 28 July 2009, which reduced the net assets of the Company by US$23,406,703.

Following the completion of the redemptions, the Company continues as a going concern with 2,132,403 issued and fully paid ordinary shares, and share capital (ordinary shares and share premium account) of US$22,626,403.

CONVERSION TO AN OPEN-ENDED FUND

The Directors of the Company have been seeking a means to improve the liquidity of the shares of the Company and determined that a solution that would be in the best interests of shareholders as a whole would be to 'open end' the Fund. At an Extraordinary General Meeting of the Company on 21 December 2009, the shareholders of the Company passed resolutions to adopt amended and restated Memorandum and Articles of the Company and a replacement Prospectus. A resolution was also passed to increase the Company's authorised capital from US$500,000 to US$750,000 and for such authorised capital to be divided into 14,998,000 redeemable Participating Shares of a par value of US$0.05 each and 100 Management Shares of US$1 each. These resolutions enabled the Company to convert to an open-ended mutual fund from January 2010. The Cayman Islands Monetary Authority issued a certificate of registration dated 29 January 2010 to confirm the registration of the Company under Section 4(3) of the Mutual Funds Law (2009 Revision).

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

THE BOARD OF DIRECTORS

The Board of Directors currently has four directors who are non-executive directors. No director is an employee of the Company. The members of the Board of Directors during the year and to the date of this report were:

Dr Yvo Gisler	Chairman	(resigned on 31 July 2009)
Mr Stanley Chou	Director	(resigned on 31 July 2009)
Mr Stefan Steiner	Director	(resigned on 27 May 2009)
Mr Kevin Snowball	Director	(appointed on 31 July 2009; resigned on 21 December 2009)
Mr John Gavin	Director	(appointed on 31 July 2009; resigned on 21 December 2009)
Mr Philip Smiley	Chairman	(appointed on 21 December 2009)
Mr Gregory Hazlett	Director	(appointed on 21 December 2009)
Mr Antony Jordan	Director	(appointed on 21 December 2009)
Mr Christopher Vale	Director	(appointed on 21 December 2009)

DIRECTORS' INTERESTS

Dr Yvo Gisler also serves as a legal counsel of Luserve AG in Switzerland. Stanley Chou also serves as the Managing Director of Luserve Asia Pacific Limited in Hong Kong. The Luserve companies are advisory companies which advise investors who owned 1,800,000 shares in the Company as at 31 December 2008. By 30 June 2009, the shareholders advised by the Luserve companies had redeemed their shares in the Company.

During the period of office of Kevin Snowball and John Gavin as directors of the Company, 31 July 2009 to 21 December 2009, PXP Vietnam Asset Management Limited, the Investment Manager of the Company, held 135,495 shares of the Company. Kevin Snowball is a director of PXP Vietnam Asset Management Limited and jointly controls the ultimate holding company of PXP Vietnam Asset Management Limited. John Gavin is an employee of PXP Vietnam Asset Management Limited.

Except for the above, based on the information that is available to the current Board of Directors, at no time during the year and to the date of this report did any director have a direct or indirect interest in the shares of the Company, and the Company has not been a party to any arrangement to enable the directors of the Company to acquire any direct or indirect interest in the shares of the Company.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

STATEMENT OF RESPONSIBILITY OF THE BOARD OF DIRECTORS IN RESPECT TO THE FINANCIAL STATEMENTS

The Board of Directors is responsible for the financial statements which give a true and fair view of the financial position of the Company as at 31 December 2009 and of its financial performance, cash flows and changes in shareholders' equity for the year then ended. In preparing these financial statements, the Board of Directors is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Board of Directors is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Company and which enable financial statements to be prepared which comply with International Financial Reporting Standards. The Board of Directors is also responsible for safeguarding the assets of the Company and thus for taking reasonable steps for the prevention and detection of fraud and other irregularities.

We confirm to the best of our knowledge:

- The accompanying financial statements as set out on pages 9 to 39, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and financial performance of the Company.

- The Investment Manager's report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board of Directors

Philip Smiley
Chairman

28 April 2010

REPORT OF THE INVESTMENT MANAGER

PXP VIETNAM ASSET MANAGEMENT

REVIEW OF THE YEAR

During the year under review the Company's Net Asset Value ('NAV') per share increased by 82.43%, from US$3.097 to US$5.650. This compares with an increase in the Viet Nam Index ('VNI') of 48.09% in US$ terms over the same period. The Vietnamese Dong ('VND') depreciated by 5.86% over the period under review.

The Financial Year began with an agreement to allow a Shareholder (who also had control of the Board at the time) to redeem their Shares in order to circumvent an attempt to terminate the Company's existence at the then Board's instigation, effectively at the bottom of the market in early 2009. Consequently the Investment Manager insisted that all Shareholders be allowed the same exit opportunity with the effect that the number of Shares in issue fell by 72.18%, from 7,663,750 to 2,132,403 by mid-July 2009. Whilst this activity thankfully had no deleterious effect on performance during the year, the end result was that the Investment Manager recommended the conversion of the Company into an open-ended structure and obtained unanimous consent from remaining Shareholders to do so at an Extraordinary General Meeting ('EGM') held in the Cayman Islands on 21 December 2009. Kevin Snowball and John Gavin, respectively Chief Executive Officer and Chief Financial Officer of the Investment Manager, having replaced the Board of Directors once the redemptions were complete in order to manage the mechanics of the conversion, were joined on the Board by the four original Directors of the Company at the EGM and subsequently resigned. The Investment Manager wishes to formally thank the remaining Shareholders for their loyalty and support during a difficult year administratively and to assure current and future Shareholders of our continuing focus on attempting to deliver superior performance and thereby enhancing Shareholder value.

STOCK MARKET

Although the VNI fell by 25.4% in the first eight weeks of the Company's Financial Year, the Vietnam stock market was among the first to begin to look beyond the global financial crisis triggered by the collapse of Lehman Brothers in September 2008, and the strong rally which started toward the end of February 2009 continued virtually unabated until late October 2009, with the period of consolidation in June and July not preventing either month posting positive returns. From bottom (235.50 on 24 February 2009) to the end of the Financial Year the index gained 110%. Much improved sentiment underpinned the rally with local investors initially reflecting that the overall decline in 2008 and into 2009 was somewhat excessive before adopting a more optimistic outlook for the economy; a view that seems fully justified given macro resilience, as discussed further below. The resumption of listing activity from late in the second quarter of 2009, with Bao Viet Holdings, Eximbank and Masan Group all joining the Ho Chi Minh City bourse among the top-10 stocks by market capitalisation, has continued to date albeit generally with a smaller average listing size, and it certainly appears that the development of Vietnam's capital markets is back on track after a major stumble in 2008. At the time of writing there are 223 companies and 4 investment funds listed on the Ho Chi Minh City Stock Exchange and a further 284 companies registered at the Hanoi bourse, and both are expected to continue to expand for the remainder of 2010 and beyond.

REPORT OF THE INVESTMENT MANAGER (CONTINUED)

ECONOMY

Vietnam was spared the worst ravages of the global economy in 2009. Gross Domestic Product ('GDP') growth suffered a dramatic slowdown in the first quarter, declining to 3.1% - the slowest on record - but picked up substantially over the remainder of the year. Second, third and fourth quarter growth came in at 4.6%, 6.0% and 6.9% respectively for a 5.3% full year improvement, which represents a truly impressive showing under the circumstances after 6.2% growth in 2008. The first quarter of 2010 saw growth at 5.8% which puts the economy on track to at least meet the government's full year target of 6.5%.

Consumer Price Inflation ('CPI') slowed dramatically to 6.5% in 2009 after reaching 23% the previous year. The government's inflation target of less than 7% for 2010 appears ambitious with the first quarter having come in at 9.46% year-on-year although recent monthly figures indicate that the cycle peaked in February and anything less than 10% for the year is likely to be positively received. We are further encouraged by evidence that the government appears to be ahead of the curve, having announced a shift in macroeconomic focus away from promoting growth to controlling inflation through monetary policy in the fourth quarter of 2009, the results of which tightening are perhaps beginning to be felt.

The narrowing of the trade deficit to US$12.25 billion in 2009 compared to 2008's US$18.0 billion was more notably impacted by a 14.7% decline in imports than the 9.7% decline in exports, although the deficit almost doubled in the final quarter after a strong recovery in imports. A moderate resumption of global demand for Vietnam's products in 2010 alongside the government's restrictions on “unnecessary” imports will assist in restraining deficit expansion. A structural trade deficit is, in any event perhaps inevitable as Vietnam builds a modern economy with imports of capital goods a major contributor, but we do not feel that the extent of the deficit should create as much negativity as seems to be the case among certain macro commentators whilst more than covered by Foreign Direct Investment ('FDI') disbursements and remittances from overseas Vietnamese.

All things considered, not a bad performance overall for the Vietnam economy during 2009 and into 2010 and one that, in our opinion, provides a sound basis for optimism for the years ahead.

STRATEGY

Our long-term focused stock selection methodology proved successful in the 2009 Financial Year, rebuilding confidence after a very poor 2008. As market liquidity continues to improve we intend to complete the process of constructing a portfolio comprising no more than 25 high conviction holdings in order to optimise our ability to deliver superior long-term returns.

The Investment Manager has recommended that the Directors make a proposal to Shareholders to merge the Company with Vietnam Lotus Fund Limited in the first half of 2010, once the mechanics of subscriptions and redemptions into and out of the Company have been stress-tested.

OUTLOOK

The principal risks facing the Company, in addition to the traditional risks and high degree of volatility associated with investing in frontier markets, arise from the uncertainties over the duration of the global slowdown and whether a steady recovery can be made without further significant setbacks, as well as uncertainty over the continuing efficacy of Vietnamese government actions to alleviate negative impacts on the domestic economy during this challenging period.

REPORT OF THE INVESTMENT MANAGER (CONTINUED)

OUTLOOK (CONTINUED)

The VNI began calendar 2010 as it finished 2009 in consolidation mode, allowing local investors to begin to concentrate on the fundamentals after what turned out to be an encouraging year for corporate profitability in many sectors. This has led to some very bullish forecasts for 2010, with upside of 30% to 50% anticipated from the opening level of 494.77 points. As long as turnover remains dominated by domestic investors (with foreigners contributing substantially less than 10% of activity on an average day) we do not discount future periods of extreme volatility as the market develops but would concur with the general optimism for the year ahead and would not be at all surprised to see the index reach 700 points at some stage during 2010.

On behalf of the Investment Manager

Kevin Snowball
28 April 2010

PRICEWATERHOUSECOOPERS

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29 Le Duan Street, District 1
Ho Chi Minh City
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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF VIETNAM EMERGING EQUITY FUND LIMITED

We have audited the accompanying financial statements of Vietnam Emerging Equity Fund Limited ("the Company"), which comprise the balance sheet as at 31 December 2009 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's 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 in order to obtain reasonable assurance as to 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 the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 the Board of Directors, 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 give a true and fair view of the financial position of the Company as at 31 December 2009, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ian S. Lydall
Authorised signatory

PricewaterhouseCoopers (Vietnam) Limited
Ho Chi Minh City, SR Vietnam
Audit report number HCM2539
28 April 2010

BALANCE SHEET

	Note	As at 31 December	
		2009	2008
		US$	US$
Assets			
Current assets			
Financial assets at fair value through profit or loss	5	11,997,198	23,399,479
Due from broker		85,259	-
Other receivables and prepayments	7	21,118	115,403
Cash and cash equivalents	8	42,735	366,203
Total assets		**12,146,310**	**23,881,085**
Liabilities			
Current liabilities			
Accrued fees and other payables	9	(98,613)	(148,313)
Total liabilities		**(98,613)**	**(148,313)**
Net assets		**12,047,697**	**23,732,772**
Equity			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	10	106,620	383,188
Share premium	10	22,519,783	45,649,918
Cumulative translation reserve		(3,984,495)	(3,121,073)
Accumulated losses		(6,594,211)	(19,179,261)
Total equity		**12,047,697**	**23,732,772**
Net asset value per share (US$ per share)	11	**5.650**	**3.097**

The notes on pages 13 to 39 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2009	2008
		US$	US$
Interest income		-	3,847
Dividend income		385,807	1,768,172
Net gains/(losses) on financial assets at fair value through profit or loss	5	12,740,821	(63,410,124)
Net investment income/(loss)		**13,126,628**	**(61,638,105)**
Management fee	12	(345,111)	(946,906)
Custodian, administration and secretarial fees	13	(49,663)	(90,755)
Transaction costs		(49,553)	(16,518)
Directors' fees	12	-	(418)
Foreign exchange gains/(losses) - net		1,028	(240,256)
Other operating expenses - net	14	(71,239)	(156,980)
Total operating expenses		**(514,538)**	**(1,451,833)**
Profit/(loss) before tax		**12,612,090**	**(63,089,938)**
Income tax expense	2.10	(27,040)	(28,608)
Net profit/(loss) for the year		**12,585,050**	**(63,118,546)**
Other comprehensive income/(loss)			
Currency translation differences		(863,422)	(3,008,433)
Total comprehensive income/(loss) for the year		**11,721,628**	**(66,126,979)**
Earnings/(loss) per share – basic (US$ per share)	11	**2.771**	**(8.236)**

The notes on pages 13 to 39 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Ordinary shares	Share premium	Cumulative translation reserve	Accumulated losses	Total
	US$	US$	US$	US$	US$
Balance at 1 January 2008	**383,188**	**45,649,918**	**(112,640)**	**43,939,285**	**89,859,751**
Net loss for the year	-	-	-	(63,118,546)	(63,118,546)
Other comprehensive income/(loss):					
Currency translation differences	-	-	(3,008,433)	-	(3,008,433)
Total comprehensive income/ (loss) for the year ended 31 December 2008	-	-	(3,008,433)	(63,118,546)	(66,126,979)
Balance at 1 January 2009	**383,188**	**45,649,918**	**(3,121,073)**	**(19,179,261)**	**23,732,772**
Redemption of share capital	(276,568)	(23,130,135)	-	-	(23,406,703)
Net profit for the year	-	-	-	12,585,050	12,585,050
Other comprehensive income/(loss):					
Currency translation differences	-	-	(863,422)	-	(863,422)
Total comprehensive income/ (loss) for the year ended 31 December 2009	-	-	(863,422)	12,585,050	11,721,628
Balance at 31 December 2009	**106,620**	**22,519,783**	**(3,984,495)**	**(6,594,211)**	**12,047,697**

The notes on pages 13 to 39 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Year ended 31 December	
	2009	2008
	US$	US$
Cash flows from operating activities		
Purchases of financial assets	(3,832,434)	(2,891,744)
Proceeds from sale of financial assets	19,542,935	7,701,026
Dividends received	475,945	1,717,318
Interest received	-	3,847
Management fee paid	(391,321)	(900,696)
Performance fee paid	-	(5,025,744)
Other operating expenses paid	(168,770)	(467,377)
Income tax paid	(27,040)	(28,608)
Other income received	-	2,448
Net cash generated from operating activities	**15,599,315**	**110,470**
Cash flows from financing activities		
Redemption of share capital	(15,922,783)	-
Net cash flows used in financing activities	**(15,922,783)**	**-**
Net (decrease)/increase in cash and cash equivalents	**(323,468)**	**110,470**
Cash and cash equivalents at beginning of year	366,203	255,733
Cash and cash equivalents at end of year (Note 8)	**42,735**	**366,203**

Significant non-cash transactions in the year ended 31 December 2009 were the redemptions of share capital for the consideration of *in specie* transfers of securities holdings valued at US$7,483,920 (see Note 10.2).

The notes on pages 13 to 39 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Vietnam Emerging Equity Fund Limited ('the Fund' or 'the Company') was incorporated in the Cayman Islands on 25 July 2005 under the Companies Law, Cap. 22 (Revised) as an exempted company with limited liability. Its Certificate of Incorporation number is CD-152440. Initially it was a closed-end investment company.

See Note 10.2 to these financial statements for a description of the redemption of 5,531,347 shares of the Company in 2009.

See Note 10.3 and Note 15 to these financial statements for a description of the conversion of the Company to an open-ended mutual fund, effective from 29 January 2010.

The address of the Company's registered office is:

CARD Corporate Services Ltd.
Zephyr House, 122 Mary Street
PO Box 709
Grand Cayman, KY1-1107
Cayman Islands

The principal activity of the Company is investment holding with an objective to seek long-term capital appreciation of its assets by investing in a portfolio of the equity securities of listed or prelisting Vietnamese companies, whether established with domestic or foreign ownership. The Company may also invest up to 30% of its assets at the time of investment in the shares of overseas listed companies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented.

2.1 Basis of preparation

The financial statements of Vietnam Emerging Equity Fund Limited have been prepared in accordance with International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

(a) Revision and amendments to standards effective 1 January 2009

IAS 1 (revised), 'Presentation of Financial Statements'. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Company has applied IAS 1 (revised) from 1 January 2009, and has elected to present solely a statement of comprehensive income. The main impact of the adoption of this revised standard is the inclusion of foreign currency translation differences within the Company's performance statement.

IAS 39 (amendment), 'Financial Instruments: Recognition and Measurement'. This amendment was part of the IASB's annual improvements project published in May 2008. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading was amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. Adoption did not have a significant impact on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Revision and amendments to standards effective 1 January 2009 (continued)

IFRS 7 (amendment), 'Financial Instruments: Disclosures'. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosures of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the reporting of the Company's financial position or performance.

(b) Standard, amendments and interpretations effective on 1 January 2009 but not relevant

- IAS 23 (amendment), 'Borrowing Costs';
- IAS 32 (amendment), 'Financial Instruments: Presentation', and IAS 1 (amendment), 'Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation';
- IAS 39 (amendment), 'Financial Instruments: Recognition and Measurement', and IFRIC 9 (amendment), 'Reassessment of Embedded Derivatives' (effective for all periods ending on or after 30 June 2009);
- IAS 39 (amendment), 'Financial Instruments: Recognition and Measurement', and IFRS 7 (amendment) 'Financial Instruments: Disclosures – Reclassification of Financial Assets';
- IFRS 1 (amendment), 'First Time Adoption of IFRS'; and IAS 27 (amendment), 'Consolidated and Separate Financial Statements';
- IFRS 2 (amendment), 'Share-based Payment – Vesting Conditions and Cancellations';
- IFRS 8, 'Operating Segments'; and
- IFRIC 15, 'Agreements for Construction of Real Estates'.

(c) Standard and amendment that have not been early adopted by the Company

IFRS 9, 'Financial Instruments', addresses classification and measurement of financial assets, and is effective for accounting periods beginning on or after 1 January 2013. There are significant changes to existing guidance in IAS 39, including the multiple classification and measurement models in IAS 39 being replaced with a single model that has only two classification categories: amortised cost and fair value. Classification under IFRS 9 is driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. Adoption of IFRS 9 will result in changes to the presentation and disclosure of financial assets in the financial statements of the Company, but will not impact on the recognition and measurement of the financial assets. The equity investments held by the Company will continue to be measured at fair value. Under IFRS 9, management has an option to present in other comprehensive income the unrealised and realised fair value gains and losses on equity investments that are not held for trading. It is expected that management will not take this option and will continue to present such unrealised and realised fair value gains and losses in profit or loss.

IAS 24 (amendment), 'Related Party Disclosures', is effective for financial statements for periods beginning on or after 1 January 2011. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities; and clarifies and simplifies the definition of a related party. Management expects that the revised definition of a related party will not result in the Company being required to make additional disclosures. However, management will review and assess this before the standard is adopted by the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(d) Revisions, amendments and interpretations that are not yet effective and not relevant for the Company's operations

- IAS 27 (revised), 'Consolidated and Separate Financial Statements' (effective from 1 July 2009);
- IAS 32 (amendment), 'Financial Instruments: Presentation – Classification of Rights Issues' (effective from 1 February 2010);
- IAS 39 (amendment), 'Financial Instruments: Recognition and Measurement on Eligible Hedged Items' (effective from 1 July 2009);
- IFRS 1 (revision), 'First Time Adoption of IFRS' (effective from 1 July 2009);
- IFRS 1 (amendment), 'First Time Adoption of IFRS – Additional Exemptions for First-time Adopters' (effective from 1 January 2010);
- IFRS 1 (amendment), 'First Time Adoption of IFRS – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters' (effective from 1 July 2010);
- IFRS 2 (amendment), 'Share-based Payment – Group Cash-settled and Share-based Payment Transactions' (effective from 1 January 2010);
- IFRS 3 (revised), 'Business Combinations' (effective from 1 July 2009);
- IFRIC 14 (amendment), 'Prepayments of a Minimum Funding Requirement' (effective from 1 January 2011);
- IFRIC 17, 'Distributions of Non-cash Assets to Owners' (effective from 1 July 2009);
- IFRIC 18, 'Transfers of Assets from Customers' (effective from 1 July 2009); and
- IFRIC 19, 'Extinguishing Financial Liabilities with Equity Instruments' (effective from 1 July 2010).

'Improvements to IFRS' were issued in May 2008 and April 2009 respectively and contain numerous amendments to IFRS, which the IASB consider non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes for presentation, recognition or measurement purposes as well as terminology or editorial amendments related to a variety of individual standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2009 and 1 January 2010 respectively, with earlier application permitted. No material changes to accounting policies are expected as a result of these amendments.

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The functional currency of the Company is the Vietnamese Dong ('VND'), which reflects the Company's primary activity of investing in equity securities of listed or prelisting Vietnamese companies. The majority of the Company's investments are originally made in VND denominated securities and will be liquidated and realised in VND.

The Company has adopted the United States Dollar ('US$') as its presentation currency, as its shareholders are based outside SR Vietnam and the US$ is a more widely used and recognised currency than the VND. The shareholders' investments in the Company are made in US$ and the Company's net income will be distributed to the shareholders in US$. The Company's results and financial position are translated from its functional currency to its presentation currency as follows:

(i) Assets and liabilities are translated at the closing rate at the balance sheet date.
(ii) Income and expenses are translated using the exchange rate at the transaction date.
(iii) Equity items, such as share capital issuance, are translated using the exchange rate at the transaction date.
(iv) All exchange differences arising on translation are recognised as a separate component of equity.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Foreign currency translation (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Translation differences on non-monetary financial assets and liabilities such as financial assets and liabilities at fair value through profit or loss are recognised in the statement of comprehensive income within the net gains or losses on financial assets and liabilities at fair value through profit or loss.

2.3 Financial assets at fair value through profit or loss

(a) Classification

The Company classifies its investments in equity securities as financial assets at fair value through profit or loss. These financial assets are classified as held for trading or designated by the Board of Directors at fair value through profit or loss at inception.

Financial assets or financial liabilities held for trading are those acquired or incurred principally for the purposes of selling or repurchasing in the short term, or those that are part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorised as held for trading. The Company does not classify any derivatives as hedges in a hedging relationship.

Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Company's documented investment strategy. The Company's policy is for the Investment Manager and the Board of Directors to evaluate the information about these financial assets on a fair value basis together with other related financial information.

(b) Recognition/derecognition

Regular-way purchases and sales of investments are recognised on the trade date - the date on which the Company commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income. Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within the net gains or losses on financial assets at fair value through profit or loss in the period in which they arise.

(d) Fair value estimation

Fair value of listed equity securities is based on their last traded prices at the last official close of the Ho Chi Minh City Stock Exchange or Hanoi Stock Exchange ('the Exchanges') or quoted market prices at the close of trading at another relevant stock exchange on the relevant valuation day.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Financial assets at fair value through profit or loss (continued)

(d) Fair value estimation (continued)

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at the balance sheet date. Valuation techniques include the use of comparable recent arm's length transactions, earnings multiples, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

2.4 Due from and due to broker

Amounts due from and due to broker represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the balance sheet date. These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment for amounts due from broker.

2.5 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts, if any, are shown within borrowing in current liabilities on the balance sheet.

2.6 Accrued expenses

Accrued expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

2.7 Interest income and dividend income

Interest income is recognised on a time-proportionate basis using the effective interest rate method.

Dividend income is recognised when the Company's right to receive payment is established.

2.8 Transaction costs

Transaction costs are costs incurred to acquire financial assets or financial liabilities at fair value through profit or loss. They include commissions paid to brokers. Transaction costs, when incurred, are immediately recognised as an expense in the statement of comprehensive income.

2.9 Dividend distribution

Dividend distribution to the Company’s shareholders is recognised as a liability in the Company’s financial statements in the period in which the dividends are ratified by the Annual General Meeting.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Taxation

Under current Cayman Islands law, no tax will be charged in the Cayman Islands on profits or gains of the Company, and dividends of the Company will be payable to the shareholders resident in or outside the Cayman Islands without deduction of tax. No stamp duty is levied in the Cayman Islands on the transfer or redemption of shares in the Company. An annual registration fee will be payable by the Company in the Cayman Islands which will be calculated by reference to the nominal amount of the Company's authorised share capital. On the basis of the current rate that fee will be approximately US$1,098 per annum.

Under Vietnamese law effective until 31 December 2008, according to Circular 134/2007/TT-BTC dated 23 November 2007, Circular 100/2004/TT-BTC dated 20 October 2004 and Circular 72/2006/TT-BTC dated 10 August 2006, the Company is subject to 0.1% of the sales price when it sells all or part of its investments in domestic listed and unlisted Vietnamese companies. Net gains from the disposal of investments in non-joint stock companies are subject to 28% income tax.

Under Vietnamese law effective from 1 January 2009, according to Circular 130/2008/TT-BTC dated 26 December 2008 and Circular 134/2008/TT-BTC dated 31 December 2008, the Company should continue to be subject to 0.1% of the sales price when it sells all or part of its investments in domestic listed and unlisted Vietnamese companies. Net gains from the disposal of investments in non-joint stock companies are subject to 25% income tax.

Dividends received by the Company from equity investments in Vietnam are not subject to withholding taxes. Dividends received by the Company from holdings in investment funds in Vietnam and interest received by the Company from cash deposits at banks in Vietnam are subject to withholding tax.

The Company classifies tax on sales of investments and withholding taxes on dividends and interest within income tax expense in the statement of comprehensive income.

The Company is not liable for Vietnamese taxes on its income derived from outside the SR Vietnam and capital gains derived from sale or other disposal of its non-Vietnamese investments.

2.11 Related parties

Related parties include any entities and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them control or significant influence over the Company. The Company's Investment Manager, key management personnel of the Company and its Investment Manager, including directors and officers and close members of the family of these individuals and companies associated with these individuals, also constitute related parties. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISKS

3.1 Financial risk factors

The Company is exposed to certain special risks as well as normal investment risks. All securities investments present a risk of loss of capital. The Board of Directors believes that the Company's investment policy will moderate this risk through a careful selection of securities. The Company is exposed to market price risk, interest rate risk, credit risk, liquidity risk, currency risk, conversion risk and political and regulatory risk. The risk management policies employed by the Company to manage these risks are discussed below.

3.1.1 Market price risk

Market price risk is the risk that the value of a financial asset will fluctuate as a result of changes in market prices, whether or not those changes are caused by factors specific to the individual asset or factors affecting all assets in the market. The Company is exposed to market price risk on all of its investments. In the case of its investments in listed companies, such market price risk relates to the Ho Chi Minh City Stock Exchange, the Hanoi Stock Exchange and to other exchanges, if any, where such investments are listed.

The Company's Investment Manager, PXP Vietnam Asset Management Limited, provides a continuous investment programme for the Company's assets, including seeking suitable investments for the Company, advises and supports in relation to the development of investments held by the Company, determining the appropriate time for the disposal of its investments, and the provision of investment research and advice with respect to all securities and investments and cash equivalents comprised in the Company's assets. The performance of investments held by the Company is monitored closely by the Investment Manager. In monitoring the investments, the Investment Manager reviews all relevant financial statements and maintains contact to the extent possible with the Board and Management of the investee companies.

Up to 31 December 2009, investments in prelisting companies were restricted to no more than 60% of the Company's assets at the time of investment. From January 2010, investments in prelisting companies will be restricted to no more than 10% of the Company's assets at the time of investment. The Company may invest up to 30% of its assets in overseas listed companies which have capitalisation or net asset value in excess of US$100 million at the time of the investment.

The Company invests across a range of industries. The current intention is to invest no more than 40% of the Company's assets at the time of investment in any one sector.

Sensitivity analysis

Since most of the Company's investments are listed on either the Ho Chi Minh City Stock Exchange or the Hanoi Stock Exchange, the value of the Company's portfolio may change due to movements in the Viet Nam Index ('VNI'). As at 31 December 2009, had the VNI risen by 30%, with all other variables held constant, it is estimated that net result and net assets would have increased by US$3,600,000 (31 December 2008: US$7,020,000). A 30% drop of the VNI would have resulted in an equal but opposite effect on net result and net assets.

3.1.2 Interest rate risk

Interest rate risk is the risk that the value of interest-bearing assets will fluctuate in value as a result of changes in interest rates.

The majority of the Company's financial assets are non-interest bearing. As a result, the Company is not subject to a significant amount of risk due to fluctuations in the prevailing level of market interest rates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISKS (CONTINUED)

3.1.3 Credit risk

To the extent that the Company is exposed to the credit of a counterparty on an unsecured basis, it generally will not have a priority claim to any of the counterparty's assets upon a default. If the counterparty has secured creditors, the secured creditors will be entitled to repayment from the counterparty's assets in priority to the Company. Moreover, the Company may have to share the residual value of a defaulting counterparty's assets with other unsecured creditors. Consequently, there can be no assurance that the Company would recover any of the amounts owed to the Company by a defaulting counterparty.

All transactions in listed securities are settled upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet their obligation.

Up to January 2010, the bank accounts of the Company were held at one bank in Hong Kong that has a Standard & Poor's rating of short-term A-1+, long-term AA and outlook negative as at 19 December 2009 and in the Vietnam subsidiary of the same bank which does not have a separate credit rating. From February 2010, the bank accounts of the Company are held in the Vietnam branch and the Singapore branch of a Germany-based bank that has a Standard & Poor's rating of short term A-1, long term A+ and outlook stable as at 11 February 2010.

The maximum exposure to credit risk at 31 December is the carrying amount of the financial assets as set out below.

	As at 31 December	
	2009	2008
	US$	US$
Due from broker	85,259	-
Dividends receivable	20,279	110,418
Cash and cash equivalents	42,735	366,203
Total	**148,273**	**476,621**

3.1.4 Liquidity risk

The Company is permitted to borrow money and to grant security over its assets. However, the Articles of Incorporation limit such borrowings to 25% of the latest available net asset value of the Company at the time of the borrowing, unless the shareholders in general meeting otherwise determine by ordinary resolution. No such borrowings have arisen during the year.

It may be considerably more difficult for the Company to exit its investments than it is for investors in more developed geographical regions. The Ho Chi Minh City Stock Exchange and Hanoi Stock Exchange only commenced operations in July 2000 and August 2005, respectively, and have experienced periods of limited liquidity which may recur.

The Company will endeavour to realise investments in prelisting companies through listings on the Exchanges. However, relatively few companies have listed shares on the Exchanges and there is no guarantee that the Exchanges will provide liquidity for the Company's investments in prelisting companies.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISKS (CONTINUED)

3.1.4 Liquidity risk (continued)

Up to 31 December 2009, the Company was not exposed to regular cash redemptions as shareholders had no right to require their shares to be redeemed by the Company. See Note 10.3 and Note 15 for comments on the open-ending of the Fund, effective from 29 January 2010. After conversion to an open-ended mutual fund, the Company is exposed to monthly cash redemptions of shares. Substantial withdrawals by investors within a short period of time could require the Company to liquidate investments more rapidly than would otherwise be desirable, possibly reducing the value of the Company's assets and/or disrupting the Company's investment strategy.

The policy of the Company is to invest the majority of its assets in investments that are traded in an active market and can be readily disposed. Investments in prelisting equity investments will be restricted to no more than 10% of the Company's assets at the time of investment. In order to manage the Company's overall liquidity, the maximum net redemption on each dealing day (usually the first business day in each month) will be restricted to the average daily turnover at the Ho Chi Minh City Stock Exchange of the 10 business days preceding that dealing day.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

At 31 December 2009

	Less than one month	One month to 12 months	No stated maturity
	US$	US$	US$
Administration and custodian fees payable	8,429	-	-
Legal and professional fees accruals	-	85,944	-
Other payables and accruals	4,240	-	-
Contractual cash out flows	**12,669**	**85,944**	**-**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISKS (CONTINUED)

3.1.4 Liquidity risk (continued)

At 31 December 2008

	Less than one month	One month to 12 months	No stated maturity
	US$	US$	US$
Management fee payable	46,210	-	-
Administration and custodian fees payable	4,533	-	-
Secretarial service fees payable	2,659	-	-
Legal and professional fees accruals	69,906	24,200	-
Other payables and accruals	805	-	-
Contractual cash out flows	**124,113**	**24,200**	**-**

In addition to the financial liabilities analysed in the table above, after conversion to an open-ended mutual fund, effective from 29 January 2010, the shares of the Company may be redeemed on demand at the holder's option on any Dealing Day after giving notice of 30 business days. Thereafter, the balance of net assets attributable to holders of redeemable shares may be regarded as having a contractual maturity of 30 business days. The Directors do not envisage that this contractual maturity will be representative of the actual cash outflows, as holders of these instruments typically hold them for the medium to long term.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISKS (CONTINUED)

3.1.5 Currency risk and conversion risk

Currency risk

The functional currency of the Company is the VND. Currency risk, as defined in IFRS 7, arises on financial instruments that are denominated in a currency other than the functional currency.

The table below summarises the Company's exposure to currency risk.

At 31 December 2009

	Amounts denominated in VND	Amounts denominated in US$	Amounts denominated in other currencies	Total
	US$	US$	US$	US$
Assets				
Financial assets at fair value	11,847,001	-	150,197	11,997,198
Due from broker	85,259	-	-	85,259
Receivables and prepayments	20,279	839	-	21,118
Cash and cash equivalents	30,278	12,457	-	42,735
Total assets	**11,982,817**	**13,296**	**150,197**	**12,146,310**
Liabilities				
Accrued fees and other payables	(3,138)	(93,364)	(2,111)	(98,613)
Total liabilities	**(3,138)**	**(93,364)**	**(2,111)**	**(98,613)**
Net assets/(liabilities)	**11,979,679**	**(80,068)**	**148,086**	**12,047,697**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISKS (CONTINUED)

3.1.5 Currency risk and conversion risk (continued)

Currency risk (continued)

At 31 December 2008

	Amounts denominated in VND	Amounts denominated in US$	Amounts denominated in other currencies	Total
	US$	US$	US$	US$
Assets				
Financial assets at fair value	23,224,847	-	174,632	23,399,479
Receivables and prepayments	110,418	4,985	-	115,403
Cash and cash equivalents	318,858	47,345	-	366,203
Total assets	**23,654,123**	**52,330**	**174,632**	**23,881,085**
Liabilities				
Accrued fees and other payables	-	(148,313)	-	(148,313)
Total liabilities	**-**	**(148,313)**	**-**	**(148,313)**
Net assets/(liabilities)	**23,654,123**	**(95,983)**	**174,632**	**23,732,772**

The year-end exchange rates were:

	As at 31 December	
	2009	2008
	US$	US$
Hong Kong Dollar/US$	7.75	7.75
Singapore Dollar/US$	1.40320	1.43715
Vietnamese Dong/US$	18,473.02	17,451.09

Sensitivity analysis – presentation currency

The financial statements are presented in the Company's presentation currency which is US$. The majority of the Company's investments are denominated in VND. The Company also has receivables, payables and a portion of cash and cash equivalents denominated in VND. As at 31 December 2009, had the US$ strengthened by 5% in relation to the VND, with all other variables held constant, net assets as presented in the presentation currency would have decreased by US$599,000 (31 December 2008: US$1,183,000). A 5% weakening of the US$ against the VND would have resulted in an equal but opposite effect on net assets.

Conversion risk

Shareholders' investments in the Company are made in US$, and the Company converts such US$ mostly into VND prior to making investments. It will have to convert VND back to US$ prior to distribution of any income and realisation proceeds from such investments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISKS (CONTINUED)

3.1.5 Currency risk and conversion risk (continued)

Conversion risk (continued)

There can be no assurance that fluctuations in exchange rates will not have an adverse effect on the distributions received by shareholders in US$ after conversion of the income and realisation proceeds from the Company's non-dollar-denominated investments.

The Company may seek to hedge against a decline in the value of the Company's investments in US$ terms resulting from currency depreciation but only if and when suitable hedging instruments are available on a timely basis and on acceptable terms. There is no assurance that any hedging transactions engaged in by the Company will be successful in protecting against currency depreciation. The Company has no outstanding hedging instrument as at 31 December 2009.

A majority of the Company's investments are denominated in VND and pay dividends in VND. The Company will need to convert VND to US$ to make distributions to shareholders, but the VND currently is not a freely convertible currency. The Vietnamese Government does not guarantee that hard currency will be made available to the Company or that the Company will receive any priority if there is any shortage of hard currency.

With respect to sales of investments in prelisting companies, the Vietnamese Prime Minister's Decision No. 36/2003/QD-TTg provides that foreign investors can convert income and realisation proceeds into hard currency and remit them overseas upon the fulfilment of all tax obligations in accordance with Vietnamese law. However, in the absence of any regulations implementing the provisions of Decision No. 36, especially regulations in respect of the requirements to demonstrate the fulfilment of all tax obligations, the mechanics of conversion will depend on the State Bank of Vietnam's regulations. For investments in prelisting companies, relevant regulations are either not yet in existence or are currently not clear.

Until the State Bank of Vietnam issues clear procedures for conversion of VND into foreign currencies by an offshore investment fund, it is possible that the Company may have difficulty accomplishing such conversion. This may include the need to obtain special approval, and such approval may not be received quickly or at all. Any delay in conversion increases the Company's exposure to depreciation of the VND against other currencies. If conversion is not effected at all, some of the Company's assets may be denominated in a non-convertible currency.

3.1.6 Political and regulatory risks

The value of the Company's assets may be adversely affected by changes in government personnel or government policies, which may include, among other things, changes in legislation relating to economic policy, taxation, investment regulations, securities regulations and foreign currency conversion or repatriation.

The investment activities of the Company are primarily focused on Vietnam. In accordance with the prevailing tax regulations in Vietnam, if an entity was treated as having a permanent establishment, or as otherwise being engaged in a trade or business in Vietnam, income attributable to or effectively connected with such permanent establishment or trade or business may be subject to tax in Vietnam. The administration of laws and regulations by government agencies may be subject to considerable discretion, and in many areas, the legal framework is vague, contradictory and subject to discretion. A change in regulations or in the interpretation of regulations could increase the exposure of the Company, in common with other offshore investment funds with investment activities in Vietnam, to being considered as having a permanent establishment in Vietnam. The Directors believe that currently it is unlikely that the Company will be exposed to corporate income tax liabilities in Vietnam.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISKS (CONTINUED)

3.2 Capital risk management

The capital of the Company is represented by the net assets attributable to equity holders. After conversion to an open-ended mutual fund, effective from 29 January 2010, the amount of net assets attributable to equity holders could change significantly on a monthly basis as the Company will be subject to monthly subscriptions and redemptions at the discretion of shareholders. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns to shareholders and to maintain a strong capital base to support the development of the investment activities of the Company.

In order to maintain or adjust the capital structure, the Company's policy is to perform the following:

- Monitor the level of monthly subscriptions and redemptions relative to the assets it expects to be able to liquidate within one month; and

- Redeem and issue new shares in accordance with the Prospectus of the Company, which includes the ability to restrict redemptions and require certain minimum holdings and subscriptions.

The Board of Directors and Investment Manager monitor capital on the basis of the value of net assets attributable to equity holders.

3.3 Fair value estimation

The fair values of financial assets and liabilities traded in active markets are based on their last traded prices at the last official close of the Exchanges or on quoted market prices at the close of trading at another relevant stock exchange on the valuation date. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of equity securities that are not traded in an active market is determined by using valuation techniques. Management uses its judgement to select suitable valuation methodologies and makes assumptions that are mainly based on market conditions existing at each balance sheet date. The main method used for the valuation of the prelisting holdings of the Company as at 31 December 2009 and 31 December 2008 is an average of the valuation results from earnings multiples and discounted cash flow analysis with the application of an appropriate marketability discount.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Company holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk.

The Company adopted the amendment to IFRS 7, effective 1 January 2009. This requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISKS (CONTINUED)

3.3 Fair value estimation (continued)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Company’s financial assets (by class) measured at fair value at 31 December 2009:

	Level 1	Level 2	Level 3	Total balance
	US$	US$	US$	US$
Financial assets				
Financial assets held for trading:				
- Derivatives	-	-	156,942	156,942
Financial assets designated at fair value through profit or loss at inception:				
- Equity securities	10,256,448	595,027	988,781	11,840,256
Total financial assets	**10,256,448**	**595,027**	**1,145,723**	**11,997,198**

Investments classified within level 1 comprise active listed equities which have values based on traded prices at the Exchanges or on quoted market prices at another relevant stock exchange. The Company does not adjust the traded price or quoted price for these instruments.

The level 2 equity amount consists of two prelisting equity holdings for issuers with approved listings on the Ho Chi Minh City Stock Exchange in January 2010 which have been valued based on their listing reference prices. On the first day of trading on the Ho Chi Minh City Stock Exchange, the quoted price is restricted to a trading band of 20% above and 20% below the reference price.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently or not at all. As observable prices are not available for these securities, the Company has used valuation techniques to derive the fair value.

The level 3 equity amount consists of four prelisting equity securities. The main inputs into the Company's valuation model for these investments include earnings multiples and discounted cash flows. The level 3 derivative amount represents rights to acquire shares in one issuer that is listed on the Ho Chi Minh City Stock Exchange. The rights have been valued using an option pricing model.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISKS (CONTINUED)

3.3 Fair value estimation (continued)

The following table presents the transfers between levels for the year ended 31 December 2009.

	Level 1	Level 2	Level 3
	US$	US$	US$
Transfers between levels 3 and 1:			
- Equity securities	160,972	-	(160,972)
Transfers between levels 3 and 2:			
- Equity securities	-	595,027	(595,027)

The transfer from level 3 to level 1 relates to one prelisting equity holding for an issuer that listed on the Ho Chi Minh City Stock Exchange during the year. The transfer from level 3 to level 2 relates to the two prelisting equity holdings for issuers with approved listings on the Ho Chi Minh City Stock Exchange in January 2010.

The following table presents the movement in level 3 instruments for the year ended 31 December 2009 by class of financial instrument.

	Derivatives	Equity	Total
	US$	US$	US$
Opening balance	-	4,100,813	4,100,813
Sales	-	(402,090)	(402,090)
In specie distribution for share redemptions	-	(2,609,512)	(2,609,512)
Transfers to level 1	-	(160,972)	(160,972)
Transfers to level 2	-	(595,027)	(595,027)
Gains recognised in profit or loss	156,942	797,454	954,396
Difference arising on translation to presentation currency	-	(141,885)	(141,885)
Closing balance	**156,942**	**988,781**	**1,145,723**
Total gains for the year included in the statement of comprehensive income for assets held at the end of the year	156,942	450,214	607,156

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. ESTIMATES AND JUDGEMENTS

4.1 Estimates

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the application of policies and amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

The key area of estimation and assumption in applying accounting policies that has significant effect on the amounts recognised in the financial statements is noted below.

Fair value of prelisting equity securities

Where prelisting equity securities have an announced listing date on the Ho Chi Minh City Stock Exchange or Hanoi Stock Exchange which is shortly after the balance sheet date, the fair value of the securities is taken to be the listing reference price. If any significant event occurs after the fixing of the listing reference price that materially affects the fair value of the securities, valuation techniques will be applied to determine the fair value.

As at 31 December 2009 the Company held two prelisting equity holdings for issuers with approved listings on the Ho Chi Minh City Stock Exchange in January 2010 which have been valued based on their listing reference prices (31 December 2008: none). The fair value of these two prelisting equity holdings at 31 December 2009 was US$595,027. This represents an increase in fair value of the two holdings for the year ended 31 December 2009 of US$102,225 (price increase of US$133,824 and foreign exchange difference on translation to presentation currency of US$31,599).

The fair value of equity securities that are not traded in an active market, and do not have an announced listing date which is shortly after the balance sheet date, is determined by using valuation techniques. Management uses its judgement to select suitable valuation methodologies and makes assumptions that are mainly based on market conditions existing at each balance sheet date. The main method used for the valuation of these prelisting holdings of the Company as at 31 December 2009 and 31 December 2008 is an average of the valuation results from earnings multiples and discounted cash flow analysis with the application of an appropriate marketability discount.

As at 31 December 2009, the fair value of the four prelisting equity securities held by the Company that do not have an announced listing date is US$988,781 (31 December 2008: eight holdings with fair value of US$4,100,813). This represents an increase in fair value of the four holdings for the year ended 31 December 2009 of US$403,231 (price increase of US$450,214 and foreign exchange difference on translation to presentation currency of US$46,983).

The discount rates used in the discounted cash flow analysis as at 31 December 2009 were in a range from 14.3% to 15.5%. The marketability discounts applied were 25%. If the discount rates applied in the discounted cash flow analysis as at 31 December 2009 had been 2% higher/lower than the rates used, this would have reduced/increased the fair value of the four holdings by a total of US$27,254. If the price to earnings valuation model was increased/decreased by 20%, this would have resulted in an increase/decrease in value of US$123,280.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. ESTIMATES AND JUDGEMENTS (CONTINUED)

4.2 Judgements

The key area of judgement in applying accounting policies that has significant effect on the amounts recognised in the financial statements is noted below.

Functional currency

Management considers the VND the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The Company's primary activity is to invest in equity securities of listed or prelisting Vietnamese companies. The majority of the Company's investments are originally made in VND denominated securities and will be liquidated and realised in VND.

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2009	**2008**
	US$	**US$**
Financial assets designated at fair value through profit or loss at inception		
- Listed equity securities	10,256,448	19,298,666
- Prelisting equity securities	1,583,808	4,100,813
	11,840,256	**23,399,479**
Financial assets held for trading		
- Derivatives	156,942	-
	156,942	-
Total financial assets at fair value through profit or loss	**11,997,198**	**23,399,479**

All the Company's financial assets designated at fair value through profit or loss at inception at the balance sheet dates were investments in equity securities.

The derivative instruments held at 31 December 2009 were rights to acquire shares in one issuer that is listed on the Ho Chi Minh City Stock Exchange. The rights were exercised in January 2010. The rights have been valued using an option pricing model.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Movements in financial assets at fair value through profit or loss in the year:

	Year ended 31 December	
	2009	2008
	US$	US$
Opening balance	23,399,479	96,712,520
Purchases	3,832,434	952,703
Sales	(19,628,194)	(7,701,026)
In specie distribution for share redemptions (see Note 10.2)	(7,483,920)	-
Gains/(losses) recognised in profit or loss	12,740,821	(63,410,124)
Difference arising on translation to presentation currency	(863,422)	(3,154,594)
Closing balance	**11,997,198**	**23,399,479**

Analysis of equity securities by country of incorporation at the balance sheet dates:

	As at 31 December	
	2009	2008
	US$	US$
SR Vietnam	11,847,001	23,224,847
Hong Kong	-	27,097
Singapore	150,197	147,535
	11,997,198	**23,399,479**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Analysis of financial assets at fair value through profit or loss by industrial sector at the balance sheet dates:

	As at 31 December			
	2009		2008	
	US$	%	US$	%
Agriculture	1,048,117	8.74	1,286,412	5.50
Construction materials	402,871	3.36	265,995	1.14
Financial services	3,281,279	27.35	5,124,870	21.90
Food and beverage	1,117,194	9.31	5,246,814	22.42
Furniture	65,758	0.55	301,298	1.29
Garments	47,637	0.39	527,554	2.25
Logistics	639,034	5.33	1,773,735	7.58
Mining	1,188,048	9.90	2,584,828	11.05
Packaging	477,453	3.98	-	-
Pharmaceuticals	635,317	5.30	2,276,231	9.73
Steel	183,541	1.53	-	-
Plastics	726,871	6.06	957,723	4.09
Property	1,819,768	15.17	2,323,791	9.93
Technology	150,197	1.25	147,535	0.63
Telecoms	214,113	1.78	582,693	2.49
	11,997,198	**100.00**	**23,399,479**	**100.00**

Net gains/(losses) arising from changes in the fair values of financial assets in the year:

	Year ended 31 December	
	2009	2008
	US$	US$
Sales	19,628,194	7,701,026
Value of securities transferred (see Note 10.2)	7,483,920	-
Less: opening carrying value/cost of sales	(18,430,295)	(17,387,575)
Realised gains/(losses) on sales of investments	8,681,819	(9,686,549)
Unrealised gains/(losses)	4,059,002	(53,723,575)
	12,740,821	**(63,410,124)**

Net gains/(losses) arising from changes in the fair values of financial assets as presented above is calculated with reference to the fair values of equity securities held at the start of the year and the costs of equity securities purchased during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FINANCIAL INSTRUMENTS BY CATEGORY

At 31 December 2009

	Loans and receivables	Assets at fair value through profit or loss	Total
	US$	US$	US$
Assets as per balance sheet			
Financial assets at fair value through profit or loss	-	11,997,198	11,997,198
Due from broker	85,259	-	85,259
Other receivables and prepayments	21,118	-	21,118
Cash and cash equivalents	42,735	-	42,735
Total	**149,112**	**11,997,198**	**12,146,310**

At 31 December 2008

	Loans and receivables	Assets at fair value through profit or loss	Total
	US$	US$	US$
Assets as per balance sheet			
Financial assets at fair value through profit or loss	-	23,399,479	23,399,479
Other receivables and prepayments	115,403	-	115,403
Cash and cash equivalents	366,203	-	366,203
Total	**481,606**	**23,399,479**	**23,881,085**

All financial liabilities in the balance sheets at 31 December 2009 and at 31 December 2008 were classified as other financial liabilities.

7. OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2009	2008
	US$	US$
Dividends receivable	20,280	110,418
Prepayments	838	4,985
	21,118	**115,403**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2009	2008
	US$	US$
Current account in VND	30,278	318,858
Current account in US$	12,457	47,345
	42,735	**366,203**

9. ACCRUED FEES AND OTHER PAYABLES

	As at 31 December	
	2009	2008
	US$	US$
Management fee payable (Note 12)	-	46,210
Administration and custodian fees payable	8,429	4,533
Secretarial service fees payable	-	2,659
Legal and professional fees accruals	85,944	94,106
Other payables and accruals	4,240	805
	98,613	**148,313**

10. SHARE CAPITAL

10.1 Summary

	Number of issued shares	Ordinary shares	Share premium	Total
		US$	US$	US$
Balance at 31 December 2009	**2,132,403**	**106,620**	**22,519,783**	**22,626,403**
Balance at 31 December 2008	**7,663,750**	**383,188**	**45,649,918**	**46,033,106**

Prior to 21 December 2009, the Company's authorised share capital was 10,000,000 ordinary shares with a par value of US$0.05 per share. 7,663,750 shares were issued and fully paid before 1 January 2008.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. SHARE CAPITAL (CONTINUED)

10.1 Summary (continued)

Up to 21 December 2009, the ordinary shares constituted the only class of shares in the Company. All shares had the same rights, whether in regard to voting, dividends, return of share capital and otherwise. Each issued and fully paid ordinary share was entitled to dividends when declared and carried one voting right.

See Note 10.3 for a description of the increase in authorised share capital and restructuring of share capital following the Extraordinary General Meeting of the Company on 21 December 2009.

10.2 Redemption of certain shares

At an Extraordinary General Meeting on 17 February 2009, the shareholders of the Company passed:

a) a special resolution to amend the articles of association ('the Articles') of the Company as follows:

   i) to permit the Board of Directors on behalf of the Company to redeem any share in the Company by agreement with the holder on the terms set out in a circular dated 21 January 2009 ('the Circular') issued by the Company and the Investment Manager; and

   ii) following the completion in all material respects of the redemptions of shares pursuant to the terms of the Circular, the existing Directors in office at the date of amendment of the Articles shall vacate the office of Director and the Investment Manager shall have the right to appoint additional Directors to the Board by notice in writing to the registered office of the Company; and

b) an ordinary resolution that an offer ('the Offer') and a right of election ('the Election') upon the terms set out in the Circular be approved and the Directors be authorised to implement the Offer in accordance with its terms.

Under the terms of the Offer, shareholders who wished to do so had the opportunity to redeem their shares in the Company in return for the shareholder's proportionate holding in the Company by way of a pro rata distribution *in specie* of each individual holding of the Company. Shareholders that decided to elect to redeem their shares were required to select a vehicle into which the consideration would be transferred. If regulatory approval was not granted for the transfer *in specie*, the Company would sell the proportionate portion of its assets to the vehicles and pay out cash to the electing shareholders.

Following completion of the Elections on 31 March 2009, shareholders representing 5,531,347 shares (72.2%) of the Company elected to redeem their shares in accordance with the terms of the Offer.

On 28 May 2009, the redemption of 4,270,147 shares held by four shareholders was initiated. As at that date the regulatory approvals required for an *in specie* distribution of the listed securities holdings of the Company had not been obtained, so the Company sold the relevant portion of its listed securities to the vehicle selected by the four electing shareholders for a net consideration equivalent to US$15,884,947. In addition, unlisted securities holdings valued at US$1,865,870 were transferred to the same vehicle.

All regulatory approvals required for the *in specie* distribution of listed securities were obtained by 16 July 2009. The redemption of 1,261,200 shares held by one shareholder was effected by the distribution of securities holdings of the Company with a net valuation equivalent to US$5,618,050 and payment of US$37,836 representing the shareholder's portion of other net assets of the Company. The redemption of the total of 5,531,347 shares of the Company was complete by 28 July 2009.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. SHARE CAPITAL (CONTINUED)

10.2 Redemption of certain shares (continued)

Movements in share capital in the year:

	Ordinary shares	Share premium	Total share capital
	US$	US$	US$
At 1 January 2008 and 31 December 2008	383,188	45,649,918	46,033,106
Capital redeemed during the year, 5,531,347 shares	(276,568)	(23,130,135)	(23,406,703)
At 31 December 2009	**106,620**	**22,519,783**	**22,626,403**

Summary of consideration for share redemption in the year:

	Year ended 31 December 2009
	US$
Share redemption by cash	15,922,783
Share redemption by *in specie* distribution of assets	7,483,920
	23,406,703
5,531,347 ordinary shares cancelled	276,568
Reduction in share premium account	23,130,135
	23,406,703

10.3 Conversion to an open-ended fund

At an Extraordinary General Meeting of the Company on 21 December 2009, the shareholders of the Company passed resolutions to adopt amended and restated Memorandum and Articles of the Company and a replacement Prospectus. A resolution was also passed to increase the Company's authorised capital from US$500,000 to US$750,000 and for such authorised capital to be divided into 14,998,000 Participating Shares of a par value of US$0.05 each and 100 Management Shares of US$1 each. These resolutions enabled the Company to convert to an open-ended mutual fund from January 2010.

The Participating Shares are redeemable on the terms set out in the replacement Prospectus. The Participating Shares do not carry a right to vote; they carry rights to dividends and rights to share in any surplus assets in a winding up after the return of nominal capital paid up on the Management Shares.

The Management Shares have been issued to PXP Vietnam Asset Management Limited, the Investment Manager, for the purpose of enabling all the shares to be redeemed without liquidating the Company and to enable the Investment Manager to vote on issues affecting the Company which require the vote of shareholders, but to not materially effect or prejudice the rights attaching to the Participating Shares. The Management Shares are not redeemable, do not carry any rights to dividends, and on a winding-up rank only for a return of paid up nominal capital *pari passu* out of the assets of the Company after the return of capital paid up on the Participating Shares.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. SHARE CAPITAL (CONTINUED)

10.4 Significant shareholders

The following shareholders own more than 10% of the Company's issued capital at 31 December 2009:

	Holding as at			
	31 December 2009		31 December 2008	
Shareholder	**Shares**	**%**	**Shares**	**%**
Citivic Nominees Limited	936,669	43.93	6,271,627	81.83
Swisstor & Co as Nominees c/o UBS Bank (Canada)	434,135	20.36	434,135	5.66

11. NET ASSET VALUE PER SHARE AND EARNINGS/(LOSS) PER SHARE

	As at 31 December	
	2009	2008
	US$	US$
Net asset value (US$)	12,047,697	23,732,772
Number of shares in issue	2,132,403	7,663,650
Net asset value per share (US$ per share)	**5.650**	**3.097**

	Year ended 31 December	
	2009	2008
	US$	US$
Net profit/(loss) for the year (US$)	12,585,050	(63,118,546)
Weighted average number of ordinary shares in issue	4,541,107	7,663,750
Basic earnings/(loss) per share (US$ per share)	**2.771**	**(8.236)**

The net asset value per share is determined by dividing the net asset value by the number of shares issued and outstanding at the time.

The basic earnings/(loss) per share is calculated by dividing net income/(loss) for the year attributable to the Company's shareholders by the weighted average number of ordinary shares in issue during the year. During the year, the Company did not have dilutive ordinary shares.

As described in Note 10, there has been an increase in the authorised share capital of the Company and with effect from 1 January 2010 the Company has converted to an open-ended mutual fund. These events do not have a dilutive impact on the earnings per share for the year ended 31 December 2009.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. RELATED PARTY TRANSACTIONS

Investment management agreement

The Company is managed by the Investment Manager, PXP Vietnam Asset Management Limited, a company incorporated with limited liability under the laws of the British Virgin Islands. The Company pays to the Investment Manager a monthly management fee which is equal to one-twelfth of 2% of the net asset value of the Company, is payable monthly in advance and is calculated by reference to the valuation day at the end of the preceding month.

Total management fee for the year amounted to US$345,111 (2008: US$946,906) and the outstanding fee payable at 31 December 2009 was US$ Nil (31 December 2008: US$46,210).

The Company pays to the Investment Manager a performance fee in relation to any financial year if the Company's total return at the end of such year exceeds (i) the benchmark and (ii) the high water mark. Where a performance fee is payable, it will be an amount equal to 20% of the amount by which the Company's total return exceeds the higher of the benchmark and the high water mark. No accrual has been made for performance fee for the year ended 31 December 2009 (31 December 2008: US$ Nil). Outstanding performance fee as at 31 December 2009 was US$ Nil (31 December 2008: US$ Nil).

PXP Vietnam Asset Management Limited, the Investment Manager of the Company held 135,495 shares in the Company as at 31 December 2009 (31 December 2008: 95,455 shares).

On 8 January 2010 and on 1 April 2010 the Investment Manager acquired a further 20,378 shares and 40,000 shares in the Company, respectively, bringing its holding up to 195,873 Participating Shares, representing 9.19% of the total Participating Shares in issue at the date of approval of these financial statements.

As described in Note 10.3, after the open-ending of the Company effective 29 January 2010, 100 Management Shares were issued to the Investment Manager, representing 100% of the Management Shares of the Company.

Directors' remuneration

Prior to 2009, the Board of Directors determined the fees payable to each director, subject to a maximum aggregate amount of US$50,000 per annum being paid to the members of the Board. Total amount of fees paid to directors in the year ended 31 December 2009 was US$ Nil (2008: US$70,500, of which US$20,500 was in respect to services performed in 2008 and US$50,000 was in respect to services performed in earlier years). Accrued directors' fees as at 31 December 2009 was US$ Nil (31 December 2008: US$Nil).

The directors in office from 19 June 2008 onwards waived the remuneration payable in respect of their appointments until the completion of share redemptions as described in Note 10.

The directors appointed on 31 July 2009 proposed that remuneration to the Board should be suspended for the time being. At the Annual General Meeting of the Company that was held on 18 September 2009 the shareholders voted to suspend the remuneration of the Board until the next general meeting of the Company.

A new Board of Directors was appointed by the Extraordinary General Meeting of the Company on 21 December 2009. In accordance with the replacement Prospectus, the Board of Directors will again determine the fees payable to each director, subject to a maximum aggregate amount of US$50,000 per annum being paid to the members of the Board.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. CUSTODIAN, ADMINISTRATION AND SECRETARIAL FEES

	Year ended 31 December	
	2009	2008
	US$	US$
Custodian and administration fees and expenses	47,213	89,546
Company secretarial fees and expenses	2,450	1,209
	49,663	**90,755**

14. OTHER OPERATING EXPENSES - NET

	Year ended 31 December	
	2009	2008
	US$	US$
Legal and professional fees	62,579	138,422
Insurance	7,648	19,034
Other expenses	1,012	1,972
Interest on late receipt of share certificates	-	(2,448)
	71,239	**156,980**

15. SUBSEQUENT EVENTS

As described in Note 10.3, at an Extraordinary General Meeting of the Company on 21 December 2009, the shareholders of the Company passed resolutions to adopt amended and restated Memorandum and Articles of the Company and a replacement Prospectus, and to restructure the share capital of the Company. These resolutions enabled the Company to convert to an open-ended mutual fund from January 2010. The Cayman Islands Monetary Authority issued a certificate of registration dated 29 January 2010 to confirm the registration of the Company under Section 4(3) of the Mutual Funds Law (2009 Revision).

During the year ended 31 December 2009, the Board of Directors of the Company has held preliminary discussions with the directors of Vietnam Lotus Fund Limited, a company for which the four directors of the Company currently in office also serve as directors and which also has an investment management agreement with PXP Vietnam Asset Management Limited, regarding a possible business combination. This would involve the Company making an offer to acquire all of the outstanding shares in Vietnam Lotus Fund Limited via a share exchange at the Net Asset Values of the respective funds on the closing date of the offer. As at the date of approval of these financial statements, the discussions are at a preliminary stage and no decision has been made in regard to the contemplated business combination.

16. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 28 April 2010.

DIRECTORY

DIRECTORS OF THE COMPANY
as at 31 December 2009

Mr Philip Smiley
Mr Gregory Hazlett
Mr Antony Jordan
Mr Christopher Vale

THE COMPANY

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INVESTMENT MANAGER

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ADMINISTRATOR AND REGISTRAR
up to 31 January 2010

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Cayman Islands

ADMINISTRATOR'S AND REGISTRAR'S SERVICE PROVIDER
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ADMINISTRATOR AND REGISTRAR
from 1 February 2010

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CUSTODIAN
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up to 31 January 2010

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from 1 February 2010

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