

ANNUAL REPORT 2006



VIETNAM OPPORTUNITY FUND

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CHAIRMAN'S STATEMENT

Dear Valued Shareholders:

We are pleased to present the annual report for the Vietnam Opportunity Fund Limited (AIM: VOF) for the year ended 30 June 2006.

The past fiscal year was an excellent one for VOF, aided by the country's positive economic growth, ongoing government reforms, and a steady pipeline of investments.

Vietnam's Gross Domestic Product (GDP) continued its upward trajectory, increasing by 7.4% in the first half of 2006. Industrial production, exports, and retail sales are all surging, underpinning an economy which is acting as a magnet for overseas investors. Foreign investors have been keen to pick up on the investment opportunities afforded by such growth, as foreign direct investment (FDI) surged over the last year. This "second wave" of foreign investments marks the end of the FDI lull following the Asian financial crisis of the late nineties. The increased global interest in Vietnam was underscored by a boom in tourism revenues, which are projected to outperform the 2006 target.

Government reforms played a key role in the favorable investment and political climates that have characterized the past year. The new Unified Enterprise Law and the Common Investment Law came into force, which represent major step toward a level playing field for foreign and local investors. The 10th Party Congress held in May has seen a change of leadership, ushering in an acceleration of the reform program.

The country's positive economic developments have served the Company well, as the fiscal year VOF bought growth in terms of committed capital and net asset value per share. Over the fiscal year, the Company issued additional shares to raise an additional US\$76 million, and the latest round of fundraising in November 2006 was several times over-subscribed. Since 30 June 2005, VOF's NAV per share has increased from US\$1.28 to US\$2.00 (up 56%). The VOF portfolio has expanded considerably since the end of the last fiscal year to include over 60 companies, including investments in over 50 listed and OTC companies, eight real estate projects, and five private companies.

Given Vietnam's very strong economic performance, the Government's increasing commitment to reforms, and unprecedented global interest in Vietnam, we believe VOF will continue to perform well as the country moves forward.

Thank you for your continued interest and support.

Dr. Jonathan Choi

Chairman

Vietnam Opportunity Fund

18 December 2006

STATE OF THE ECONOMY

The Vietnam economy continues to expand at a steady pace, albeit slightly below government targets. In the first half of the year at 30 June 2006,, GDP rose 7.4% year on year led by a strong export performance. As ever, GDP growth in Ho Chi Minh City exceeded the national figure, growing at 10.5%. Exports surged 26% y/y to US\$18.7 billion, while imports rose by a more modest 14% year on year to US\$20.7 billion. The growth in exports was led by soft and hard commodities such as coal (up 64%), rubber (up 44%), crude oil (up 23.5%), and tea (up 29%). Seafood (up 25.7%) and textiles (up 32.7%) also made significant contributions. Vietnam exported 8.3 million tonnes of crude oil (down 6.1% year/year) and earned US\$4.2billion (up 23.5% year/year) in the first half. This typifies the overall trend with higher prices for commodities rather than higher unit demand being the key driver in many categories. That said, higher volumes played a significant role in the sharp recovery of demand for textiles and footwear which have effectively shrugged off the problems of recent years.

One of the reasons behind the slower import growth was slackening demand for automobiles (down 32.7%) and auto parts (down 47%). Auto sales fell 22% in the first half as changing tax rates and a possible increase in imports confused consumers. Demand for oil products also fell.

The result was a sharp fall in the trade deficit, which fell 44.5% to US\$1.98 billion over the first six months of the year. It is too soon to say whether this is simply fortuitous, given the high pricing environment of Vietnam's main exports, or the beginning of a sustainable long term trend. We suspect a bit of both as Vietnam is taking the first steps up the food chain towards becoming an exporter of more finished products than raw materials and commodities.

Industrial production rose 16% year on year to US\$15.15 billion in the first half. The private sector led the way with growth of 20.8% year on year. FDI flows reached US\$2.4 billion in the first half of the year, up 20% year on year, but only reached 40% of the full year target. This is not a concern, however, given the pipeline awaiting approval. After a strong start the pace of approvals has slowed in the past few months. However, we still expect to reach the year-end target of US\$6 billion. International visitors topped 1.9 million in the first half (+16% year on year), generating revenues of over US\$1 billion.

Inflation remains a concern, with the trend accelerating again. Consumer Price Index (CPI) rose 7.6% year on year in June, led by increases in construction materials, fuel, and services. Food and drink prices have also moved slightly but are not the main problems this time. The inflationary target for this year is 8% or less and the odds are that we will come close to the ceiling. Inflation has been the price of growth in the past few years and it is unlikely to ease much unless the economy slows down. The current inflationary trend appears to be more demand driven, whereas in the past it was due mainly to disruptions in supply, particularly agricultural products.

The components of the CPI index have also been revised to reduce the weight of agricultural products. Food prices now make up 42.8% of the CPI index down from 47.9%. About 100 new items have been added such as mobile phones, cable TV, and international tourism. This increases the total number of items in the price basket to 497. The purpose of the revision was to reflect a more affluent urban lifestyle as Vietnam becomes a wealthier country and disposable income increases.

Foreign direct investment reached a total of US\$2.4 billion in the first half of the year led by major projects such as Intel (US\$605 million), Tay Ho Tay Company (US\$314.1 million) and Winvest Investment (US\$300 million). Ho Chi Minh City continues to lead the pack attracting over a third

of inward investment in terms of both projects and registered capital. Hong Kong was the biggest investor followed by Korea, the US, and Japan. It is interesting to note that the US is appearing amongst the list of top investors for the first time. This is mainly due to Intel, of course, but is still a welcome development..

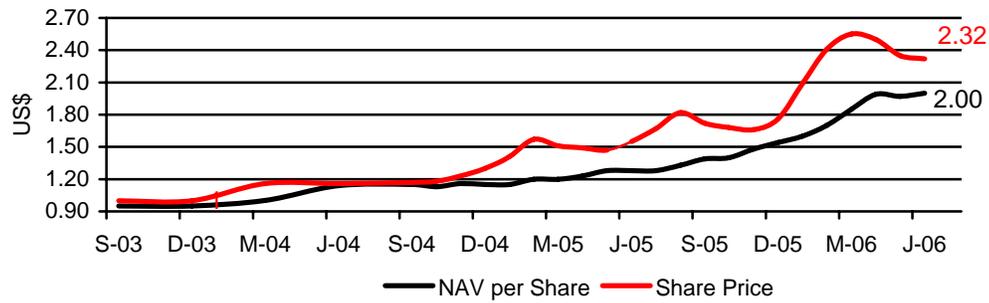
There is a very healthy pipeline of projects awaiting approval and we believe that FDI can easily reach US\$6.5 billion this year, which is on target. In fact the MPI revealed recently that there is a queue of 40 projects worth a total of US\$4 billion awaiting the green light. The foreign sector now employs over a million people and had turnover of US\$15.25 billion in the first seven months of the year, up 20.6% year on year.

Vietnam also continues to draw in money from other sources. Over 1.9 million international visitors came to Vietnam between January and June of this year, up 21% year on year, and they spent a total of VND18 trillion (US\$1.12billion). The tourist industry has targeted a total of 3.8 million foreign tourists and 16.7 million domestic tourists this year. Total spending in the tourism industry is expected to reach 6.5% of GDP by the end of 2006.

PORTFOLIO PERFORMANCE

The net asset value (NAV) per share on 30 June 2006 was US\$2.00, a 50% increase during the fiscal year and double the Company's initial listing price per share. VOF's share price closed on 30 June 2006 at US\$2.32, up 56% over the previous 12 months.

NAV per Share and Share Price Performance by Quarter



REALIZED INCOME

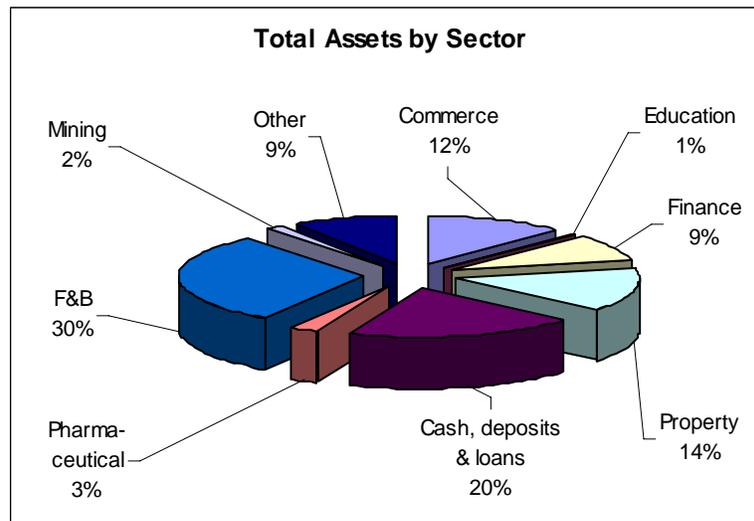
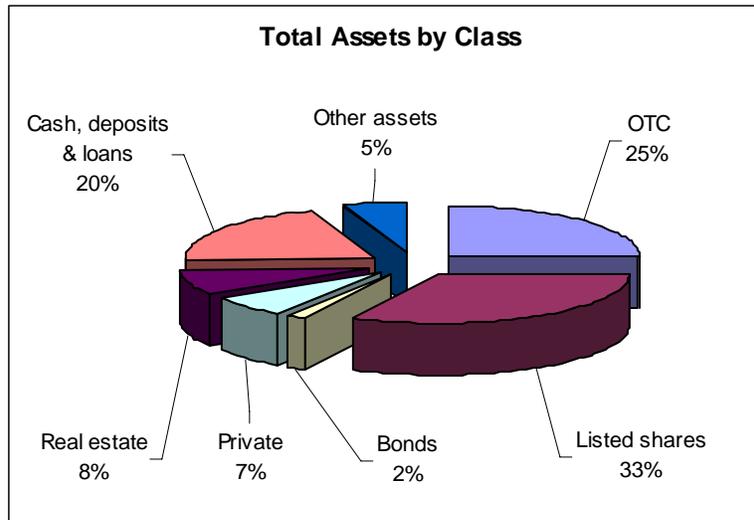
Total realized income for the fiscal year ended 30 June 2006 was US\$24,010,304, or 9.80% of the Company's NAV.

Income (US\$)	30 June 2006
Bond Interest	390,615
Dividend	2,249,786
Gain on sales of shares	18,668,711
Other income	142,312
Deposit interest	2,558,880
Total	24,010,304

PORTFOLIO SUMMARY

As of 30 June 2006, VOF had invested approximately US\$165 million – 58% of total assets – in the listed and OTC markets. Private equity investments accounted for 7% of the portfolio, with investments worth approximately US\$21 million. An additional 8% of the Company's total assets was devoted to real estate investments, with a total value of approximately US\$21 million. As of 30 June 2006, VOF had US\$21.7 million in cash and cash equivalents, 95% of which had been committed to upcoming projects.

VOF's portfolio is diversified over a broad range of key growth sectors of the domestic economy, including financial institutions, food and beverage, property, bonds, and education.



LISTED PORTFOLIO (33%)

VOF invests in the listed market, targeting quality companies active primarily in the domestic economy, which offer reasonable P/E ratios and good dividend yields. Important additional criteria include quality of management, corporate governance, growth potential, and brand equity.

Company	Industry	As of Purchase Date		As of 30 June 2006				
		Cost of Investment (US\$)	Shares Held by VOF	Interest Held (%)	Market Value (US\$)	P/E	Dividend Yield (%)	Change on Cost
An Giang Fisheries Import and Export Joint Stock Company	Aquaculture	738,465	168,000	2.28%	756,142	30.0x	1.10%	2.39%
Ho Chi Minh City Infrastructure Investment JSC	Infrastructure	82,828	100,000	0.30%	214,415	37.1x	3.60%	158.87%
Binh Thanh Import Export Production and Trade JSC	Trading	3,501	2,000	0.04%	5,576	9.8x	3.70%	59.29%
Kinh Do Corporation	Confectionary	7,050,750	3,453,318	11.51%	18,996,811	19.1x	2.10%	169.43%
Phuong Nam Cultural JSC	Cultural products	444,876	400,814	12.60%	676,500	17.4x	4.60%	52.07%
Refrigeration electronic Engineering Corporation	Engineering	14,121,813	3,735,572	9.30%	19,148,397	13.3x	1.80%	35.59%
Import Export and Economic Co-operation JSC	Trading	16,878	4,990	0.11%	13,663	10.6x	3.70%	-19.05%
Trans-Forwarding and Warehousing Corporation	Freight forwarding	504,485	174,760	4.20%	529,841	12.4x	3.20%	5.03%
Saigon Beverage JSC	Beverage	138,944	79,104	3.10%	162,194	12.6x	4.60%	16.73%
Taya Electric Wire and Cable JSC	Wire & cable	0	17,753	2.80%	54,934	14.2x	N/A	100.00%
Vietnam Dairy Products JSC	Dairy	37,153,527	9,832,480	6.18%	49,786,265	17.2x	2.20%	34.00%
Other		96	138		289			201.12%
Total		60,256,067	17,968,791	1	90,344,737			

For the fiscal year ended 30 June 2006, VOF held a portfolio of over 10 listed companies with a market value of US\$90,344,737. Total realized gains for the fiscal year from the portfolio of listed stocks was US\$5,598,381. Unrealized gains amounted to US\$30,088,670.

On 30 June 2006, the Vietnam Stock Market closed at 512.29, up 108% from 246.81 on 30 June 2005.

PRIVATE EQUITY (7%)

As of 30 June 2006, VOF had five investments in private companies. During the fiscal year, VOF made investments in Indochina Building Supplies, Axiom Mining, and the Sofitel Metropole Hotel.

Name	Industry	Purchase Cost (US\$)	Date of Purchase	As of 30 June 2006		
				Interest Held (%)	Market Value (US\$)	Change on Cost (%)
Sofitel Metropole	Hotel	10,054,934	Dec-05	28.8	10,054,934.42	-
HCMC International School	Education	1,183,230	Sep-04	35	1,601,666	0.35
Axiom	Mining	2,022,242	May-06	15	2,022,242	-
Indochina Building Supplies	Construction	2,956,347	Jul-05	100	2,956,347	-
Kido's Ice cream	Food & Beverage	1,018,526	Sep-03	30	1,018,526	-
Other		525,885			525,885	-
Total		17,761,165			18,179,600	

REAL ESTATE (8%)

During the year, VOF made a number of real estate investments, including two mixed-use developments in Ho Chi Minh City and two land-banking and property development companies.

			As of 30 June 2006			
Name	Cost (US\$)	Date of purchase	% Interest Holding	Market Value (US\$)	% of NAV	Change on Cost (%)
Hung Vuong Plaza	2,370,783	Jan-04	33.17	2,370,783	0.97	0
A&B Project	1,450,000	Aug-04	50.1	1,450,000	0.59	0
PLand project	675,561	Jun-05	10	675,561	0.28	0
Screc	2,838,822	Oct-05	100	3,243,221	1.32	0.14
Binh Trieu	2,000,375	Nov-05	100	2,000,375	0.82	0
Century 21	5,332,368	Nov-05	15.5	5,332,368	2.18	0
Saigon Water Park project	2,413,587	Aug-04	70	2,413,587	0.98	0
Nha Trang Project	857,348	May-05	30	857,348	0.35	0
Saigon Golf	1,250,234	Feb-06	20	1,250,234	0.51	0
Kinh Do Property	2,250,422	Jan-06	30	2,250,422	0.92	0
Other	1,625,305			1,625,305	0.66	0
TOTAL	23,064,805			23,469,204		0.02

OTC PORTFOLIO (25%)

The over-the-counter portfolio, including ordinary shares and bonds, covers a broad range of industries on the rise in Vietnam including financial services, food and beverage, retail, and infrastructure.

As of 30 June 2006, VOF had invested in over 40 local companies traded on the OTC market. The portfolio of OTC-traded companies was valued at US\$69,943,325 at the end of the fiscal year. Realized gains for the year were US\$10,525,330, and unrealized gains were US\$31,299,381.

OTC ORDINARY SHARES AS OF 30 JUNE 2006

Name	Industry	Cost (US\$)	As of 30 June 2006			
			Shares held by VOF	% Interest Holding	Market Value (US\$)	Change on costs (%)
An Giang Pharmacy	Pharmaceutical	225,840	17,885	26%	225,840	0%
Bac Can Mineral	Minerals	112,521	100,000	6%	114,396	2%
Bac Ninh agricultural	Agriculture	187,035	27,200	3%	187,035	0%
Bao Minh Insurance	Insurance	3,404,413	271,540	6%	9,675,427	184%
Belco	Electronics	242,406	35,400	6%	343,002	41%
Bien Hoa Sugar	Sugar	713,202	62,453	8%	1,743,808	145%
Binh Minh Plastic	Plastic	1,850,959	49,010	5%	1,991,405	8%
Binh Thuan Beer	Brewery	62,567	99,000	85%	62,567	0%
Cao Bang Mineral & Metalurgy	Minerals	103,723	150,841	4%	140,459	35%
Cho Lon Constructuring	Construction	70,857	8,300	3%	75,233	6%
COFICO	Construction	545,161	346,200	10%	551,860	1%
D2D	Construction	379,759	450,000	9%	843,908	122%
Da Nang Tourism	Hotels	502,506	530600	22%	502,506	0%
Danh Thanh Mineral Water	F&B	101,266	89500	5%	101,266	0%
Do Thanh Plastic	Plastic	184,573	22,869	11%	228,733	24%
Domesco	Pharmaceutical	875,164	50,000	6%	2,521,307	188%
Drilling Mud Co	Minerals	335,875	530,000	5%	468,243	39%
Fimex	Aquaculture	463,907	16,000	0%	561,772	21%
GENERALEXIM	Export-Import	892,667	1,400,000	20%	892,667	0%
GENIMEX	Export-Import	492,065	418,700	8%	492,065	0%
Geology & Mineral	Minerals	19,129	3,000	6%	19,129	0%
Gia Dinh Water Supplies	Water supplies	773,059	995,462	11%	773,059	0%
Hanoi Fuel	Fuels	255,610	136,300	7%	255,610	0%
Hau Giang	Pharmaceutical	1,480,236	49,044	4%	2,258,492	53%
HCM Movie (Fafilm)	Entertainment	548,912	434,700	13%	528,993	-4%
Hoi An Tourism	Hotels	855,239	453,022	9%	855,239	0%
Imexpharm	Pharmaceutical	456,336	200,000	3%	981,434	115%
Interfood	F&B	1,333,212	485,000	2%	1,328,937	0%
Legamex	Garment	469,466	556,300	8%	486,854	4%
Nha Trang Textile	Garment	2,709,722	4,330,412	23%	2,934,404	8%
Ninh Thuan Pharm	Pharmaceutical	62,168	4,420	29%	62,168	0%
Nui Beo Coal	Coal	2,190,411	1,200,000	20%	2,190,411	0%
Pinaco	Consumer goods	102,671	8,615	0%	179,513	75%
POSTEF	Communications	412,896	43,750	3%	820,466	99%
Sa Giang	F&B	103,144	10,000	3%	103,144	0%
SADACO	Consumer goods	188,613	223,500	15%	188,613	0%
Saigon Constructuring and Housing Co	Construction	590,665	62,225	21%	700,163	19%
Saigon Petroleum Service Co.	Services	522,138	665,507	27%	545,693	5%
Saigon-Cantho brewery	Brewery	434,510	53,060	6%	1,592,099	266%
Sohafarm	Agriculture	146,793	23,250	16%	146,793	0%
Thang Loi Garment	Garment	1,401,466	2,219,728	72%	1,845,495	32%
Thu Duc Water Supplies	Water supplies	3,026,780	2,550,000	27%	3,026,780	0%
Tien Phong Technology Co	Technology	234,419	375,000	11%	996,281	325%
Tuong An Oil	Consumer goods	160,054	16,205	1%	401,825	151%
VinaCafe	Consumer goods	934,738	42,009	4%	1,575,633	69%
Vinh Hao Mineral Water	F&B	75,577	9,300	0%	76,546	1%
Others		7,409,514	254,256		23,346,052	215%
TOTAL		38,643,945	20,079,563		69,943,325	81%

SIGNIFICANT HOLDINGS

LISTED INVESTMENT



Vietnam Dairy Products Company (20.3% NAV)

Vietnam Dairy Products Company (Vinamilk) controls 70% of the dairy industry in Vietnam, offering consumers a wide range of milk products (milk, formula, yogurt, yogurt drinks, condensed and fresh milk) as well as a wide range of fruit and vegetable juices. The dairy industry, still considered in its infancy in Vietnam, is expected to grow by 20% per year. The company has a distribution network that touches all 64 provinces and cities in Vietnam and exports products to countries including the United States, France, Canada, and Germany.

The latest financial report, issued 30 June 2006, showed a net profit for the first six months of 2006 of US\$26.3million, a 22% increase over the same period last year. Profit growth for this year is expected to outstrip growth for last year by 32%, exceeding projections by 26%.

Financial highlights

FYE 31 Dec	Profit and Loss Summary	
US\$MM	2004	2005
Revenue	239.68	353.71
Y/Y Growth	-1.2%	4.8%
Gross Profit	58.92	78.69
Gross Margin	24.6%	22.2%
EBIT	28.57	37.66
EBIT Margin	12.0%	10.6%
Net Profit	29.26	37.84
Net Profit Margin	12.2%	10.7%
ROE	24.9%	26.9%

Source: Company reports

As of 31 Dec	Balance Sheet Summary	
US\$MM	2004	2005
Assets		
Current Assets	112.34	150.40
Fixed Assets	49.85	93.22
Total Assets	162.19	243.62
Liabilities & Shareholders' Equity		
Short Term Debt	36.76	100.00
Other Liabilities	7.8	3.19
Shareholders' Equity (SE)	117.63	140.43
Total Liabilities & SE	162.19	243.62

LISTED INVESTMENT



Refrigeration Electrical Engineering Corporation (7.8% NAV)

Refrigeration Electrical Engineering Corporation (REE) was established as a state-owned company in 1973, incorporated in 1993, and became the first company listed on the Ho Chi Minh City Trading Center in 2000. REE's core business focuses on mechanical and electrical engineering contracts, but they also manufacture the Reetech brand of air conditioners, and home and industrial appliances. In 2005, REE's real estate holdings generated 26% of the company's revenue and 76% of its profits.

An issuance of 10 million new shares is planned for the third quarter and will increase the company's share capital from US\$17.6 million par to US\$23.8 million par. The estimated US\$41.6 million in proceeds will be used to make capital contributions to REE Land and REE Power, and to fund several investments in office, residential, and mixed-use developments in Ho Chi Minh City.

Financial Highlights

FYE 31 Dec	Profit and Loss Summary	
US\$MM	2004	2005
Revenue	23.6	25.0
Y/Y Growth	-2.7%	5.9%
Gross Profit	7.47	8.94
Gross Margin	31.8%	35.8%
Pre-tax Profit	4.04	5.05
Pre-tax Profit Margin	17.1%	20.2
Net Profit	3.52	4.24
Net Profit Margin	14.9%	17.0%
ROE	18.0%	13.3%

Source: Company Reports

As of 31 Dec	Balance Sheet Summary	
US\$MM	2004	2005
Assets		
Current Assets	13.26	25.56
Non-current Assets	19.82	26.54
Total Assets	33.08	52.11
Liabilities & Shareholders' Equity		
Liabilities	13.37	20.10
Equity	19.71	32.01
Total Liabilities & Shareholder's Equity	33.08	52.11

OVER-THE-COUNTER INVESTMENT



Bao Minh Insurance Company (4.0 % NAV)

Bao Minh is the second largest non-life insurance company in Vietnam, with branches nationwide. Along with Australian insurer CMG, Bao Minh currently operates a joint-venture (Bao Minh CMG), which is the leading Vietnamese life insurer in terms of new business sales. Bao Minh has been selected by the government as a priority candidate for international listing and is an attractive target for strategic investors wishing to enter the non-life insurance market.

In the first half of 2006, Bao Minh added 2,971 new agents, bringing the total number to 7,028. This represents a 25% increase over the same period last year. The company has developed good relationships with insurance brokers such as Aon, Marsh, and Gras Savoye-Willis, with total gross written premiums from those companies estimated at US\$3.2million this year, a 30% increase from the same period last year. In 2005, gross written premiums grew by 11% to US\$75 million, and net profit grew by 7% to US\$4.8 million.

Financial highlights

FYE 31 Dec	Profit and Loss Summary		As of 31 Dec	Balance Sheet Summary	
US\$MM	2004	2005	US\$MM	2004	2005
Gross Written Premium	68.00	75.56	Assets		
Y/Y Growth	1.25%	11.12%	Cash	11.68	6.97
Net underwriting income		2.45	Short Term Investment	38.39	31.46
Underwriting margin		3.24%	Fixed Assets	2.91	5.63
EBIT	450%	-	Long Term Investment	23.32	29.04
EBIT Margin	6.6%	-	Other	20.00	21.91
Net Profit	4.50	4.81	Total Assets	96.30	95.01
Net Profit Margin	6.60%	6.37%	Liabilities & Shareholders' Equity (SE)		
3-yr Revenue CAGR	32.4%	6.07%	Liabilities	67.48	62.84
3-yr Earning CAGR	68.80%	43.70%	Equity	28.82	32.17
			Total Liabilities & SE	96.30	95.01

Source: Company audited accounts

OVER-THE-COUNTER INVESTMENT

BINH MINH Binh Minh Plastics Joint Stock Company (0.81% NAV)

Binh Minh is one of the top two plastic pipe producers in Vietnam. It competes with the other industry leader, Tien Phong Plastic, and various state-owned enterprises. Binh Minh has demonstrated an ability to maintain profits despite fluctuations in the cost of raw material because of its strong product mix and effective production processes.

Binh Minh is expected to list on the Ho Chi Minh City Trading Center in September of this year, issuing 3.2million new shares. Proceeds from the public offering – expected to be about VND125 billion (US\$7.8 million) – will be used primarily to finance a new factory in northern Vietnam, where the company's products have not yet penetrated.

In June, the company declared a dividend of VND9,000 (US\$0.56) per share, a yield of 1.38%. The company's revenue and profits are forecast to double by 2010.

Financial highlights

FYE 31 Dec	Profit and Loss Summary	
US\$MM	2004	2005
Net Sales	21.5	26.6
Gross Profit	3.73	6.07
Gross Margin	17.3%	22.8%
EBT	2.10	4.22
EBT Margin	9.8%	15.9%
Net Profit	2.11	4.22
Net Profit Margin	9.8%	15.9%
ROE	25.2%	36.1%

As of 31 Dec	Balance Sheet Summary	
US\$MM	2004	2005
Assets		
Current Assets	10.07	13.04
Non-current Assets	4.94	4.01
Total Assets	15.01	17.05
Liabilities & Shareholders' Equity		
Liabilities	6.63	5.31
Equity	8.38	11.74
Total Liabilities & Shareholder's Equity	15.01	17.05

Source: Company reports

PRIVATE INVESTMENT



International School Ho Chi Minh City (4.1% NAV)

Founded in 1993 as the first international school in Vietnam, the HCMC International School provides education from kindergarten to the high school level. Thirteen years after incorporation, the School is one of two leading international schools in Ho Chi Minh City. The talented headmaster and overseas teaching staff have been important factors in building the School's strong track record and reputation. Current facilities are being used at full capacity, and the School has a significant waiting list. The growing demand for enrollment can be attributed to the growing expatriate community resulting from strong growth in foreign direct investment (FDI) flows as well as the rising affluence of local Vietnamese who are looking for international-standard education for their children.

In June the school paid an interim dividend amounting to US\$678,915, of which US\$502,595 was used to redeem 100% of the outstanding preference share interest and principal to VOF, and the remaining US\$176,320 was distributed to ordinary shareholders (60% to VOF and 40% to the school management).

On 30 June 2006, subsequent to the full redemption of outstanding preferred shares, the School's management exercised its call option to acquire 10% of VOF's shares at cost in order to maintain 50% of foreign-held shares. VOF will retain the remaining half of all foreign-held shares. Together, VOF and the Management hold 70% of the school's equity. The documentation relating to the share transfer will be finalised in August 2006.

Financial highlights

FYE 30 June	Profit and Loss Summary	
	30/06/2005	30/06/2006
US\$MM		
Revenues	8.95	9.68
Y/Y Growth	8%	8%
Gross Profit	1.45	1.32
Gross Margin	16.2%	13.6%
EBIT	1.45	1.35
EBIT Margin	16.2%	13.9%
Net Profit	1.31	1.20
Net Profit Margin	14.6%	12.4%
ROE	60%	65.6%

As of 30 June	Balance Sheet Summary	
	2005	2006
US\$MM		
Assets		
Cash	4.49	4.45
Inventory	0.20	0
Receivables and others	0.52	0.56
Fixed assets	2.07	2.23
Total Assets	7.28	7.24
Liabilities & Shareholder's Equity (SE)		
Current liabilities	5.07	5.03
Others	0.03	0.38
Equity	2.18	1.83
Total Liabilities and SE	7.28	7.24

Source: Company reports

REAL ESTATE INVESTMENTS

21st Century International Development Company (2.2% NAV)



21st Century is a 100% foreign-owned entity with 50-year development rights over a 55-hectare site in District 2, HCMC. The development will be comprised of a mixture of residential, commercial, leisure, and tourism facilities. According to an updated investor license granted by the Ministry of Planning and Investment, VOF and VinaLand hold a combined 62% stake in the company, with VOF holding 25%. Planning consultants are helping to complete a development master plan, which should be ready for formal review in the first quarter of 2007.

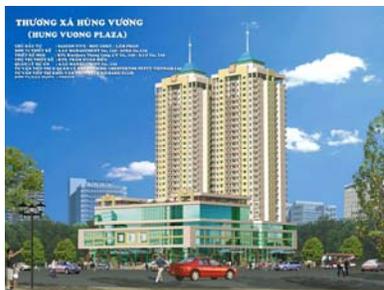
SCREC (1.32% NAV)



VOF is the sole owner of an unfinished apartment building, purchased at a cost of approximately US\$2.8 million from SCREC property development. The building, conveniently situated fifteen minutes from the CBD, will supply 144 apartment units and help meet the rising demand for housing in Ho Chi Minh City. VOF will inject US\$2.8 million in equity into the project.

The apartment building is now in the final stages of construction and 20 units were sold during the first release, ten of them in the first week. Much of the remaining units will be used to resettle residents displaced by future VOF projects in the downtown area.

Hung Vuong Plaza (0.97% NAV)



VOF holds a major stake in Hung Vuong Plaza, a mixed-use retail, commercial, and residential development located in Ho Chi Minh City's densely populated District 5, also known as China Town. The Plaza will fill this bustling district's need for additional retail space and meet its growing demand for consumer goods.

Construction is proceeding according to schedule, with three of eight stories in place. The first phase of building – the retail center – is on target to be completed by the end of 2006. The final construction phase is expected to be completed by the end of 2007.

DIRECTORS' REPORT

ADMINISTRATION

The Vietnam Opportunity Fund Limited (“VOF” or the “Company”) is listed on the AIM market of the London Stock Exchange plc. Share price information is available on Bloomberg and Reuters.

The Company

Vietnam Opportunity Fund Limited
P.O. Box 309GT
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands

Investment Manager

VinaCapital Investment Management Ltd
17th Floor, Sun Wah Tower
115 Nguyen Hue Boulevard, District 1
Ho Chi Minh City
Vietnam

Custodian, Administrator, and Registrar/Receiving Agent

HSBC Trustee (Cayman) Limited
HSBC House
Mary Street
Grand Cayman
Cayman Islands

Nominated Adviser

Grant Thornton Corporate Finance
Grant Thornton House
Melton Street
Euston Square
London, NW1 2EP
United Kingdom

Broker

LCF Edmond De Rothschild Securities Limited
Orion House
5 Upper St. Martin's Lane
London, WC2H 9EA
United Kingdom

Auditors

Grant Thornton (Vietnam) Ltd.
28th Floor, Saigon Trade Center
33 Ton Duc Thang Street, District 1
Ho Chi Minh City
Vietnam

Legal Advisers

(English Law)
Lawrence Graham Solicitors
190 Strand
London, WC2R 1JN
United Kingdom

(Vietnamese Law)
Baker & McKenzie LLP
12/F Saigon Tower
29 Le Duan Boulevard, District 1
Ho Chi Minh City, Vietnam

(Cayman Islands Law)
Maples and Calder
Ugland House
P.O. Box 309GT
South Church Street, George Town
Grand Cayman
Cayman Islands

DIRECTORS

DR. JONATHAN CHOI

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Dr. Choi is President of Sun Wah Group, a Hong Kong-based property, financial services, technology, infrastructure, and food-stuffs conglomerate; and Chairman of SW Kingsway, a Hong Kong-listed investment bank and fund manager. He is also the Vice Chairman of the Chinese General Chamber of Commerce in Hong Kong and a member of the National Committee of the Chinese Peoples' Political Consultative Conference (CPPCC). Dr. Choi has been an active investor in Vietnam since 1971.

HORST GEICKE

NON-EXECUTIVE DIRECTOR

Mr. Geicke is Chairman and Co-Founder of the VinaCapital Group, as well as Chairman and Founder of the Pacific Alliance Group (PAG), VinaCapital's Hong Kong-based sister company. Mr. Geicke also serves as Director for the Ho Chi Minh International School, the Sofitel Metropole Hotel Hanoi, Thang Loi Textiles, and a number of other listed and private companies in Asia and the United States. Together, VinaCapital and PAG manage over US\$1.5 billion in their listed (London: VOF, VNL, ARCH, PAX), closed-end, and hedge funds.

Mr. Geicke has over 25 years of operational and investment experience in Asia and has privately completed over US\$300 million in investments in the region over the past ten years. He had considerable experience in Vietnam prior to founding VinaCapital, having established and operated a manufacturing plant and completed seven direct private equity investments in the country.

Mr. Geicke resides in Hong Kong and is an active member of the Hong Kong business community. He is the founding director of the Hong Kong-Thailand Business Council, a member of the Hong Kong-EU Business Cooperation Committee and the Trade and Industry Advisory Board of the Government of the Hong Kong SAR, and was president of the German Chamber of Commerce in Hong Kong in 1995-1997 and 2001-2003. From 2001 to 2006, he was director of the Regional Board of the Young Presidents' Organization. Mr. Geicke served as Honorary Consul General of The Gambia to Hong Kong and Macau from 1988 to 1991. Mr. Geicke is originally from Germany and received his MBA cum Laude from the University of Hamburg.

ROBERT KNAPP

NON-EXECUTIVE DIRECTOR

Mr. Knapp is a Managing Director of Millennium Partners L.P., a US\$4 billion multi-strategy investment fund that seeks to provide absolute returns with minimal risk, and which was the company's largest original seed investor. Mr. Knapp's investment focus is undervalued assets, turnaround situations, and emerging markets arbitrage. He has been an active investor in Vietnam since 2000. Currently Mr. Knapp is also a director of the MVC Capital, a NYSE-listed specialty finance investment company, and is a director of the First Hungary Fund. He has previously led Millennium's efforts to restructure poorly performing listed investment funds in the US, Europe, and Asia.

WILLIAM VANDERFELT

NON-EXECUTIVE DIRECTOR

Mr. Vanderfelt has over 30 years of experience as Managing Partner of Petercam, the leading Benelux investment bank, where he is in charge of institutional research and sales. Mr. Vanderfelt is an experienced fund investor and acts as a board director for several listed funds. He is a passionate proponent of good corporate governance and is instrumental in promoting best practices within portfolio companies.

ADVISORY COMMITTEE

The Manager has established an advisory committee which consists of local investment specialists, business leaders, and existing and former government officials as it deems appropriate from time to time to supplement the expertise of management team. Excluding the Company's Chairman, Dr. Jonathan Choi, there are currently four appointees to the advisory committee:

MARKUS WINKLER

Mr. Winkler is Founder and Managing Director of VGZ, a Swiss wealth management group. He has over 30 years of direct investment experience, with a particular focus on emerging market closed-end funds, and he brings considerable experience and relationships to the advisory committee. He is a founder-member and a former Vice President of the Swiss Association of Asset Managers as well as a founder and Board member of the Swiss Investors' Association. Prior to founding VGZ, Mr. Winkler worked for UBS and Bank Leu. He graduated from the University of St. Gall.

STEVEN LE

Dr. Le is the Chief Investment Officer of SVL Investment Management, a registered investment advisory firm based in California. He has also been a consultant to over 15 organizations in Vietnam, including the Corporation for Financing and Promoting Technology (FPT), Master Information Technology (MITEC), CT-IN (telecommunications), and Medical and Pharmaceutical Company (YTECO) during their respective equitisation programs. In addition to his advisory work with the World Bank and the Hanoi People's Committee regarding these privatization issues, Dr. Le led a team of experts to assist and train the Vietnamese Ministry of Finance in valuation and financial settlement procedures for the privatization of state-owned enterprises on behalf of the United Nations Development Programme.

BRUNO SCHOEPFER

Mr. Schoepfer joined Mövenpick Holdings in 1997 as Managing Director of its Asia Pacific regional operations and was Chief Executive Officer and Managing Director of the Group from 1998 to 2003. Mr. Schoepfer is currently Chairman of Mövenpick Hotel and Resorts S.A., a Swiss premium hospitality company active in the 5-star hotel and 4-star business and airport hotel markets, a well-known hotel and restaurant brand in Europe. Prior to joining the Mövenpick Group, Mr. Schoepfer had a distinguished career in luxury hotel management throughout Asia Pacific and Europe. He previously held senior positions in various leading international hotel groups including Mandarin Oriental, Shangri-la, and Radison-SAS.

CHANTHOL SUN

Mr. Sun is President of SC Investment Co. Ltd., which provides investment consultancy services in Cambodia, and is the Economic and Finance Advisor to the President of the National Assembly of Cambodia. He is currently a Member of the Cabinet as Ministry of Transport. He was previously Cambodia's Secretary of State for Economy and Finance, and Secretary General of the Council for the Development of Cambodia. Mr. Sun also spent 16 years with General Electric in various senior management positions and was a former member of the board of Royal Air Cambodia. Mr. Sun is a member of the executive board of Wharton Asia, and holds a BBSA from American University, an AMP from the Wharton School of the University of Pennsylvania, and an MPA from the Kennedy School of Government of Harvard University.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the fiscal year ended 30 June 2006.

Principal activity

The Company is an investment holding company incorporated as a closed end, exempted company in the Cayman Islands. The shares of the Company are listed on the AIM market of the London Stock Exchange plc.. The principal activity of the Company is to invest directly or indirectly in a diversified portfolio of listed and OTC companies, debt, assets and other investment opportunities in Vietnam and surrounding Asian countries.

Results and dividends

The Company's profit for the fiscal year ended 30 June 2006 and its state of affairs at that date are set out in the financial statements beginning on page 24. No dividend was declared for the fiscal year ended 30 June 2006.

Share capital

Details of movements in the company's share capital during the year are set out in note 9 to the financial statements.

Directors

The directors of the Company during the year were:

Non-executive Directors:

Jonathan Choi
Horst Geicke
William Vanderfelt
Robert Knapp

Directors' rights to acquire shares or debentures

At no time during the year was the Company a party to any arrangement to enable the Company's directors to acquire benefits by means of the acquisition of shares in or debentures of the company or any other body corporate.

Directors' interests in shares

Horst Geicke has a direct interest in the Company's shares in the amount of 1,400,000 Ordinary Shares which accounts for 1.86 percent of the total shares issued.

Jonathan Choi has an indirect interest in the Company's shares in the amount of 1,500,000 Ordinary Shares which accounts for 2 percent of the total shares issued.

Robert Knapp has an indirect interest in the Company's shares in the amount of 11,743,212 Ordinary Shares in his capacity as Managing Director of Millennium Partners, LP which accounted for 9.57 percent of the total shares issued.

Apart from the above, no director had a direct or indirect interest in the share capital of the company at the end of the fiscal year or at any time during the fiscal year.

Directors' interests in agreements

Horst Geicke has an interest in arrangements between the Company and the Manager by virtue of being Director and interested in the Company's Ordinary Shares and by virtue of being indirectly interested in the shares of the Manager.

Apart from the above, there were no contracts of significance in relation to the Company's business in which a director of the Company had a material interest, whether directly or indirectly, at the end of the fiscal year or at any time during the year.

Purchase, sale or redemption of securities of the Company

The Company neither purchased, sold nor redeemed any of its own shares during the year.

Auditors

Grant Thornton (Vietnam) Limited has been appointed as auditors for the Company.

BY ORDER OF THE BOARD

Consolidated financial statements and auditors'
report

**Vietnam Opportunity Fund Limited and Its
Subsidiaries**

30 June 2006

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Auditors' report

To the Directors Vietnam Opportunity Fund Limited

We have audited the accompanying consolidated balance sheet of Vietnam Opportunity Fund Limited ("the Company") and its subsidiaries (together, "the Group") as of 30 June 2006, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year ended 30 June 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 30 June 2006, and of the results of its operations and its cash flows for the year ended 30 June 2006, in accordance with International Financial Reporting Standards.

Ho Chi Minh City, dated 25 November 2006

Consolidated balance sheet

	Notes	30 June 2006 US\$	30 June 2005 US\$
ASSETS			
Current			
Cash and cash equivalents		32,706,460	52,417,520
Trade accounts receivable		2,951,140	320,979
Short-term deposits and other receivables		5,494,556	3,931,174
Inventories		4,319,823	-
Financial assets at fair value through profit or loss	4	164,789,232	30,118,442
Available-for-sale financial assets	5	9,183,209	-
		219,444,420	86,788,115
Non-current			
Loan receivable		19,659,480	-
Investment property		3,243,221	-
Investments in associates	7	23,844,581	9,854,600
Goodwill	6	1,719,231	-
Property, plant and equipment	8	6,480,177	-
Construction in progress		2,175,270	-
Other non-current assets		1,375,513	300,000
		58,497,473	10,154,600
		277,941,893	96,942,715

The accompanying notes are an integral part of these statements

	Notes	30 June 2006 US\$	30 June 2005 US\$
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Current			
Short-term borrowings		118,772	-
Trade accounts payable		17,476,172	-
Other payables		1,332,606	702,119
		18,927,550	702,119
Shareholders' equity			
Share capital	9	1,226,572	751,547
Additional paid in capital	9	164,950,181	91,634,442
Translation reserve		(34,084)	-
Retained earnings		78,787,207	3,854,607
Minority interest		14,084,467	-
		259,014,343	96,240,596
		277,941,893	96,942,715

The accompanying notes are an integral part of these statements

Consolidated statement of income

	Year ended 30 June 2006 US\$	Year ended 30 June 2005 US\$
Incomes		
Sales revenue	24,362,136	-
Financial incomes	72,985,939	4,228,564
Other income	14,167,754	164,025
Share of profit in associates	385,018	-
	111,900,847	4,392,589
Expenses		
Cost of sales	(9,614,287)	-
Administration expenses	(26,343,605)	(1,294,838)
Financial expenses	(371,372)	-
Other expenses	(116,191)	(227,340)
	(36,445,455)	(1,522,178)
Net profit	75,455,392	2,870,411
Attributable to shareholders	74,932,600	2,870,411
Attributable to minority interest	522,792	-

The accompanying notes are an integral part of these statements

Consolidated statement of changes in equity

	Share capital US\$	Additional paid-in capital US\$	Translation reserve US\$	Retained earnings US\$	Minority interest US\$	Total Equity US\$
Balance 1 July 2004	95,000	9,405,000	-	1,288,196	-	10,788,196
Issue of new shares	656,547	82,229,442	-	-	-	82,885,989
Profit for the year	-	-	-	2,870,411	-	2,870,411
Dividend payment	-	-	-	(304,000)	-	(304,000)
Balance 30 June 2005	751,547	91,634,442	-	3,854,607	-	96,240,596
Balance 1 July 2005	751,547	91,634,442	-	3,854,607	-	96,240,596
Issue of new shares	475,025	73,315,739	-	-	-	73,790,764
Acquisition of subsidiaries	-	-	-	-	13,561,675	13,561,675
Currency translation	-	-	(34,084)	-	-	(34,084)
Profit for the year	-	-	-	74,932,600	522,792	75,455,392
	1,226,572	164,950,181	(34,084)	78,787,207	14,084,467	259,014,343

The accompanying notes are an integral part of these statements

Consolidated statement of cash flows

	Year ended 30 June 2006 US\$	Year ended 30 June 2005 US\$
Cash flows from operating activities		
Net profit before tax	75,455,392	2,870,411
Adjustment for:		
Gain on financial assets at fair value through profit or loss	(77,511,981)	(1,333,352)
Gain on investment properties	(404,399)	-
Gain on sale of investment	-	(38,414)
Share of associate's profits	(552,011)	(1,478,086)
Negative goodwill	(13,685,855)	-
Unrealised foreign exchange losses	201,202	172,920
Interest and dividend incomes	(4,664,935)	(1,551,631)
Net loss before changes in working capital	(21,162,587)	(1,358,152)
Increase in accounts receivable	(3,586,014)	(3,451,604)
Increase in accounts payable	18,014,659	504,323
Net cash used in operating activities	(6,733,942)	(4,305,433)
Cash flows from investing activities		
Interest received	1,579,775	300,255
Dividend received	2,477,631	1,066,189
Purchase of fixed assets and other non-current assets	(2,175,270)	-
Acquisition of investments	(114,717,471)	(39,742,964)
Investment in associate	(1,392,461)	-
Investment in subsidiaries	(1,666,751)	-
Proceeds from sale of investments	48,786,145	10,866,648
Loan issued	(19,659,480)	-
Net cash used in investing activities	(86,767,882)	(27,509,872)
Cash flows from financing activities		
Proceeds from shares issued	73,790,764	82,885,989
Dividend paid	-	(304,000)
Net cash from financing activities	73,790,764	82,581,989
Net increase in cash and cash equivalents for the year	(19,711,060)	50,766,684
Cash at the beginning of the year	52,417,520	1,650,836
Cash and cash equivalents at end of the year	32,706,460	52,417,520

The accompanying notes are an integral part of these statements

Notes to the consolidated financial statements

30 June 2006

1. Corporate information

Vietnam Opportunity Fund Limited was incorporated in the Cayman Islands as a company with limited liability. The registered office of the Company is PO Box 309GT, Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands. The Company has the following subsidiaries and associates:

	Proportion of ownership interest held
Asia Value Investment Ltd	100%
Vietnam Enterprise Ltd	100%
Vietnam Investment Property Ltd	100%
Vietnam Investment Property Holdings Ltd	100%
Vietnam Investment Ltd	100%
Vietnam Ventures Ltd	100%
VOF Investment Ltd	100%
Indochina Building Supplies Pte Ltd	100%
Bivi Investment Corporation	100%
Indotel Limited	57.6%
Pegasus Leisure Limited	100%
Hung Vuong Corporation	30%
International School Ho Chi Minh City	35%
Kido's Ice Cream Corporation	30%
Kinh Do Property Limited	30%
Phong Phu Investment Development Ltd	30%
T.D Corporation	30%
S.E.M Thong Nhat Hotel Metropole	28.8%
AA Land Corporation Limited	29%

The principal activity of the Company is to invest in listed and unlisted companies, debt instruments, assets and other opportunities in Vietnam and surrounding countries with the objective of achieving medium to long-term capital appreciation and providing investors with an attractive level of investment income from interest and dividends.

2. Principal accounting policies

Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as developed and published by the International Accounting Standards Board (IASB). The financial statements have been prepared on the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in accordance with IFRS requires the use of certain accounting estimates and assumptions. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Consolidation

Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The Company obtains and exercises control through voting rights. The consolidated financial statements of the Group incorporate the financial statements of the parent company as well as those entities controlled by the Group by full consolidation. In addition, acquired subsidiaries are subject to application of the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their revalued amounts, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

Entities whose economic activities are controlled jointly by the Group and by other venturers independent of the Group are accounted for using equity consolidation.

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Acquired investments in associates are also subject to purchase accounting. However, any goodwill or fair value adjustment attributable to the share in the associate is included in the amount recognised as investment in associates. All subsequent changes to the share of interest in the equity of the associate are recognised in the Group's carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are recorded in the Group's consolidated income statement and therefore affect net results of the Group. These changes include subsequent depreciation, amortisation or impairment of the fair value adjustments of assets and liabilities. Items that have been directly recognised in the associate's equity, for example, resulting from the associate's accounting for available-for-sale securities, are recognised in consolidated equity of the Group. Any non-income related equity movements of the associate that arise, for example, from the distribution of dividends or other transactions with the associate's shareholders, are charged against the proceeds received or granted. No effect on the Group's net result or equity is recognised in the course of these transactions. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Functional and presentation currency

The financial statements are presented in United States Dollars ("the presentation currency"). The currency of the primary economic environment in which the Group operates ("the functional currency") is the Vietnamese Dong. The reasons for using the United States Dollar as the presentation currency rather than the functional currency are that the shareholders are more familiar with the United States Dollar and certain transactions of the Group are in the United States Dollar.

Foreign currency translation

For Group companies which maintain their accounting records in United States Dollars, transactions in currencies other than the United States Dollar are translated at the exchange rates that approximate those prevailing on transaction dates. Monetary assets and liabilities denominated in currencies other than the United States Dollar are translated at the balance sheet date into United States Dollars at exchange rates that approximate those prevailing on that date. All exchange gains and losses are recognized separately in the statement of income.

For Group companies which maintain their accounting records and prepare their financial statements in currencies other than the United States Dollars, items in the income statement are translated at the exchange rates that approximate those prevailing on transaction dates. Items in the balance sheet are translated at the balance sheet date into United States Dollars at exchange

rates that approximate those prevailing on that date. All exchange gains and losses are recorded directly into equity.

Financial assets

The Group's financial assets include cash and financial instruments. Financial assets, other than hedging instruments, can be divided into the following categories: loans and receivables, financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity investments. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

All financial assets are recognised on their settlement date. All financial assets that are not classified as at fair value through profit or loss are initially recognised at fair value, plus transaction costs. Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired. Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed date of maturity. Investments are classified as held-to maturity if it is the intention of the Company's management to hold them until maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognised in profit or loss.

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition. In addition, derivative financial instruments that do not qualify for hedge accounting are classified as held for trading. Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Financial assets originally designated as financial assets at fair value through profit or loss may not subsequently be reclassified.

Available-for-sale financial assets include non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are subsequently measured at fair value, unless otherwise disclosed, with changes in value recognised in equity, net of any effects arising from income taxes. Gains and losses arising from securities classified as available-for-sale are recognised in the income statement when they are sold or when the investment is impaired. In the case of impairment, any loss previously recognised in equity is transferred to the income statement. Losses recognised in the income statement on equity instruments are not reversed through the income statement. Losses recognised in prior period income statements resulting from the impairment of debt securities are reversed through the income statement.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss. Trade receivables are provided against when objective evidence is received that the Company will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Property, plant and equipment

Buildings, equipment and machinery, vehicles, fixture and furniture, and other classes of property, plant and equipment are carried at acquisition cost or manufacturing cost less subsequent depreciation and impairment losses. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets, at the following annual rates:

Buildings and improvements	4% - 20%
Equipment and machinery	15% - 20%
Vehicles	15% - 16.67%
Fixture and furniture	15% - 25%
Others	10%

Cash and cash equivalents

Cash and cash equivalents include cash in bank and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Interest and dividend income

Interest income is recognized on an accrual or if applicable effective yield basis. Dividend income is recorded when the stockholders' right to receive the dividend is established.

Equity

Share capital is determined using the nominal value of shares that have been issued. Additional paid-in capital includes any premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from additional paid-in capital.

Retained earnings include all current and prior period results as disclosed in the income statement.

3. Risk management objectives and policies

The Group invests in listed and unlisted equity instruments, debt instruments, assets and other opportunities in Vietnam and surrounding countries with the objective of achieving medium to long-term capital appreciation and providing investors with an attractive level of investment income from interest and dividends.

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group's risk management is coordinated by its Investment Manager who manages the distribution of the assets to achieve the investment objectives. The most significant financial risks to which the Group is exposed are described below:

Foreign currency risk

While the Group seeks to make investments which are US Dollar based when possible, the Group make investments in and earns income denominated in local currencies. The Vietnamese Dong is not freely convertible into other currencies. Exchange rate fluctuations and local currency devaluation could have a material effect on the value of that portion of the Group's assets or liabilities denominated in Vietnamese Dong. The Group may seek to hedge against a decline in the value of the Group's Dong denominated investments resulting from currency fluctuations but only when suitable hedging instruments are available on a timely basis and on acceptable terms.

The Group's exposure to fluctuations in foreign currency exchange rates at the balance sheet date was as follows:

	30 June 2006	30 June 2005
	US\$	US\$
Assets denominated in Vietnamese Dong	212,563,713	76,737,265
Liabilities denominated in Vietnamese Dong	13,332,952	5,474,265

Price risk

Price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. As the majority of the Group's financial instruments are carried at fair value with fair value changes recognised in the income statement, all changes in market conditions will directly affect net investment income. Price risk is mitigated by the Group's Investment Manager by constructing a diversified portfolio of listed and unlisted instruments. In addition, price risk may be hedged using derivative financial instruments such as options or futures.

Credit risk

The carrying amounts of financial assets shown on the face of the balance sheet best represent the maximum credit risk exposure at the balance sheet date. There were no significant concentrations of credit risk to counter-parties at 30 June 2006.

The Group's trade and other receivables are actively monitored to avoid significant concentrations of credit risk. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk. The Group has adopted a no-business policy with customers lacking an appropriate credit history where credit records are available.

Cash flow and fair value interest rate risks

The majority of the Group's financial assets are non-interest-bearing. The Group currently has no financial liabilities with floating interest rates. As a result, the Group is subject to limited exposure to cash flow and fair value interest rate risk. Cash flow and fair value interest rate risks are managed by means of derivative financial instruments, where necessary, to ensure short- to medium term liquidity.

4. Financial assets at fair value through profit or loss

	30 June 2006	30 June 2005
	US\$	US\$
Ordinary shares-listed	90,345,054	5,079,217
Ordinary share-unlisted	69,943,334	23,637,740
Government bonds	4,500,844	1,401,485
	164,789,232	30,118,442

5. Available-for-sale financial assets

	30 June 2006	30 June 2005
	US\$	US\$
Non-listed equity shares	6,407,928	-
Convertible notes	2,022,242	-
Others	753,039	-
	9,183,209	-

6. Acquisition of subsidiaries

During the year the Group acquired equity interests in the following entities, with details as follows:

Indochina Building Supplies Pte Ltd

On 1 July 2005, the Group acquired 100% of the ordinary shares and redeemable preference shares of Indochina Building Supplies Limited, which was incorporated in Singapore. The principal activity of this company is to produce home decorating products. The total cost of acquisition was US\$3,434,929 and settled in cash. At the date of acquisition the financial information for each class of acquiree's assets, liabilities and contingent liabilities were not available.

Negative goodwill amounting to US\$10,943,222 has been recognized in the income statement for the year ended 30 June 2006.

BiVi Investment Corporation

On 1 July 2005, the Group acquired 100% equity interest in BiVi Corporation, which was incorporated in Vietnam. The principal activity of this company is to engage in property investment and development in Vietnam. At the date of acquisition the entity had no assets, liabilities or contingent liabilities.

Indotel Limited

On 31 December 2005, the Group acquired 57.6% of the ordinary shares of Indotel Limited which in turn owns 28.8% of the equity interest in S.E.M Thong Nhat Hotel Metropole. Indotel Limited was incorporated in Hong Kong and S.E.M Thong Nhat Hotel Metropole was incorporated in the Socialist Republic of Vietnam. The total cost of acquisition was US\$10,054,935 and settled in cash. The amounts recognized for each class of acquiree's assets, liabilities at the acquisition date are as follows:

Current assets	US\$	Current liabilities	US\$
Cash and cash equivalent	4,024,000		
Trade and other receivable	500,000	Trade and other payables	92,000
	4,524,000		92,000
<hr/>			
Non-current assets		Non-current liabilities	
Investment in associates	13,767,000	Long term loans	-
Other intangible assets	4,019,000	Other non-current liabilities	-
	17,786,000		-
	22,310,000		92,000

Negative goodwill amounting to US\$2,742,633 has been recognized in the income statement for the year ended at 30 June 2006.

Pegasus Leisure Limited

The Company holds a 100% equity interest in Pegasus Leisure Limited which in turn owns 70% of the equity interest in Saigon Water Park. Pegasus Leisure Limited was incorporated in the British Virgin Islands and Saigon Water Park was incorporated in Socialist Republic of Vietnam. The principal activity of these companies is to engage in property development. The total cost of acquisition was US\$2,413,587 and settled in cash. At the date of acquisition the financial information for each class of acquiree's assets, liabilities and contingent liabilities were not available.

Goodwill in the amount of US\$1,719,231 arises from the acquisition of Pegasus Leisure Limited.

7. Investment in associates

	2006 US\$	2005 US\$
Hung Vuong Corporation	2,209,663	1,530,000
International School of Ho Chi Minh City	1,601,666	2,074,064
Kido's Ice Cream Corporation	1,018,526	765,416
Kinh Do Property Limited	2,261,001	-
Phong Phu Investment Development Ltd	748,492	-
T.D Corporation	857,348	864,972
S.E.M Thong Nhat Hotel Metropole	14,622,000	-
Saigon Water Park Ltd	-	2,413,587
A&B Tower	-	1,050,000
AA Land Corporation Limited	525,885	525,885
Petrolimex Real Estate Joint Stock Co.	-	630,676
	23,844,581	9,854,600

Hung Vuong Corporation

The Company holds 30% equity interest in Hung Vuong Corporation, which was incorporated in the Socialist Republic of Vietnam. The shares of Hung Vuong Corporation are not publicly listed on a stock exchange and hence the fair value of its shares cannot be determined. The investment is accounted for under the equity method. Financial information of Hung Vuong Corporation can be summarized as follows:

	30 June 2006 US\$
Assets	17,069,206
Liabilities	13,891,362
Revenues	-
Loss	(141,988)
Loss attributable to the Group	(42,348)

International School Ho Chi Minh City

The Company holds 50% equity interest in Vanguard Era Investment Ltd, which inter hold 70% equity interest in International School Ho Chi Minh City. International School Ho Chi Minh was incorporated in the Socialist Republic of Vietnam. The shares of International School of Ho Chi Minh City are not publicly listed on a stock exchange and hence the fair value of its shares cannot be determined. The investment is accounted for under the equity method. Financial information of International School of Ho Chi Minh City can be summarized as follows:

	30 June 2006 US\$
Assets	7,239,025
Liabilities	5,404,045
Revenues	9,682,121
Profit	1,195,531
Profit attributable to the Group	418,436

Kido's Ice Cream Corporation

The Company holds 30% equity interest in Kido's Ice Cream Corporation, which was incorporated in the Socialist Republic of Vietnam. The shares of Kido's Ice Cream Corporation are not publicly listed on a stock exchange and hence the fair value of its shares cannot be determined. The investment is accounted for under the equity method. Financial information of Kido's Ice Cream Corporation can be summarized as follows:

	30 June 2006
	US\$
Assets	5,391,522
Liabilities	2,160,118
Revenues	3,629,111
Profit	301,496
Profit attributable to the Group	166,844

Kinh Do Property Limited

The Company holds 30% equity interest in Kido's Property Limited, which was incorporated in the Socialist Republic of Vietnam. The shares of Kido's Property Limited are not publicly listed on a stock exchange and hence the fair value of its shares cannot be determined. The investment is accounted for under the equity method. Financial information of Kido's Property Limited can be summarized as follows:

	30 June 2006
	US\$
Assets	6,308,214
Liabilities	4,223
Revenues	-
Profit	35,264
Profit attributable to the Group	10,579

Phong Phu Investment Development Ltd

The Company holds 30% equity interest in Phong Phu Investment Development Ltd, which was incorporated in the Socialist Republic of Vietnam. The shares of Phong Phu Investment Development Ltd are not publicly listed on a stock exchange and hence the fair value of its shares cannot be determined. The investment is accounted for under the equity method. Financial information of Phong Phu Investment Development Ltd can be summarized as follows:

	30 June 2006
	US\$
Assets	3,746,504
Liabilities	185,525
Revenues	-
Net loss	(7,330)
Loss attributable to the Group	(1,649)

T.D Corporation

The Company holds 30% equity interest in T.D Corporation, which was incorporated in the Socialist Republic of Vietnam. T.D Corporation is investing in a property project named Nha Trang Hotel. The shares of T.D Corporation are not publicly listed on a stock exchange and hence the fair value of its shares cannot be determined. The investment is accounted for under the equity method. As at the date of this financial statement the financial information of the associate as at and for the year ended 30 June 2006 is not available.

AA Land Corporation Limited

The Company holds 29% equity interest in AA Land Corporation Limited, which was incorporated in the Socialist Republic of Vietnam. The shares of AA Land Corporation Limited are not publicly listed on a stock exchange and hence the fair value of its shares cannot be determined. The investment is accounted for under the equity method. As at the date of this financial statement the financial information of the associate as at and for the year ended 30 June 2006 is not available.

8. Property, plant and equipment of subsidiaries

	Buildings and improvements	Equipment and machinery	Vehicles	Fixture and furniture	Others	Total
	US\$	US\$	US\$	US\$	US\$	US\$
Historical cost						
30 June 2006	9,562,966	15,363,165	416,172	351,287	5,754,035	31,447,625
Accumulated depreciation						
30 June 2006	(4,400,203)	(15,090,972)	(390,183)	(298,633)	(4,787,457)	(24,967,448)
Net book value						
30 June 2006	5,162,763	272,193	25,989	52,654	966,578	6,480,177

9. Paid-in capital

	2006 US\$	2005 US\$
Share capital: ordinary shares with nominal value of US\$0.01 per shares. Authorised 500,000,000 shares; issued 2006: 47,502,548 shares; 2005: 65,654,654 shares.	1,226,572	751,547
Additional paid-in capital	164,950,181	91,634,442
	166,176,753	92,385,989

10. Related party transactions

During the period, the following transactions with related parties were recorded:

Related party	Relation	Transaction	US\$
VinaCapital Investment Management Ltd	Investment manager	Performance fee	15,396,334
		Management fee	4,348,221

At 30 June 2006 the following balances were outstanding with related parties:

Related party	Relation	Payable US\$
VinaCapital Investment Management Ltd	Investment manager	15,932,387

11. Approval of financial statements

The financial statements were approved by the Board of Directors on 25 November 2006.