



VinaCapital Vietnam Opportunity Fund Limited

Interim results for the six months ended 31 December 2013

VinaCapital Vietnam Opportunity Fund Limited (the "Company" or "VOF"), an investment company focused on Vietnam, today announces its interim results for the six months ended 31 December 2013 ("the Period").

Financial highlights:

- 1 Net Asset Value ("NAV") of USD749.0 million (30 June 2013: USD752.4 million)
- 2 NAV per share of USD3.02 (30 June 2013: USD2.88).
- 3 Net profit of USD23.4 million (31 December 2012: net profit of USD38.9 million).
- 4 Earnings per share of USD0.09 (31 December 2012: Earnings per share of USD0.13).
- 5 Cash and equivalents at 31 December 2013 of USD62.4 million.

Operational highlights:

- 6 The Company's listed portfolio, which consists of 57 percent of total net asset value, increased 9.7 percent during the Period.
- 7 As at 31 December 2013, the Company has spent a total of USD142.6 million overall repurchasing 76.6 million shares, representing 23.6 percent of total shares in issue.
- 8 Shareholders supported the recommendations by members of the Board regarding all ten resolutions which were put to a vote at the Company's Annual General Meeting (AGM) held on 28 November 2013 in Zurich, Switzerland.

Notes to Editors:

VinaCapital is the leading investment management and real estate development firm in Vietnam, with a diversified portfolio of USD1.5 billion in assets under management. VinaCapital was founded in 2003 and boasts a team of managing directors who bring extensive international finance and investment experience to the firm. Our mission is to produce superior returns for investors by using our experience and knowledge to identify the key trends and opportunities that emerge as Vietnam continues to develop its economy. To achieve this, VinaCapital has industry-leading asset class teams covering capital markets, private equity, fixed income, venture capital, real estate and infrastructure.

VinaCapital manages three closed-end funds trading on the AIM Market of the London Stock Exchange. These funds are: VinaCapital Vietnam Opportunity Fund Limited (VOF), VinaLand Limited (VNL), and Vietnam Infrastructure Limited (VNI). VinaCapital also co-manages the USD32 million DFJ VinaCapital L.P. technology venture capital fund with Draper Fisher Jurvetson.

VinaCapital has offices in Ho Chi Minh City, Hanoi, Danang, Nha Trang and Singapore. More information about VinaCapital is available at www.vinacapital.com.

More information on VinaCapital Vietnam Opportunity Fund Limited is available at www.vinacapital.com/vof

Enquiries:

David Dropsey
VinaCapital Investment Management Limited
Investor Relations/Communications
+84 8 821 9930
david.dropsey@vinacapital.com

Philip Secrett
Grant Thornton UK LLP, Nominated Adviser
+44 (0)20 7383 5100
philip.j.secrett@uk.gt.com

Hiroshi Funaki / Andrew Davies
Edmond de Rothschild Securities, Broker
+44 (0)20 7845 5960
funds@lcfcr.co.uk

David Benda / Hugh Jonathan
Numis Securities Limited
+44 (0)20 7260 1000
funds@numis.com

Andrew Walton
FTI Consulting, Public Relations (London)
+44 20 7269 7204
andrew.walton@fticonsulting.com

Chairman's Statement

Dear Shareholder,

During the first six months of the 2014 fiscal year, which covers the period from 1 July 2013 to 31 December, the net asset value per share ("NAV") of VinaCapital Vietnam Opportunity Fund ("VOF" or the "Company") rose by 4.9 percent, keeping pace with the Vietnamese index. This increase in NAV was attributable entirely to the returns generated by the 57 percent weighting of the portfolio in listed stocks, which rose by 9.7 percent. Funds invested in real estate projects saw a slight negative return, while private equity and cash instruments offered a modest contribution.

The period under review was tough for emerging markets generally, with the beginning of the mild monetary tightening by the US Federal Reserve known as tapering. This led to a sell-off in currencies of countries which had high current account deficits and difficult fiscal positions, and although Vietnam was exempted from special attention, asset prices generally made little headway, particularly in contrast to the healthy returns achieved in the developed world. In these circumstances, a 5 percent return for the six months and a 15 percent return for calendar year 2013 reflect encouraging investor appetite for frontier market risk at low valuations, especially in countries like Vietnam where the economic backdrop is not of concern.

Although the influence of the macro-economy on stock market returns is questionable, greater stability in the main indicators in Vietnam is to be applauded. Inflation has settled at a level of [6 percent pa as at the end of 2013] while annual growth expectations are anchored in the 5-6 percent range; the current account is in surplus of USD1.5 billion, while the trade balance is more or less even; FDI commitments and distributions for 2013 of USD21.6 billion and USD11.5 billion were robust; and while there is much to do to clear the non-performing loan problem in the banking sector, at least a start has been made.

As far as the Company goes, after the passing of the continuation vote in July, we held the first AGM in November at which the Articles were changed to introduce a greater degree of shareholder control and each member of the Board committed to stand for re-election every year. We have for some time been looking for an independent Vietnamese director to bring a 'local' business perspective to bear on our affairs and are delighted that Thuy Dam accepted our invitation to join the Board. She has a distinguished career in banking in the region, mostly with ANZ Bank, having been CEO of its Vietnam operation and Vice Chairwoman for the Greater Mekong Region. She will be standing for election at the AGM later in the year.

The Company continued to buy back its shares during the period under review. In the six months, 13.4 million shares were purchased at an aggregate cost of USD 28.6 million, adding 5 cents per share to NAV. Since the beginning of the buyback programme in October 2011 until 20 March 2014, the Company had repurchased 79.0 million shares for a cost of USD148.4 million, thereby adding 33 cents to NAV per share or 11.4 percent. At the time of writing, the discount to February 2014 NAV was 20.4 percent, and although this has narrowed somewhat from the level at the start of our fiscal year, it is still higher than the Board would like to see. We intend to continue with our buyback programme and should that not yield results in further discount narrowing, we will consider other options.

Of course, we do not know why our discount is stuck at a particular level. VOF remains the most liquid of the actively managed Vietnamese funds and it is our objective to make it attractive to investors who are looking for a broad exposure to the Vietnamese investment opportunity set. To this end, it is important for us to be as transparent to our shareholders as we can, and in this regard, I thought I would briefly set out our objectives as a Company over the next two years:

1. We intend to reduce our exposure to direct real estate projects. We are not a real estate developer and would prefer over time to invest in this sector through conventional listed and private equity vehicles. It is worth pointing out that recent sales from the real estate portfolio have been at prices at or above our carrying valuation;
2. We intend to increase the weighting to the so called OTC assets given the experience to date and returns generated in excess of stock market performance. These are largely dependent on the rate of privatisation (known as equitisation in Vietnam). It is hoped that after a fallow period, activity here will pick up. Our approach to private equity investments remains opportunistic and sensitive to value;
3. We will maintain a large weighting to listed securities but will be sensitive to the level of valuation and to any foreign premium which can be captured. This is likely to be reflected in the mix of holdings rather than in large swings in the percentage allocation to the asset class; and
4. As already suggested, we are committed to a further reduction in the discount as a means of generating returns for shareholders and as part of an all-round commitment to good corporate governance.

Since the end of the period under review, the VN Index has been very strong, rising by 16 percent as at the date of this report. This is again in contrast to the lacklustre returns being produced by emerging markets in general. Investors have focused once more on the favourable dynamics of investment in Vietnam and are willing to assume the extra risk involved in such a frontier market. Valuations have risen quite sharply – although to levels now comparable to regional averages – and investor expectations for corporate earnings growth are beginning to look quite demanding in certain stocks. Elsewhere, there are signs that the real estate cycle may have bottomed, although we are a long way from a robust recovery in asset values in that sector. Overall, the market's expectation may be a little ahead of reality, but there is no doubt that that reality is improving. We are guardedly optimistic about the future, but continue to focus on investment performance, corporate governance and the management of risk, while listening attentively to our shareholders' views.

Steven Bates

Chairman

VinaCapital Vietnam Opportunity Fund Limited

21 March 2014

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET

	Note	31 December 2013 USD'000 Unaudited	30 June 2013 USD'000 Audited
ASSETS			
Non-current			
Plant and equipment		3,268	3,093
Investment properties		3,727	3,722
Interests in associates	6	166,747	182,090
Prepayments for acquisitions of investment properties	7	8,080	8,239
Financial assets at fair value through profit or loss	11	4,697	4,697
Available-for-sale financial assets	8	6,059	5,784
Long-term loan to an associate	26(d)	1,328	1,325
Other non-current assets		916	207
Total non-current assets		194,822	209,157
Current			
Inventories		6,892	7,413
Trade and other receivables	10	15,323	17,918
Short-term loans to related parties	26(d)	4,882	7,501
Financial assets at fair value through profit or loss	11	463,533	467,762
Available-for-sale financial assets	8	8,700	8,700
Cash and cash equivalents (excluding bank overdraft)	12	62,446	53,392
Total current assets		561,776	562,686
Asset classified as held for sale		5,375	-
Total assets		761,973	771,843

	Note	31 December 2013 USD'000 Unaudited	30 June 2013 USD'000 Audited
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to owners of the Company			
Share capital	13	3,246	3,246
Additional paid-in capital		722,064	722,064
Treasury shares	14	(142,199)	(113,639)
Revaluation reserve	15	32,156	31,376
Available-for-sale financial assets reserve		4,336	4,336
Translation reserve		(17,928)	(18,763)
Retained earnings		147,359	123,823
Total equity attributable to owners of the Company		749,034	752,443
Non-controlling interests		948	1,089
Total equity		749,982	753,532
LIABILITIES			
Non-current			
Other long-term liabilities		201	236
Total non-current liabilities		201	236
Current			
Short-term bank borrowings	16	2,547	2,261
Trade and other payables	17	6,352	13,658
Payable to related parties	26(c)	2,891	2,156
Total current liabilities		11,790	18,075
Total liabilities		11,991	18,311
Total equity and liabilities		761,973	771,843
Net asset value, USD per share	23(c)	3.02	2.88

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company									
	Share capital USD'000	Additional paid-in capital USD'000	Treasury shares USD'000	Revaluation reserve USD'000	Available- for-sale financial assets reserve USD'000	Translation reserve USD'000	Retained earnings USD'000	Total equity attributable to owners of the Company USD'000	Non- controlling interests USD'000	Total equity USD'000
Balance at 1 July 2012	3,246	722,064	(17,785)	28,602	14,180	(17,011)	32,349	765,645	-	765,645
Profit/(loss) for the six-month period to 31 December 2012	-	-	-	-	-	-	38,911	38,911	(27)	38,884
Other comprehensive income/(loss)	-	-	-	1,848	(14,180)	330	-	(12,002)	-	(12,002)
Total comprehensive income/(loss)	-	-	-	1,848	(14,180)	330	38,911	26,909	(27)	26,882
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	1,442	1,442
Transactions with owners										
Shares repurchased	-	-	(40,881)	-	-	-	-	(40,881)	-	(40,881)
Balance at 31 December 2012 (unaudited)	3,246	722,064	(58,666)	30,450	-	(16,681)	71,260	751,673	1,415	753,088
Balance at 1 July 2013	3,246	722,064	(113,639)	31,376	4,336	(18,763)	123,823	752,443	1,089	753,532
Profit/(loss) for the six-month period to 31 December 2013	-	-	-	-	-	-	23,536	23,536	(153)	23,383
Other comprehensive income	-	-	-	780	-	835	-	1,615	12	1,627
Total comprehensive income/(loss)	-	-	-	780	-	835	23,536	25,151	(141)	25,010
Transactions with owners										
Shares repurchased	-	-	(28,560)	-	-	-	-	(28,560)	-	(28,560)
Balance at 31 December 2013 (unaudited)	3,246	722,064	(142,199)	32,156	4,336	(17,928)	147,359	749,034	948	749,982

CONDENSED INTERIM CONSOLIDATED STATEMENT OF INCOME

	Note	Six months ended	
		31 December 2013 USD'000 Unaudited	31 December 2012 USD'000 Unaudited
Revenue	18	4,856	5,264
Cost of sales	18	(3,289)	(4,078)
Gross profit		1,567	1,186
Dividend income		10,169	12,377
Interest income	19(a)	831	1,422
Gains from financial assets at fair value through profit or loss, net	20	32,655	28,287
Selling, general and administration expenses	21	(8,405)	(9,781)
Gain on disposals of investments		-	12,179
Other income		880	1,133
Other expenses		(653)	(690)
Operating profit		37,044	46,113
Finance income	19(b)	44	144
Finance costs	19(b)	(370)	(271)
Finance costs - net		(326)	(127)
Share of losses of associates, net of tax	6	(12,996)	(6,595)
		(13,322)	(6,722)
Profit before tax		23,722	39,391
Corporate income tax	22	(18)	(37)
Withholding taxes imposed on investment income	22	(321)	(470)
Profit for the period		23,383	38,884
Profit attributable to:			
Owners of the Company		23,536	38,911
Non-controlling interests		(153)	(27)
		23,383	38,884
Earnings per share			
- basic and diluted (USD per share)	23(a),(b)	0.09	0.13

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	31 December 2013 USD'000 Unaudited	31 December 2012 USD'000 Unaudited
Profit for the period	23,383	38,884
Other comprehensive income/(loss)		
Items that will be reclassified subsequently to profit or loss		
- Disposal of available-for-sale financial assets	-	(14,180)
- Currency translation differences	847	330
	<u>847</u>	<u>(13,850)</u>
Items that will not be reclassified subsequently to profit or loss		
- Share of revaluation reserve of associates	780	1,848
	<u>1,627</u>	<u>(12,002)</u>
Other comprehensive income/(loss) for the period		
	<u>25,010</u>	<u>26,882</u>
Total comprehensive profits for the period	<u><u>25,010</u></u>	<u><u>26,882</u></u>
Attributable to:		
Owners of the parent	25,151	26,909
Non-controlling interests	(141)	(27)
	<u>25,010</u>	<u>26,882</u>

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	31 December 2013 USD'000 Unaudited	31 December 2012 USD'000 Unaudited
Operating activities		
Profit before tax	23,722	39,391
Adjustments for:		
Depreciation and amortisation	279	29
Unrealised net gains from of financial assets at fair value through profit or loss	(28,316)	(26,611)
Write-off of assets	-	35
Impairment of assets	159	449
Gains on disposals of investments	-	(12,179)
Share of losses of associates	12,996	6,595
Unrealised foreign exchange gain - net	(18)	(82)
Interest expense	128	138
	8,950	7,765
Change in trade receivables and other assets	1,917	(2,251)
Change in inventories	521	(849)
Change in trade payables and other liabilities	(8,219)	1,346
Income taxes paid	(339)	(507)
	2,830	5,504
Net cash inflow from operating activities	2,830	5,504
Investing activities		
Dividends received	1,355	3,250
Acquisition of a subsidiary	-	(1,235)
Purchases of plant and equipment	(158)	(199)
Purchases of financial assets	(18,246)	(36,893)
Investments in associates	(982)	-
Proceeds from disposals of financial assets	50,794	37,416
Shareholder loans refunded	237	288
Proceeds from disposals of investments	1,613	42,316
Shareholder loans provided	-	(579)
	34,613	44,364
Net cash inflow from investing activities	34,613	44,364
Financing activities		
Interest paid	(128)	(138)
Payments for shares repurchased	(28,560)	(40,881)
Loan proceeds from banks	3,187	4,570
Loan repayment to banks	(2,906)	(4,484)
	(28,407)	(40,933)
Net cash outflow from financing activities	(28,407)	(40,933)
Net increase in cash and cash equivalents for the period	9,036	8,935
Cash and cash equivalents at the beginning of the period	53,392	42,209
Exchange differences on cash and cash equivalents	18	(35)
	62,446	51,109
Cash and cash equivalents at the end of the period	62,446	51,109

1 GENERAL INFORMATION

VinaCapital Vietnam Opportunity Fund Limited (“the Company”) is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is PO Box 309GT, Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands. The Company’s primary objective is to undertake various forms of investment primarily in Vietnam, but also in Cambodia, Laos and Southern China. The Company is quoted on the AIM market of the London Stock Exchange under the ticker symbol VOF.

The Company does not have a fixed life but the Company’s Admission Document to the AIM market of the London Stock Exchange states that the Board considers it desirable that shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, the Board intends that a special resolution will be proposed every fifth year that the Company ceases to continue as presently constituted. If the resolution is not passed, the Company will continue to operate. If the resolution is passed, the Directors will be required to formulate proposals to be put to shareholders to reorganise, unitise or reconstruct the Company or for the Company to be wound up. The Board tabled such a special resolution on 22 July 2013 and it was not passed, allowing the Company to continue as presently constituted for another five years.

The condensed interim consolidated financial statements for the six-month period ended 31 December 2013 were approved for issue by the Board of Directors on 21 March 2014.

2 BASIS OF PREPARATION

The Company and its subsidiaries herein are referred as the Group.

These condensed interim consolidated financial statements for the six-month period ended 31 December 2013 have been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”). They do not include all of the information required in the annual financial statements which are prepared in accordance with International Financial Reporting Standards (“IFRS”). Accordingly, these financial statements are to be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2013.

3 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year except for the additional disclosures as required by IFRS 13 ‘Fair value measurement’ on adoption of the new standard. The new disclosures are in Note 28.

The AIM Rules for Companies require comparative figures for the balance sheet for the corresponding period end in the preceding financial year which differs to IAS 34 which requires comparative figures for the balance sheet for the immediately preceding financial year end. The Group continues to elect to report in accordance with IAS 34 and as such has agreed with the London Stock Exchange a derogation from the above requirement of the AIM Rules for Companies in order to comply with IAS 34.

4 ESTIMATES

When preparing the condensed interim consolidated financial statements, the Group undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements.

Information about significant judgements, estimates and assumptions that have the most effect on recognition and measurement of assets, liabilities, income and expenses were the same as those that applied to the last annual financial statements for the year ended 30 June 2013.

5 SEGMENT ANALYSIS

In identifying its operating segments, management generally follows the Group's sectors of investment which are based on internal management reporting information for the Investment Manager's management, monitoring of investments and decision making. The operating segments by investment portfolio include capital markets, real estate (real estate and hospitality), private equity and cash (including cash and cash equivalents, bonds, and short-term deposits) sectors.

Each of the operating segments are managed and monitored individually by the Investment Manager as each requires different resources and approaches. The Investment Manager assesses segment profit or loss using a measure of operating profit or loss from the investment assets. Although IFRS 8 requires measurement of segmental profit or loss the majority of expenses are common to all segments therefore cannot be individually allocated. There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

Segment information can be analysed as follows:

Revenue and other segment profit and loss

	Capital markets USD'000	Real estate USD'000	Private equity USD'000	Cash USD'000	Total USD'000
Six months ended 31 December 2013					
Revenue	-	-	4,856	-	4,856
Dividend income	10,169	-	-	-	10,169
Interest income	-	-	-	831	831
Finance income	10	34	-	-	44
Share of losses of associates, net of tax	-	(12,996)	-	-	(12,996)
Other income	-	858	22	-	880
Gains from financial assets at fair value through profit or loss, net:					
– Listed and unlisted securities	32,213	-	-	-	32,213
– Government bonds	442	-	-	-	442
	<u>42,834</u>	<u>(12,104)</u>	<u>4,878</u>	<u>831</u>	<u>36,439</u>
Less: unallocated expenses					<u>(12,717)</u>
Profit before tax					<u><u>23,722</u></u>
Six months ended 31 December 2012					
Revenue	-	-	5,264	-	5,264
Dividend income	12,377	-	-	-	12,377
Interest income	-	-	-	1,422	1,422
Finance income	33	84	27	-	144
Share of losses of associates, net of tax	-	(6,595)	-	-	(6,595)
(Loss)/gain on disposals of investments	-	(2,001)	14,180	-	12,179
Other income	8	557	568	-	1,133
Gains from financial assets at fair value through profit or loss, net:					
– Listed and unlisted securities	27,356	-	-	-	27,356
– Government bonds	931	-	-	-	931
	<u>40,705</u>	<u>(7,955)</u>	<u>20,039</u>	<u>1,422</u>	<u>54,211</u>
Less: unallocated expenses					<u>(14,820)</u>
Profit before tax					<u><u>39,391</u></u>

Assets

	Capital markets USD'000	Real estate USD'000	Private equity USD'000	Cash USD'000	Total USD'000
As at 31 December 2013					
Financial assets at fair value through profit or loss					
- Non-current	-	-	4,697	-	4,697
- Current	458,701	-	-	4,832	463,533
Investment properties	-	3,727	-	-	3,727
Interests in associates	-	164,337	2,410	-	166,747
Prepayment for acquisitions of investment properties	-	8,080	-	-	8,080
Available-for-sale financial assets					
- Non-current	-	6,059	-	-	6,059
- Current	-	-	8,700	-	8,700
Other non-current assets	-	1,328	4,184	-	5,512
Cash and cash equivalents	-	-	-	62,446	62,446
Inventories	-	-	6,892	-	6,892
Other current assets	1,589	5,722	6,420	6,474	20,205
Assets classified as held for sale	-	5,375	-	-	5,375
Total assets	460,290	194,628	33,303	73,752	761,973
Total assets include:					
additions to non-current assets	-	34	1,106	-	1,140
As at 30 June 2013					
Financial assets at fair value through profit or loss					
- Non-current	-	-	4,697	-	4,697
- Current	439,830	-	10,180	17,752	467,762
Investment properties	-	3,722	-	-	3,722
Interests in associates	-	179,654	2,436	-	182,090
Prepayment for acquisitions of investment properties	-	8,239	-	-	8,239
Available-for-sale financial assets:					
- Non-current	-	5,784	-	-	5,784
- Current	-	-	8,700	-	8,700
Other non-current assets	-	1,325	3,300	-	4,625
Cash and cash equivalents	-	-	-	53,392	53,392
Inventories	-	-	7,413	-	7,413
Other current assets	1,423	11,234	6,302	6,460	25,419
Total assets	441,253	209,958	43,028	77,604	771,843
Total assets include:					
additions to non-current assets	-	484	400	-	884

6 INTERESTS IN ASSOCIATES

	31 December 2013	30 June 2013
	USD'000	USD'000
Investments in associates	135,988	146,966
Long-term loan receivables (Note 26(d))	30,759	35,124
	<u>166,747</u>	<u>182,090</u>
Interests in associates	<u><u>166,747</u></u>	<u><u>182,090</u></u>

The movement in investments in associates is analysed as follows:

Opening balance	146,966	172,341
Additions	982	484
Share of losses, net of tax	(12,996)	(8,214)
Transferred to assets classified as held for sale	608	-
Share of change in revaluation reserve	780	3,994
Transferred to subsidiary	-	(8,058)
Dividend income	(1,355)	(4,750)
Disposals	-	(7,088)
Share of translation differences	1,003	(1,743)
	<u>135,988</u>	<u>146,966</u>
Closing balance	<u><u>135,988</u></u>	<u><u>146,966</u></u>

The Group's share of the results of its significant associates, its aggregated assets and liabilities at 31 December 2013 and their performance during the period was as follows:

Name	Country of incorporation	As at		For 31 December 2013			
		31 December 2013	30 June 2013	Assets USD'000	Liabilities USD'000	Revenue USD'000	Profit/(loss) USD'000
		% of group interest	% of group interest				
S.E.M Thong Nhat Hotel Metropole	Vietnam	50.00	50.00	46,059	8,101	19,055	4,813
Hung Vuong Corporation	Vietnam	33.33	33.33	37,081	19,780	4,547	1,316
VinaCapital Danang Golf Course Ltd.	Vietnam	25.00	25.00	84,651	27,243	1,963	983
Prosper Big Ltd.	BVI	25.00	25.00	151,664	139,203	-	(3,330)
VinaCapital Danang Resorts Ltd.	Vietnam	25.00	25.00	55,956	23,332	1,836	(403)
Vinh Thai Co. Ltd.	Vietnam	25.00	25.00	60,332	43,065	2	(4,064)
Vina Alliance Limited ^(*)	Vietnam	15.50	15.50	96,392	30,072	-	(617)
Saigon Golf JSC	Vietnam	20.00	20.00	13,750	3,773	124	85
Vina Dai Phuoc Corporation ^(*)	Vietnam	18.00	18.00	85,639	28,593	7,114	569
Phu Hoi City Company Limited ^(*)	Vietnam	17.50	17.50	22,272	28	3	(2,397)

(*) Although the Group holds less than 20% of the equity of Vina Alliance Limited, Vina Dai Phuoc Corporation and Phu Hoi City Company Limited, the Group exercises significant influence by having the power to participate in the financial and operating decisions of these entities and therefore these investments are treated as associates of the Group.

7 PREPAYMENTS FOR ACQUISITIONS OF INVESTMENT PROPERTIES

	31 December 2013 USD'000	30 June 2013 USD'000
Opening balance	10,975	8,986
Transfer from assets classified as held for sale	-	1,989
	<u>10,975</u>	<u>10,975</u>
Less: cumulative allowance for impairment losses	(2,895)	(2,736)
Closing balance	<u><u>8,080</u></u>	<u><u>8,239</u></u>
The movement in cumulative allowance for impairment losses is analysed as follows:		
Opening balance	2,736	1,486
Charge for the period/year	159	1,250
Closing balance	<u><u>2,895</u></u>	<u><u>2,736</u></u>

These prepayments relate to payments made by the Group to property vendors where the final transfer of the properties is pending the approval of the relevant authorities as at the balance sheet date.

As at 31 December 2013 and 30 June 2013, due to market conditions, the recoverable amounts of the properties, which were assessed based on the fair values of the assets less the costs to sell them, was lower than their carrying values.

8 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2013 USD'000	30 June 2013 USD'000
Opening balance	14,484	34,561
Disposal during the period/year	-	(20,077)
Fair value gain	275	-
Closing balance	<u>14,759</u>	<u>14,484</u>
Less: current portion	(8,700)	(8,700)
Non-current portion	<u><u>6,059</u></u>	<u><u>5,784</u></u>

9 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables USD'000	Financial assets at fair value through profit or loss USD'000	Available- for-sale financial assets USD'000	Total USD'000
As at 31 December 2013				
Available-for-sale financial assets	-	-	14,759	14,759
Long-term loan included in interest in associates	30,759	-	-	30,759
Short-term loan to an associate	4,882	-	-	4,882
Long-term loan to an associate	1,328	-	-	1,328
Trade and other receivables	15,323	-	-	15,323
Financial assets at fair value through profit or loss	-	468,230	-	468,230
Cash and cash equivalents	62,446	-	-	62,446
Total	114,738	468,230	14,759	597,727
Financial assets denominated in:				
- USD	30,181	21,495	8,700	60,376
- VND	84,547	446,132	6,059	536,738
- Other currencies	10	603	-	613
Total	114,738	468,230	14,759	597,727
As at 30 June 2013				
Available-for-sale financial assets	-	-	14,484	14,484
Long-term loan included in interest in associates	35,124	-	-	35,124
Short-term loan to an associate	7,501	-	-	7,501
Long-term loan to an associate	1,325	-	-	1,325
Trade and other receivables	17,918	-	-	17,918
Financial assets at fair value through profit or loss	-	472,459	-	472,459
Cash and cash equivalents	53,392	-	-	53,392
Total	115,260	472,459	14,484	602,203
Financial assets denominated in:				
- USD	17,746	20,907	8,700	47,353
- VND	97,495	450,938	5,784	554,217
- Other currencies	19	614	-	633
Total	115,260	472,459	14,484	602,203

All financial liabilities are classified as financial liabilities carried at amortised cost. As at the balance sheet date, the financial liabilities denominated in USD and VND are USD3.9 million and USD7.8 million (30 June 2013: USD10.4 million and USD6.0 million), respectively.

10 TRADE AND OTHER RECEIVABLES

	31 December 2013 USD'000	30 June 2013 USD'000
Trade receivables	2,050	1,730
Receivable from matured bonds*	6,481	9,888
Interest receivable	2,011	1,030
Dividends receivable	2,421	371
Receivable from disposals of investments	500	2,963
Receivable from related parties (Note 26(c))	1,109	2,059
Short-term loans to third parties	-	1,271
Deposits for share tenders	-	1,152
Other receivables	2,424	2,555
	<u>16,996</u>	<u>23,019</u>
Less: cumulative allowance for impairment of receivables	<u>(1,673)</u>	<u>(5,101)</u>
	<u><u>15,323</u></u>	<u><u>17,918</u></u>

The movement in the cumulative allowance for impairment of receivables is analysed as follows:

	31 December 2013 USD'000	30 June 2013 USD'000
Opening balance	5,101	3,746
Reversal/charge during the period/year	<u>(3,428)</u>	<u>1,355</u>
Closing balance	<u><u>1,673</u></u>	<u><u>5,101</u></u>
The balance of the allowance relates to:		
- Trade receivables	625	625
- Receivable from matured bonds*	-	3,428
- Other receivables	<u>1,048</u>	<u>1,048</u>
	<u><u>1,673</u></u>	<u><u>5,101</u></u>

Charges in respect to the impairment of receivables are included in 'other expenses' in the condensed interim consolidated statement of income.

During the six-month period, a bond issuer increased its charter capital and issued new shares to the Fund as a form of settlement of its debt. Accordingly, the receivable from matured bonds of USD3.4 million with the corresponding allowance of USD3.4 million, have been derecognised. The new shares received have been recognised as a financial asset at fair value through profit or loss during the period.

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2013 USD'000	30 June 2013 USD'000
Financial assets in Vietnam		
Ordinary shares – listed	376,503	356,438
Ordinary shares – unlisted	64,797	76,748
Government bonds	4,832	17,752
	<u>446,132</u>	<u>450,938</u>
Financial assets in countries other than Vietnam		
Ordinary shares – listed	22,098	21,521
Total	<u>468,230</u>	<u>472,459</u>
Less: non-current portion	<u>(4,697)</u>	<u>(4,697)</u>
Current portion	<u><u>463,533</u></u>	<u><u>467,762</u></u>

The government bonds carry a fixed interest rate of 8.3% per annum (30 June 2013: 8% per annum). The bonds have a Moody's rating of B2 at 31 December 2013 (30 June 2013: Moody's rating of B2).

As at the reporting date, the Group holds more than a 20% equity interest in the following entities but for which the Group has determined that it has no significant influence:

	Equity interest (%) as at 31 December 2013	30 June 2013
Listed entities:		
- Thu Duc Water Supply Joint Stock Company	-	30.0%
- Khang Dien House Trading and Investment Joint Stock Company	24.8%	23.6%
	<u>24.8%</u>	<u>23.6%</u>
Unlisted entities:		
- An Giang Plant Protection Joint Stock Company	24.7%	24.7%
- Cau Tre Export Goods Processing Joint Stock Company	37.3%	36.4%
- Vina Construction Machine Joint Stock Company	30.0%	30.0%
- Saigon Petroleum Service Company	22.2%	22.2%
	<u>22.2%</u>	<u>22.2%</u>

The details of financial assets at fair value through profit or loss by sector are as follows:

	31 December 2013 USD'000	30 June 2013 USD'000
Consumer goods	160,802	163,169
Construction	57,968	45,849
Financial services	54,778	61,343
Agriculture, rubber and fertiliser	91,426	83,673
Energy, minerals and petroleum	26,072	24,737
Pharmaceuticals	25,459	19,388
Real estate	45,253	48,036
Government	4,832	17,752
Other sectors	1,640	8,512
Total	<u>468,230</u>	<u>472,459</u>

As at 31 December 2013, the value of one holding in financial assets at fair value through profit or loss amount to 13.9% of the net asset value of the Group (30 June 2013: 15.4%). There were no other holdings that had a value exceeding 10% of the net asset value of Group as at 31 December 2013 or 30 June 2013.

12 CASH AND CASH EQUIVALENTS

	31 December 2013 USD'000	30 June 2013 USD'000
Cash on hand	20	26
Cash in banks	20,635	28,987
Cash equivalents	41,791	24,379
	<u>62,446</u>	<u>53,392</u>

Cash equivalents represent short-term deposits with annual interest rates of approximately 0.25% and 7.0% for USD and VND accounts (30 June 2013: 0.5% and 7.0% for USD and VND accounts), respectively. The majority of these deposits have maturity terms of one to two months from the reporting date.

As at the balance sheet date, the cash and cash equivalents are denominated in the following currencies:

	31 December 2013 USD'000	30 June 2013 USD'000
Cash and cash equivalents in USD	27,481	15,046
Cash and cash equivalents in VND	34,955	38,326
Cash and cash equivalents in other currencies	10	20
Total	<u>62,446</u>	<u>53,392</u>

13 SHARE CAPITAL

	<u>31 December 2013</u>		<u>30 June 2013</u>	
	Number of shares	USD'000	Number of shares	USD'000
Ordinary shares of USD0.01 each:				
Authorised	500,000,000	5,000	500,000,000	5,000
Issued and fully paid	<u>324,610,259</u>	<u>3,246</u>	<u>324,610,259</u>	<u>3,246</u>

14 TREASURY SHARES

	<u>31 December 2013</u>		<u>30 June 2013</u>	
	Number of shares	USD'000	Number of shares	USD'000
Opening balance	63,233,988	113,639	37,191,670	58,666
Shares repurchased during the period	<u>13,382,711</u>	<u>28,600</u>	<u>26,042,318</u>	<u>54,973</u>
Closing balance	<u>76,616,699</u>	<u>142,199</u>	<u>63,233,988</u>	<u>113,639</u>

During the period, the Group purchased 13,382,711 of its ordinary shares (six months ended 30 June 2013: 26,042,318 shares) for total cash consideration of USD28.6 million (six months ended 30 June 2013: USD54.9 million). All purchases had been fully settled at 31 December 2013 (30 June 2013: USD7.2 million payable).

The total number of shares acquired during the period represents 4.0% (30 June 2013: 19.5%) of the Company's 324,610,259 ordinary shares in issue. As a result, total voting rights in the Company have been reduced to 247,993,560 shares (30 June 2013: 261,376,271 shares).

15 REVALUATION RESERVE

	31 December 2013 USD'000	30 June 2013 USD'000
Opening balance	31,376	28,602
Share of change in revaluation reserve of associates	780	3,994
Disposal of an associate	-	(1,220)
Closing balance	<u>32,156</u>	<u>31,376</u>

The Group's share of the revaluation gains relates to the revaluation of associates' hotels.

16 SHORT-TERM BANK BORROWINGS

Bank borrowings are obtained by subsidiaries of the Group and are secured by their plant and equipment.

Bank borrowings are denominated in VND and are repayable within 12 months. They are subject to interest rates ranging from 10.0% to 11.5% per annum (30 June 2013: 10.0% to 11.5%).

17 TRADE AND OTHER PAYABLES

	31 December 2013	30 June 2013
	USD'000	USD'000
Trade payables	1,640	1,841
Withholding taxes payable	585	1,093
Unearned revenue	2,863	1,526
Payables to brokers	-	7,245
Professional fees payable	112	739
Other payables	1,152	1,214
	<hr/>	<hr/>
Total	6,352	13,658
	<hr/> <hr/>	<hr/> <hr/>

All trade and other payables are short-term in nature. Therefore, their carrying values are considered a reasonable approximation of their fair values.

18 REVENUE AND COST OF SALES

The Group's revenue and cost of sales represent the sale of goods and cost of sales of its operating subsidiaries, American Home Vietnam Co. Ltd and Yen Viet Joint Stock Company. All revenues are derived from external customers and there are no significant concentrations of sales to any single customer.

19 INTEREST INCOME AND FINANCE COSTS, NET**(a) Interest income**

	Six months ended	
	31 December 2013 USD'000	31 December 2012 USD'000
Interest income comprised interest earned on:		
- cash and term deposits	585	678
- government bonds	-	339
- loans to associates	218	358
- others	28	47
Total	<u>831</u>	<u>1,422</u>

(b) Finance costs, net

	Six months ended	
	31 December 2013 USD'000	31 December 2012 USD'000
Finance income comprised:		
- realised gains on foreign currency differences	16	45
- unrealised gains on foreign currency differences	28	99
	<u>44</u>	<u>144</u>
Finance costs comprised:		
- interest expense	(128)	(138)
- realised losses on foreign currency differences	(232)	(116)
- unrealised losses on foreign currency differences	(10)	(17)
	<u>(370)</u>	<u>(271)</u>
Total, net	<u>(326)</u>	<u>(127)</u>

20 GAINS FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS, NET

	Six months ended	
	31 December 2013 USD'000	31 December 2012 USD'000
Financial assets at fair value through profit or loss:		
- Gains from the realisation of financial assets, net	4,339	1,676
- Unrealised gains, net	28,316	26,611
Total	<u>32,655</u>	<u>28,287</u>

21 SELLING, GENERAL AND ADMINISTRATION EXPENSES

	Six months ended	
	31 December 2013 USD'000	31 December 2012 USD'000
Management fees (Note 26(a))	5,722	7,370
Professional fees	1,151	1,318
Selling and general administration expenses ^(*)	1,532	1,093
	<u>8,405</u>	<u>9,781</u>

(*) The majority of these expenses relate to operating expenses incurred by subsidiaries of the Group.

22 INCOME TAX EXPENSE

VinaCapital Vietnam Opportunity Fund Limited is domiciled in the Cayman Islands. Under the current laws of the Cayman Islands, there is no income, state, corporation, capital gains or other taxes payable by the Company.

The majority of the Group's subsidiaries are domiciled in the British Virgin Islands (BVI) and so have a tax exempt status. Some of the subsidiaries are established in Singapore and have offshore operations in Vietnam and other countries. The income from these offshore operations is also tax exempt in Singapore.

The income from these subsidiaries is taxable at the applicable tax rate in Vietnam. Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 30 June 2014 is 23.5% (the estimated tax rate for the six months ended 31 December 2013 was 25%). The decrease is due to a reduction of 3% in the corporate income tax rate in Vietnam which is applicable from 1 January 2014.

The relationship between the expected income tax expense based on the applicable income tax rate (stated below) and the tax expense actually recognised in the condensed interim statement of income can be reconciled as follows:

	Six months ended	
	31 December 2013 USD'000	31 December 2012 USD'000
Group profits before tax	23,722	39,391
Income taxes on Vietnamese subsidiaries	(18)	(37)
Withholding taxes imposed on investment income	(321)	(470)
Tax expense	<u>(339)</u>	<u>(507)</u>

23 EARNINGS PER SHARE AND NET ASSET VALUE PER SHARE

(a) *Basic*

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders of the Company from operations by the weighted average number of ordinary shares in issue during the six-month period excluding ordinary shares purchased by the Company and held as treasury shares (Note 14).

	Six months ended	
	31 December 2013	31 December 2012
Profit attributable to owners of the Company during the period (USD'000)	23,536	38,911
Weighted average number of ordinary shares in issue	250,626,969	295,546,000
Basic earnings per share (USD per share)	0.09	0.13

(b) *Diluted*

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has no category of potentially dilutive ordinary shares. Therefore, diluted earnings per share is equal to basic earnings per share.

(c) *Net asset value per share*

Net Asset Value ("NAV") per share is calculated by dividing the net asset value attributable to equity shareholders of the Company by the number of outstanding ordinary shares in issue as at the reporting date excluding ordinary shares purchased by the Company and held as treasury shares (Note 14). NAV is determined as total assets less total liabilities.

	As at 31 December 2013	As at 30 June 2013
Net asset value attributable to owners of the Company (USD'000)	749,034	752,443
Number of outstanding ordinary shares on issue	247,993,560	261,376,271
Net asset value per share (USD/share)	3.02	2.88

24 SEASONALITY

The Group's management believes that the impact of seasonality on the condensed interim financial information is not material.

25 DIRECTORS AND MANAGEMENT REMUNERATION

The aggregate directors' fees for the six-month period amounted to USD172,500 (31 December 2012: USD97,500), of which there was no outstanding payable at the reporting date (31 December 2012: nil).

The details of remuneration for each director are summarised below:

	Six months ended	
	31 December 2013 USD	31 December 2012 USD
Steven Bates	47,500	-
William Vanderfelt	-	37,500
Martin Adams	40,000	-
Martin Glynn	40,000	30,000
Michael Gray	45,000	30,000
	<u>172,500</u>	<u>97,500</u>

At the Annual General Meeting held on 28 November 2013, the shareholders approved a resolution to increase the cap on directors' remuneration to USD500,000 per annum.

26 RELATED PARTIES

(a) Management fees

The Group is managed by VinaCapital Investment Management Limited (the "Investment Manager"), an investment management company incorporated in the Cayman Islands, under an amended and restated investment management agreement dated 24 June 2013 which became effective as of 1 July 2013 (the "Amended Management Agreement"). Prior to 1 July 2013 the Investment Manager received a management fee based on the net asset value of the Group, payable monthly in arrears, at an annual rate of 2.0% of the NAV. Under the Amended Investment Management Agreement the Investment Manager receives a fee at an annual rate of 1.5% of the NAV, payable monthly in arrears.

Total management fees for the six-month period amounted to USD5,721,951 (31 December 2012: USD7,369,889), with USD981,897 (31 December 2012: USD1,260,104) in outstanding accrued fees due to the Investment Manager at the reporting date.

(b) Incentive fees

Prior to 1 July 2013 the Investment Manager was paid an incentive fee equal to 20% of the increase in the NAV of the Company over an 8% per annum hurdle rate, with a catch up.

From 1 July 2013 the incentive fee was changed to be 15% of the increase in NAV per share over a hurdle rate of 8% per annum. A catch up is no longer applied. Furthermore, for the purposes of calculating incentive fees, the Group's net assets are segregated into a Direct Real Estate Portfolio and a Capital Markets Portfolio. A separate incentive fee is calculated for each portfolio so that for any balance sheet date it will be possible for an incentive fee to become payable in relation to one, both, or neither, portfolio depending upon the performance of each portfolio. However, the maximum incentive fee that can be paid out in any given year in respect to a portfolio is 1.5% of the NAV of the portfolio at the balance sheet date. Any incentive fees earned in excess of the cap may be paid out in subsequent years providing that certain performance targets are met.

(b) *Incentive fees (continued)*

There were no incentive fees payable for the six-month period ended 31 December 2013 and 31 December 2012. No incentive fees were paid for the year ended 30 June 2013.

(c) *Other balances with related parties*

	31 December 2013 USD'000	30 June 2013 USD'000
Payments on behalf of a fund managed by the Investment Manager	1,109	1,586
Payment on behalf of the Investment Manager	-	473
	<u>1,109</u>	<u>2,059</u>
Payable to the Investment Manager	(982)	(1,199)
Payable to a fund managed by the Investment Manager	(1,909)	(957)
	<u>(2,891)</u>	<u>(2,156)</u>

(d) *Loans to related parties*

	31 December 2013 USD'000	30 June 2013 USD'000
Long-term loans to:		
- Associates under common management (Note 6)	30,759	35,124
- An associate	1,328	1,325
	<u>32,087</u>	<u>36,449</u>
Total long-term loans to related parties		
Short-term loans to:		
- Current portion of long-term loan to an associate	569	568
- Other related parties	4,313	6,933
	<u>4,882</u>	<u>7,501</u>
Total short-term loans to related parties		
Total loans to related parties	<u>36,969</u>	<u>43,950</u>

(*) Associates under common management refer to associates that are joint investments in real estate projects with VinaLand Limited, another fund managed by the Investment Manager. These loans form part of the Group's net investment in associates and so they are not expected to be realised until each respective investment is sold.

(d) *Loans to related parties (continued)*

The movements in loans to related parties were as follows:

	31 December 2013 USD'000	30 June 2013 USD'000
Opening balance	43,950	46,504
Loans advanced	-	1,779
Loan repayments received	(237)	(1,514)
Transferred to asset classified as held for sale (*)	(5,983)	-
Disposals	-	(3,028)
Interest charged	205	724
Interest received	-	(431)
Reclassified as other receivables	(966)	-
Impairment of loan receivables	-	(84)
Closing balance	<u>36,969</u>	<u>43,950</u>

The long-term loan to an associate is secured by way of shares of an entity listed on the Vietnam stock exchange. The loan bears interest at the rate of 15.0% per annum and requires a minimum repayment of USD0.6 million annually.

The short-term loans to other related parties have repayment terms within 12 months. They are unsecured and earn interest at rates ranging from 1.5% to 15.0% per annum (30 June 2013: 1.5% to 15.0% per annum).

No allowance is required at 31 December 2013 (30 June 2013: nil) for loans to related parties.

(*) During the period, the Group entered into a sale and purchase agreement with a third party to dispose of an associate. As a result of this transaction the loan of USD6.0 million provided to the associate, together with USD0.6 million, being the Company's share of the losses of the associate during the period, were reclassified to 'Assets held for sale'.

27 COMMITMENTS

The Group has a broad range of commitments under investment licences it has received for real estate projects jointly invested with VinaLand Limited, a related party under common management, and other agreements it has entered into, to acquire and develop, or make additional investments in investment properties and leasehold land in Vietnam. Further investments in many of these arrangements are at the Group's discretion.

28 FINANCIAL RISK MANAGEMENT

(a) *Financial risk factors*

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 30 June 2013.

There have been no significant changes in the management of risk or in any risk management policies since the last balance sheet date.

(b) *Fair value estimation*

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than 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); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

There are no financial liabilities of the Group which were measured using the fair valuation method as at 31 December 2013 and 30 June 2013.

The level into which financial assets are classified is determined based on the lowest level of significant input to the fair value measurement.

(b) *Fair value estimation (continued)*

Financial assets measured at fair value in the balance sheet are grouped into the following fair value hierarchy:

	Level 1	Level 2	Level 3	Total
	USD'000	USD'000	USD'000	USD'000
As at 31 December 2013				
Financial assets at fair value through profit or loss in Vietnam:				
- Ordinary shares – listed	372,909	3,594	-	376,503
- Ordinary shares – unlisted	4,697	60,100	-	64,797
- Government bonds	4,832	-	-	4,832
Financial assets in countries other than Vietnam:				
- Ordinary shares – listed	22,098	-	-	22,098
Available-for-sale financial assets:				
- Private equity investments	-	8,700	6,059	14,759
	<u>404,536</u>	<u>72,394</u>	<u>6,059</u>	<u>482,989</u>
As at 30 June 2013				
Financial assets at fair value through profit or loss in Vietnam:				
- Ordinary shares – listed	350,694	5,744	-	356,438
- Ordinary shares – unlisted	4,697	66,871	5,180	76,748
- Government bonds	17,752	-	-	17,752
Financial assets in countries other than Vietnam:				
- Ordinary shares – listed	21,521	-	-	21,521
Available-for-sale financial assets:				
- Private equity investments	8,700	-	5,784	14,484
	<u>403,364</u>	<u>72,615</u>	<u>10,964</u>	<u>486,943</u>

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities, government bonds and private equity investment with have committed prices at the balance sheet date. The Fund does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices and dealer quotations are classified within Level 2. These include investments in listed equities and over-the-counter ('OTC') equities. As Level 2 investments include positions that are not traded in active markets, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes;
- Use of discounted cash flow technique to present value the estimated future cash flows;
- Other techniques, such as latest market transaction price.

(b) *Fair value estimation (continued)*

Level 3 instruments relate to investments in private equities. Investments classified within Level 3 have significant unobservable inputs as they trade infrequently. As observable prices are not available for these securities, the Fund uses valuation techniques to derive the fair value and/or the value derived by independent valuers. Level 3 valuations are reviewed on a half-yearly basis by the Fund's Audit Valuation Committee ('AVC') who in turn reports to the Board of Directors. The AVC is supported by management.

A sensitivity analysis for Level 3 investments was not presented as it was deemed that the impact of reasonable changes to any unobservable inputs would not be significant.

Transfers between levels

The Fund recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred.

For the period ended 31 December 2013, there were two transfers between levels as follows:

Transfer from Level 1 to Level 2

A private equity investment of USD8.7 million (30 June 2013: USD8.7 million) was transferred from Level 1 to Level 2. The fair value of this investment was based on committed price as at 30 June 2013, however the remaining interest of this investment had not been fully disposed as at 31 December 2013. Due to the prolonged disposal transaction, the carrying value of this investment is reclassified to Level 2.

During the year ended 30 June 2013, the Fund transferred two listed equities amounting to USD5.74 million that were thinly traded from Level 1 to Level 2.

Transfer from Level 2 to Level 3

An unlisted investment which is an OTC worth USD3.4 million was transferred from Level 2 to Level 3. The fair value of this unlisted share which is traded over the counter was determined based on the average of broker's prices. During the period, the fair value of this Level 2 unlisted share was fully provided for by management based on the known financial position of the investee as at the reporting date. The fair value loss of USD3.4 million was included in the interim consolidated income statement within the net gain in fair value of financial assets at fair value through profit and loss during the period.

During the year ended 30 June 2013, there were no transfers from Level 2 to Level 3.

Changes in Level 3 financial assets

	31 December 2013 USD'000	30 June 2013 USD'000
Opening balance	10,964	20,045
Disposal during the period/year	(5,180)	(14,261)
Transferred from assets held for sales	-	4,900
Gain recognised in income statement	275	280
Closing balance	<u>6,059</u>	<u>10,964</u>
Total gains for the period/year included in:		
- Income statement	275	280
- Other comprehensive income	-	-
	<u>275</u>	<u>280</u>