

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED

**Interim Report and Condensed Interim Financial Statements
for the period 1 July 2018 to 31 December 2018**

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED

**INTERIM REPORT AND CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2018**

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VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED

CHAIRMAN'S STATEMENT

Investment Strategy and Performance

The more challenging market conditions which we reported for the first half of 2018 continued into the second half, which is the period under review. Your Company was not immune to this, recording a fall in Net Asset Value ("NAV") per share of 4.6% and a decrease in the share price of 1.4%, compared with a fall of 8.0% by the VN Index. Accounting for dividend distributions to shareholders, the total return on a NAV per share basis is -3.6% (in United States Dollar ("USD") terms).

It is, of course, disappointing to report a decline in NAV. However, as set out in more detail in the Investment Manager's report, the fundamental economic argument for investment in Vietnam remained compelling, with strong growth, controlled inflation coupled with a stable currency and continued foreign direct and indirect investment.

In the half year under review we completed the final sale of direct real estate development projects, which leaves us with a portfolio made up of one operating real estate asset and the remainder entirely of equity and equity-like investments in both listed and unlisted companies. The approach of our Investment Managers is to seek meaningful, strategic stakes in companies. They are very selective in the investments which they make on our behalf and we are encouraged by the prospects for the investments which were made in recent months, as well as by their analysis of those which were turned down.

Dividends

On 27 March 2019, the Board declared an interim dividend of 5.5 US cents per share in respect of the half year ended 31 December 2018. This was at the same rate as the second interim dividend paid for the financial year ended 30 June 2018. These two dividends in total represent approximately 2% of the NAV per share as at the end of the financial year ended 30 June 2018.

Our policy remains to pay a dividend of approximately 1% of NAV twice each year, in March and October. Your Board believes that paying a steady dividend is a key element in attracting investors with the aim of helping to reduce the discount over time.

Investment Management Agreement

We have completed and signed a revised Investment Management Agreement, incorporating the changes to the investment management fee which were described in last year's annual report. In summary, the structure of the fee is now:

Base management fee:-

- 1.50% of net assets, levied on the first USD500 million of net assets;
- 1.25% of net assets, levied on net assets between USD500 million and USD1,000 million;
- 1.00% of net assets, levied on net assets between USD1,000 million and USD1,500 million;
- 0.75% of net assets, levied on net assets between USD1,500 million and USD2,000 million; and
- 0.50% of net assets, levied on net assets above USD2,000 million.

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CHAIRMAN'S STATEMENT (continued)

Investment Management Agreement (continued)

Incentive fee:-

- The incentive fee rate has been reduced to 12.5% of any increase in NAV over the hurdle rate;
- The hurdle rate for incentive fees will remain unchanged at an 8% annual compounded rate;
- The cap on incentive fees to be paid out in any year will remain unchanged at 1.5% of the weighted average of month end net assets;
- If the NAV has fallen at any year end subsequent to the 30 June 2018 year end, an appropriate proportion of the unpaid and carried forward incentive fee will be clawed back and the high water mark adjusted accordingly, thereby releasing accruals which would have remained on the Company's balance sheet under the previous structure. From the current accounting year, any further incentive fees which are earned at the lower 12.5% rate will only be classed as payable up to the level at which the fee cap takes effect but any excess will be recorded as a liability for the fees expected to be paid out in future years. While the mechanism for calculating fees earned at the lower rate is a little different from that described in the Chairman's Statement for the year ended 30 June 2018, the result is arithmetically identical and the calculation methodology is simplified; and
- 25% of any incentive fee paid will be used by the Investment Manager to buy shares in the Company through open market purchases. These shares will be subject to minimum holding period of 12 to 24 months.

The reduction in base fee has resulted in a decrease in fees over the period, while the modifications to the incentive fee will result in some of the accrued and carried forward incentive fees being clawed back if the NAV at the 30 June 2019 year end remains below the level as at 30 June 2018.

Discount Management

As at the end of December 2018 the share price discount to NAV was 17.3%, a marginal improvement from the 20.1%, at the June 2018 financial year end. Over the half year under review, the shares have traded at discounts in the range 14.9% to 20.2%.

We have a continuing strategy to try to reduce the discount at which your Company's shares trade to NAV, as we continue to believe that the prevailing discount does not fairly reflect the strong absolute returns which the Company has made, or its prospects over both the medium and long term. Our efforts to reduce the discount concentrate both in attempting to increase demand for shares and, where necessary, to reduce supply by buying back shares. During the half year under review, 8.1 million shares were bought back, representing 4.2% of the shares in issue at the start of the year. Since we commenced buying back shares in 2011, the Company has purchased some 138.6 million shares, being 42.7% of shares in issue before the first buy back. In order to limit the number of shares held in treasury, the Company cancelled 9.2 million treasury shares in August 2018.

As regular readers of our accounts will be aware, the Board, Investment Manager and advisors have made great efforts in trying to limit the discount. In attempting to stimulate demand in recent years, we have: changed the Company's listing venue to the premium segment of the London Stock Exchange (which resulted in it being included in the FTSE250 Index); changed the domicile to Guernsey; commenced the payment of dividends; changed our arrangement with our Investment Manager so that management of our assets is delegated to a regulated entity in Vietnam; and employed additional resources in marketing the Company's shares.

Our efforts to reduce the discount will continue unabated.

The Board

As reported in the Annual Report for the year ended 30 June 2018, Martin Adams retired from the Board at the Annual General Meeting ("AGM") on 10 December 2018.

Julian Healy was appointed to the Board on 23 July 2018.

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CHAIRMAN'S STATEMENT (continued)

The Board (continued)

As I have previously stated, I believe that a Company of the size and complexity of yours should have five Directors on the Board and we have begun the process of identifying suitable candidates and I expect that an appointment will be made in the second half of the financial year.

AGM and Discontinuation Vote

Last year's AGM was held on 10 December 2018 in Guernsey.

I am pleased to report that shareholders voted by a large majority in line with the Board's recommendations on each of the 14 resolutions at the AGM. That is, shareholders voted in favour of resolutions 1 to 13 and against resolution 14, the "discontinuation vote" so that the Company will continue in existence. I would like to reiterate the Board's commitment to hold a vote on the continuation of the Company every five years; the next such vote is expected to be held at an AGM in December 2023.

Outlook

As measured by the VN Index, which admittedly is an imperfect measure, the Vietnamese stock market reached a peak in April 2018, declined quite rapidly thereafter and has traded within a fairly wide range with no apparent sense of direction over the six months under review.

In the current global capital market environment where volatility and uncertainty prevail, there is a dearth of growth opportunities which offer enough fundamental strength to provide some shelter. Vietnam seems to be one of the few growth opportunities. The attractive economic conditions which I mention above leave us with a market which appears attractively priced, with a positive outlook for earnings and with a stable currency, supported by foreign investment flows. As described in the Investment Manager's review, many of the foreign inflows are in the form of direct investment into manufacturing and supporting infrastructure. Such capital is, of course, longer term in nature than investments into stock or bond markets. This augurs well for the Vietnamese economy for the foreseeable future.



Steven Bates

Chairman

VinaCapital Vietnam Opportunity Fund Limited

27 March 2019

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED

INVESTMENT MANAGER'S INTERIM REPORT

In the six months ended 31 December 2018, the Vietnam Index (VN Index) closed at 893 points, declining by 8.0% in USD terms, while the MSCI Vietnam Index returned -10.0%.

In comparison, the Company's NAV fared better than the benchmarks, declining by 4.6% on a per share basis, while the share price decreased by 1.4% in USD terms (in Great British Pound ("GBP") terms, the NAV declined by 0.5% and share price increased 2.5%, respectively). Accounting for dividend distributions to shareholders, the total return on a per share basis is -3.6% (in USD terms).

On a calendar year basis (January to December 2018), the Company's NAV declined by 8.1%, or by 6.1% on a total return basis, while the share price decreased by 5.6% in USD terms (in GBP terms, the NAV declined by 1.9% and share price increased by 0.6%, respectively). In comparison the VN Index declined by 11.2% in USD terms during the same period, demonstrating that we have been able to maintain a degree of performance better than the benchmarks.

	31 December 2018	30 June 2018
Total return per share¹	(3.6)%	
USD terms		
NAV (USD million)	954.76	1,043.4
NAV / share	5.13	5.38
Share price ²	4.24	4.30
Change in NAV per share ³	(4.6)%	
GBP terms		
NAV (GBP million)	752.83	790.30
NAV / share	4.05	4.07
Share price	3.34	3.26
Change in NAV per share ³	(0.5)%	
Discount	(17.3)%	(20.1)%
VN Index return⁴	(8.0)%	
MSCI Vietnam Index return	(10.0)%	

Notes:

1. Total return per share, inclusive of dividends, USD terms, from 30 June to 31 December 2018.
2. USD share price based on Reuters foreign exchange rate at reporting date.
3. Change in NAV per share over the financial year to date, from 30 June to 31 December 2018.
4. Source: Bloomberg, Reuters. Simple return basis (excluding dividend reinvestment), USD terms, from 30 June to 31 December 2018.

Markets return to stability off the back of strong macroeconomic fundamentals

Vietnam's stock markets entered "bear" market territory in June 2018 after having peaked only three months earlier in April, riding off the back of a very successful 2017. Thus, we started our financial year 2019 on a "low" note, but the down trend continued and the poor performance of the VN Index during the second half of calendar 2018 was initially driven by fear of contagion in emerging markets that started in July with the slide in the Turkish Lira and continued weakness in the Argentine Peso. The trade spat between the US and China escalated in July through to December and weighed heavily on global markets and currencies, including Vietnam.

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INVESTMENT MANAGER'S INTERIM REPORT (continued)

Markets return to stability off the back of strong macroeconomic fundamentals (continued)

Nevertheless, Vietnam's currency, the Vietnam Dong (VND), held steady during the year and only declined by 2.1% compared to a decline of 5.0% and 7.5% for the Philippines and Indonesia, respectively, which had to raise policy rates to defend their currencies. Moreover, some economists (including our own) believe that in an all-out US/China trade war, Vietnam stands to be a net beneficiary in the long-run as it encourages companies to relocate production facilities from China to Vietnam, and also in the short-term as well, as American companies place orders with Vietnamese companies instead of Chinese suppliers in order to avoid tariffs.

Still, these favourable factors did little to halt a slide in the stock market and the subsequent de-rating that took place. On 1 January 2018, the VN Index started the calendar year on a trailing 12-months price-to-earnings (P/E) ratio of 18.3x but ended the year trading at 15.0x despite strong earnings per share (EPS) growth of almost 25% for the year (or approximately 18% excluding the newly listed Vinhomes (VHM)). The 25% correction in the VN Index from its April 2018 peak now offers growth at a reasonable price. And with consensus EPS growth in the mid-teens for 2019, Vietnam's stock market valuation is attractive compared to regional emerging market peers on a Price Earning Growth (PEG) ratio basis.

	Market Cap (USD bn)	P/E 2018	P/E 2019F	EPS growth 2019F	PEG 2019F
Vietnam (VN Index)¹	124	15.0	13.4	12	1.1
Philippines (PCOMP)	178	18.1	15.7	15	1.0
Malaysia (KLIC)	259	21.2	16.7	27	0.6
Indonesia (JCI)	488	19.6	14.9	31	0.5
Thailand (SET)	493	16.2	14.2	14	1.0
Average ex VN	355	18.8	15.4	22	0.7
VN P/E discount to regional peers		-20%	-13%		

Notes:

1. VN Index market capitalisation only includes companies listed on the Ho Chi Minh Stock Exchange (HSE) and excludes the market capitalisation of companies listed on the Hanoi Stock Exchange (HSX) and the Unlisted Public Companies Market (UPCoM).

Source: Bloomberg, VinaCapital. P/E 2018 and P/E 2019F were based on Index level as at 31 December 2018.

Against this backdrop of market volatility, we can sometimes forget the sound macroeconomic fundamentals that underpin the country. Vietnam's GDP growth reached an 11-year high of 7.1% in 2018, compared to 6.6% for China and 6.0% on average for Asia Ex-Japan according to Bloomberg estimates. Looking ahead, the market consensus is that GDP is forecasted to grow at 6.5% to 6.7% in 2019 and 6.3% in 2020, which places Vietnam well above emerging market regional peers.

This growth is underpinned by continued investment in the economy, through foreign investments (both direct and indirect) and government spending, as well as continued export growth and strong domestic consumption. Foreign direct investment (FDI) inflows remained strong even against the backdrop of the ongoing trade war between the US and China. FDI disbursements increased 9.1% year-on-year, reaching USD19.1 billion, while registered FDI held more-or-less steady at USD35.5 billion, indicating that international investors remain committed to investing in Vietnam over the long-term. Furthermore, FDI can be considered as "sticky" money, a long-term investment which is less prone to outflows in times of market crisis.

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INVESTMENT MANAGER'S INTERIM REPORT (continued)

Markets return to stability off the back of strong macroeconomic fundamentals (continued)

Inflation remained modest, increasing 3% year-on-year, while credit growth reached 14%, a welcome decline from previous years and a sensible level given the potential upward pressure on interest rates. Exports grew by 13% year-on-year, reaching USD244 billion (or 102% of GDP) in 2018, which helped maintain a strong trade surplus of approximately USD7 billion or 3% of GDP in 2018, up from a little over 1% of GDP in 2017.

The stable currency, as mentioned earlier, has meant that Vietnam so far has not had to raise policy rates to defend the VND. Meanwhile, the trade surplus and strong foreign currency remittances from abroad have meant that the government has only needed to use a limited amount of its foreign currency reserves to support the local currency. Since July 2018, Vietnam has spent USD6 billion of its FX reserves to maintain the value of the VND, bringing the State Bank's FX reserves to about USD58 billion, or 2.9 months' worth of imports, versus the 3-month minimum level recommended by the IMF, World Bank and others. This is not believed to be a serious issue because of substantial net cash inflows to Vietnam, as evidenced by persistent current account, and balance of payment surpluses over the last 6 years.

A more detailed update of the economy from Michael Kokalari, Chief Economist, follows this report on page 14.

Valuations across public and private markets return to attractive levels

Inflows from foreign indirect investments ("FII"), which are essentially investments into the stock markets from foreigners, reached approximately USD19.1 billion for 2018, an increase from USD17.5 billion, or 9.1% compared to 2017, indicating that Vietnam remained an attractive destination for both strategic as well as portfolio investors. However, looking at the second half of the year from July to December, FII inflows were USD5.8 billion, as the mega-deals that punctuated the first half of the calendar year all but disappeared as market volatility set in, liquidity dried up, and valuations declined.

Recall that during the first half of the calendar year, there were several State-owned company divestments, and we participated in some of these privatisations (or equitisations as they are known here in Vietnam), including Binh Son Refinery (BSR) and Petro Vietnam Power (POW), deploying USD24.4 million and USD22.2 million respectively. Furthermore, we shied away from several large, richly valued IPOs such as:

- Techcombank (TCB, leading private bank) which went to IPO at VND128k per share (approximately USD5.50 per share) and has declined 39% by 31 December 2018, while the VN Index declined 23% during the same period (from IPO to calendar year end); and
- Vinhomes (VHM, leading residential property developer) which IPO'd at VND115k per share (approximately USD4.95 per share) and has declined 20% by calendar year end, whereas the VN Index declined 16% during this same period.

Focusing on the second half of the calendar year (the first half of our financial year), there were scant IPO or equitization opportunities that took our interest. We did not participate in the private placements of several companies, including:

- Masan (MSN, leading consumer goods company), which suffered a decline of 23% since placement to 31 December 2018. In comparison, the VN Index declined 12% over the same period (from placement to calendar year end). MSN offered a 10% stake for USD475 million at a P/E multiple of 23.7x, and which was taken up entirely by SK Group; and
- Sabeco (SAB, leading beer company), which experienced a decline of 15% since their placement to 31 December 2018, where we saw a significant rise in the share price on the last trading day of the year, but subsequent to calendar year end, we have seen the share price decline a further 10.3% up to 28 February 2019. In comparison, the VN Index declined 6% over the same period (from placement to calendar year end) and subsequent to year end up to 28 February 2019, the VN Index has increased 8.1%. SAB, as part of the government's commitment to sell down its stake in this leading beer company, offered a 54% stake for USD4.9 billion, which implied a P/E value of 42x, at a time when peer group consumer beverage company's average P/E was 30x with stronger earnings growth than SAB.

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INVESTMENT MANAGER'S INTERIM REPORT (continued)

Valuations across public and private markets return to attractive levels (continued)

Given these rich valuations and other reasons, we did not take part in what was offered to the market, but rather turned our focus to privately negotiated and private equity opportunities, an area where we have been able to consistently demonstrate our differentiated investment strategy.

Continued focus on private equity and privately negotiated investment opportunities

As at 31 December 2018, the investment portfolio consisted of the following asset classes:

Asset class	31 December 2018 USDm	%	30 June 2018 USDm	%
Listed equities	640.1	67.0	694.5	66.6
Unlisted equities ¹	181.4	19.0	202.0	19.4
Private equity	122.2	12.8	112.2	10.8
Operating assets	12.0	1.3	13.3	1.3
Direct real estate	0	0	20.1	1.9
Cash and others ²	(0.9)	(0.1)	1.3	0.0
Total NAV	954.8	100	1,043.4	100
NAV per share	USD 5.13		USD 5.38	

Notes:

1. Unlisted equities include over-the-counter securities, and publicly listed investments currently traded on UPCoM (the Unlisted Public Company Market of the Hanoi Stock Exchange).
2. As at 31 December 2018, cash was 1.7% of NAV. Others includes receivables and payables.

The portfolio allocation has remained more-or-less consistent over the financial year to date, as we focus on private equity and privately negotiated investment opportunities. Just as 2018 came to an end, we closed one more private equity investment, deploying USD25.4 million through a structured product with Novaland (NVL). We negotiated a structured product with an annual coupon of 10% paid semi-annually, plus a committed IRR of 17% (in VND terms) upon redemption, as well as a warrant for a quarter of the investment's value exercisable in two years based on the agreed share price at investment date. This gives us both downside protection as well as upside participation should the share price rise significantly over the period of investment. This investment increased our private equity portfolio to 12.8% of NAV.

In August, we made an investment of USD17.4 million alongside a co-investor, in Tam Tri Medical Joint Stock Company ("Tam Tri Medical"), a growing network of private hospitals throughout south and central Vietnam. Tam Tri Medical currently operates four general hospitals in Ho Chi Minh City, Dong Thap, Nha Trang and Da Nang, with approximately 500 beds and more than 700 employees. The company is growing by more than 30% per annum, as Vietnamese consumers look for alternatives to the overburdened domestic public health system or opting to travel overseas to receive private healthcare.

This private equity transaction gives VOF a significant minority stake in Tam Tri Medical, which expects to use the capital to expand current facilities and acquire new facilities to improve economies of scale. Tam Tri Medical's CEO is Dr Nguyen Huu Tung, who previously founded the Hoan My Medical Corporation. VOF invested in Hoan My in 2009, the pioneer M&A transaction in Vietnam's private healthcare sector. Hoan My was sold to an international investor in 2013 with that investment delivering an IRR of 38% in USD terms and 2.3x multiple on invested capital to VOF.

We have also completely divested the direct real estate portfolio with the sale of the Green Park Estate development project in October. Recall that over the past two years or so, we have made a committed effort to reduce the Company's exposure to real estate development risk and have been able to sell down the portfolio at or above NAV in most instances, returning approximately USD217 million in gross proceeds back to the Company.

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED
INVESTMENT MANAGER'S INTERIM REPORT (continued)

Continued focus on private equity and privately negotiated investment opportunities (continued)

Given market conditions and overall valuations reverting to the norm, we have seen plenty of opportunities on the private side. Companies and entrepreneurs continue to look for capital, and perhaps more importantly, to find a partner like ourselves to help them grow, institutionalise and work with them on strategy, market access, partnerships and, in some instances, eventually exiting to a strategic buyer. We are currently looking at over 20 deals at various stages of progress, in sectors that focus mainly on consumer spending as well as infrastructure. As and when we consummate these investments for the fund, we will announce them to the market.

We have used the proceeds of the capital market, direct real estate and private equity divestments to re-invest into private equity and privately negotiated opportunities, as well as return capital to shareholders in the form of share buybacks and now regular dividends.

Portfolio companies continue to deliver on strong fundamentals

The top 10 holdings have changed slightly over the past six months, primarily a function of market movements and divestments:

	Investment	Asset class	Sector	31 December 2018 % of NAV	Investment entry method
1.	Hoa Phat Group (HPG)	Listed equity	Construction materials	11.8	Private equity
2.	Khang Dien House (KDH)	Listed equity	Real estate & construction	9.3	Private equity
3.	Airports Corporation of Vietnam (ACV)	Unlisted equity ¹	Infrastructure	8.1	Equitization
4.	Phu Nhuan Jewelry (PNJ)	Listed equity	Consumer discretionary	6.1	Private equity
5.	Vinamilk (VNM)	Listed equity	Food & beverage	5.9	Equitization
6.	Coteccons (CTD)	Listed equity	Real estate & construction	3.9	Private placement (PIPE ²)
7.	Eximbank (EIB)	Listed equity	Financial services	3.9	Private equity
8.	Vietjet Air (VJC)	Listed equity	Industrials	3.7	Private equity
9.	Quang Ngai Sugar (QNS)	Unlisted equity ¹	Food & beverage	3.5	Private placement
10.	An Cuong Woodworking (ACW)	Private equity	Construction materials	3.1	Private equity
	Total 10 holdings as % of NAV			59.3	

Notes:

1. Unlisted equities include over-the-counter securities, and publicly listed investments currently traded on UPCoM (the Unlisted Public Company Market of the Hanoi Stock Exchange).
2. Private Investment in Public Equities (PIPE) transaction.

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED
INVESTMENT MANAGER’S INTERIM REPORT (continued)

Portfolio companies continue to deliver on strong fundamentals (continued)

As discussed above, the NAV declined by 4.6% over the first six months of this financial year, while the VN Index declined by 8.0%, demonstrating that even in times of market volatility, the portfolio composition and investment style continues to outperform through its differentiated strategy.

Asset class	31 December 2018 financial year-to-date return %	Contribution to return %
Listed equities	(5.2)	(3.5)
Unlisted equities	(2.7)	(0.5)
Private equity	2.5	0.3
Operating assets	3.4	0.0
Direct real estate	2.5	0.0
NAV/share return	(4.6)	
Total portfolio return¹	(3.6)	
VN Index return²	(8.0)	

Notes:

1. Total return per share, inclusive of dividends, USD terms, from 30 June to 31 December 2018.
2. Source: Bloomberg, simple return basis (excluding dividend reinvestment), USD terms, from 30 June to 31 December 2018.

VOF’s capital market portfolio, which consists of listed and unlisted equities, outperformed the VN Index by 3.3% (-4.7% vs -8.0% for the VN Index, USD terms) in the second half of the calendar year with contributions from stocks such as Khang Dien Housing, Phu Nhuan Jewelry, Petro Vietnam Power, and Quang Ngai Sugar. These holdings have been a core part of the portfolio over the years, and we still like these companies given their strong growth and attractive valuations relative to peers and the overall market. Nevertheless, we have trimmed our position in Hoa Phat Group (“HPG”) slightly given at one point it came close to 15% of NAV. As at the end of December, HPG accounted for 11.8% of NAV, down from 14.6% of NAV in 30 June 2018. Another key holding that we continued to reduce was Vinamilk (“VNM”), where volume growth has slowed. With a valuation that is more than fair, we think VNM’s upside is limited over the next 6 to 12 months and we continue to trim this portfolio position.

In the first half of our financial year, we have raised approximately USD129 million in cash from the sale of these and other capital markets holdings, and we have deployed a substantial portion of this into private deals as well as share buybacks and paying dividends to shareholders.

For the period up to 31 December 2018	Invested USDm	Divested USDm
Capital markets	54.0	74.2
Private equity	43.3	32.7
Real estate ¹	-	22.4
Total	97.3	129.3

Note:

1. Including transactions in Operating Assets.

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED
INVESTMENT MANAGER'S INTERIM REPORT (continued)

Portfolio companies continue to deliver on strong fundamentals (continued)

In terms of sector exposure, while we have fully divested all the direct real estate, the investment in real estate construction, and construction materials, through listed, unlisted and private equity investments is our largest sector exposure. These include companies such as HPG (construction material) and the largest private construction company Coteccons ("CTD"), as well as a smaller but rapidly rising construction company, Ricons ("RCI"), and real estate developer Khang Dien House ("KDH"). Together this sector accounted for 19.3% of NAV and we are looking to reduce our exposure by trimming our stakes in all three companies at the right valuations. While we maintain a positive outlook for real estate, the sector may continue to face headwinds given the possible slowdown in credit growth which may be slightly lower in 2019 versus 2018, and recent issues concerning the fair compensation for land acquired by certain real estate developers. As such we think the contracts for construction companies will be harder to come by, though some developers, such as CTD are making up for this by expanding into building factories in industrial parks given interest from foreign manufacturers looking to build factories in Vietnam to by-pass the trade war.

For the real estate sector, our development exposure is through Khang Dien Housing ("KDH"), which already holds a large land bank and will benefit as other developers struggle to secure new licenses. KDH has traditionally built landed town-houses but recently moved into apartment buildings given higher margins. Thanks to KDH's track record and strong reputation, this new segment has been successful, proven by very strong take-up rates (i.e. over 80%) in two apartment projects (Jamila and Safira) launched between 2017 and 2018.

For the capital market portfolio as a whole, our turnover despite being slightly higher than historical average (averaging 15.6% for the last 5 financial years) and the return has been relatively strong, both in absolute and relative terms. Relative to peers, we have performed better and on a like-for-like basis, if viewed purely as a capital market fund, our active share return has always been significant. We believe that this "concentrated, conviction holding" strategy is paying off for our investors over the medium to long-term.

31 December 2019

Turnover FY2019 year-to-date	10.2%
Average 5-year turnover ¹	15.6%
Active share of the listed, unlisted portfolio, and private equity portfolio in comparison to the VN Index as 31 December 2018 ²	51.5%
Average 5-year active share of the listed, unlisted portfolio, and private equity portfolio in comparison with the VN Index ^{1,2}	46.5%

1. Source: Bloomberg, VinaCapital

2. Active share: percentage of holdings in the portfolio that are over or under the VN Index weight.

Looking ahead for 2019

Looking forward, we expect to see continuing volatility in the local stock market, with a stronger correlation to major global events. We believe that Vietnam continues to be one of the most attractive investment destinations in emerging and frontier markets, and in particular the ASEAN region, thanks to a stable political environment, solid macroeconomic fundamentals, and a strong level of domestic consumption as wages and living standards improve. Despite indications of slowing global demand, the outlook remains positive for Vietnam, with measures like the Purchasing Managers' Index in December 2018 reaching 53.8, topping ASEAN peers (Vietnam has consistently maintained a score above 50 for the past two years, with a level above "50" indicating an expansionary manufacturing level).

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED
INVESTMENT MANAGER'S INTERIM REPORT (continued)

Looking ahead for 2019 (continued)

Despite the likelihood of continuing volatility in the stock markets, reasonable valuations for listed stocks should translate into some investment opportunities both in terms of on-market transactions such as block deals, as well as private investments in public equities ("PIPE"). On the former, some of our large holdings have not come down significantly enough for us to consider adding to our positions, though we think the latter (PIPE deals) will now be more attractive, especially those deals that typically come with a 10-20% discount to prevailing market prices. For negotiated deals/private equity deals, the lower public valuations should also dampen owners' aggressive expectations, especially at companies that previously envisaged IPO as an exit. We will continue to focus on sectors that have strong secular growth stories and/or have scarcity values (such as no equivalent companies in the public market). A good example is healthcare, where we have made several investments and have demonstrated a good track record. Nevertheless, we will also consider investing in companies in sectors with which we are not as familiar, as long as we think there is an opportunity to make good return to our shareholders in the medium term.

With that in mind, the team and myself continue to focus finding opportunities in an incredibly dynamic and exciting market where we can make consistent and stable medium to long-term returns. In December our Shareholders voted for the third time to continue the fund for another five years, which we take as a strong signal of support for the structure, strategy and investment focus that we strive to execute. Again, I wish to thank the Board and our Shareholders for their continued support, particularly during what may be a challenging near-term.

Andy Ho
Chief Investment Officer and Managing Director
27 March 2019

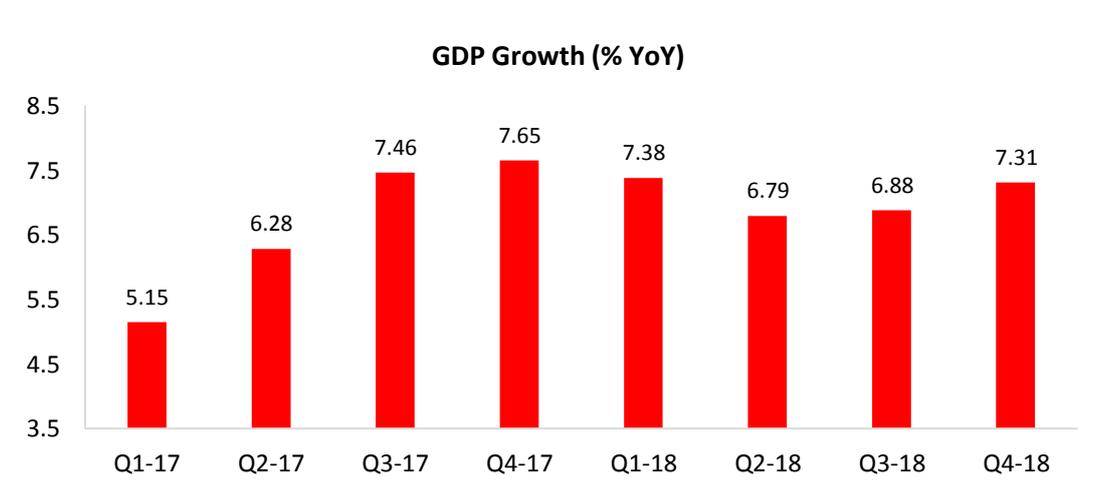
VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED
INVESTMENT MANAGER'S INTERIM REPORT (continued)

Economic Update

GDP Growth driven by consumption and manufacturing

Vietnam's GDP growth accelerated from 6.8% in 2017 to an 11 year high of 7.1% in 2018, driven by an improvement in the growth rate of the country's mining sector, and by a widening of Vietnam's trade surplus from 1.3% of GDP in 2017 to 2.8% of GDP in 2018.

The growth of household consumption, which accounts for nearly two-thirds of Vietnam's gross domestic product, remained strong, albeit nearly unchanged at an estimated 9% growth rate last year. However, we believe that the high pace of household consumption growth in Vietnam is unsustainable, and is likely to fall back to a circa 8% rate in 2019, which would bring the country's overall GDP growth rate down to 6.5-6.7% in 2019. The growth rate of real retail sales, which is an accurate proxy for household consumption growth, averaged 7% in 2012-16.



Source: Government Statistics Office of Vietnam

Next, note that Vietnam's mining sector, which accounts for 7.4% of Vietnam's gross domestic product, shrank by 7.1% year on year ("YoY") in 2017, but the rate of decline in the mining sector output slowed to a 3.1% decline in 2018, which boosted the country's GDP growth rate by 0.3% pts.

Vietnam's oil production volume declined by 11% in both 2017 and 2018, owing to physical constraints that inhibit oil exploration and production firms from pumping oil from existing, aging wells but the country's coal production increased from negligible growth in 2017 to 9% growth in 2018, and natural gas production also improved, both of which augmented the mining sector's output. We do not believe that the improvements in coal and natural gas production growth are sustainable, which also explains our expectation that the country's GDP growth rate is likely to decelerate in 2019.

In contrast to the modest improvement in Vietnam's mining sector in 2018, the growth of the country's manufacturing output moderated from 14.4% YoY growth in 2017 to 13% in 2018, which was attributable to a leveling off of the production growth of smart phones and other high tech products that had enjoyed tremendous growth in recent years. Specifically, Vietnam's mobile phone production growth fell from 7% in 2017 to -1% YoY in 2018, and the country's high tech export growth fell from 33% in 2017 to 12% growth in 2018.

That said, the prospects for the continued high growth of Vietnam's manufacturing output in 2019 are encouraging, given that the average of the country's Purchasing Manager's Index ("PMI") survey reached a record high of 53.8 in 2018, and given that the PMI has been above the '50' expansion-contraction threshold for more than two years. Furthermore, FDI inflows grew by 9% in 2018, which augers well for continued gains in the country's manufacturing output, because over half of Foreign Direct Investment to Vietnam is earmarked for the development of manufacturing facilities.

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED
INVESTMENT MANAGER'S INTERIM REPORT (continued)

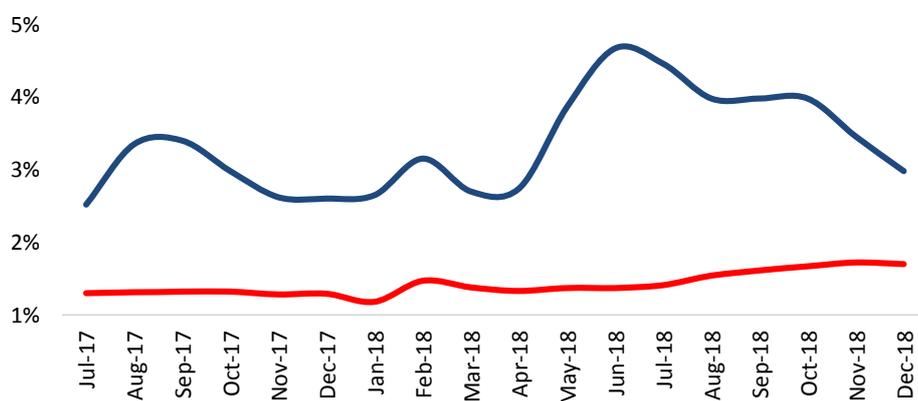
Economic Update (continued)

GDP Growth driven by consumption and manufacturing (continued)

Inflation

Vietnam's consumer price index ("CPI") inflation rate increased from 2.6% at the end of 2017 to 3% at the end of 2018, which was driven by an increase in Vietnam's food price inflation from -1.8% in 2017 to +5% in 2018, which was in turn driven by surging pork prices, attributable to the outbreak of African Swine Fever in China. That said, medical price inflation plunged from 28% in 2017 to 3.7% in 2018 because the government curtailed medical price hikes after having more-or-less doubled the prices of most medical services over 2016-17.

Headline & Core Inflation



Source: Government Statistics Office of Vietnam

We expect inflation to increase to 3.5% by the end of 2019, driven by further administrative price hikes, which are expected to add about 1% to the country's inflation rate this year, although we also expect Vietnam's food price inflation to fall back to 3% in 2019, which is in-line with the average of the country's food price inflation rate in recent years, and which would reduce headline inflation by about 1 percentage point, ceteris paribus.

Note that administrative price hikes in 2019 include an expected 5% hike in retail electricity prices, a scheduled 3% hike in healthcare prices, and to a hike to taxes on petrol prices that effectively boosted retail petrol prices by about 5% starting from 1 January 2019.

Interest Rates

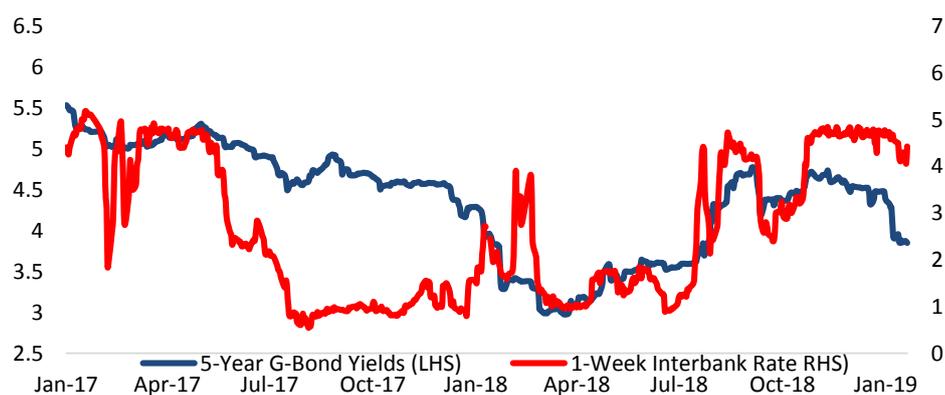
The modest increase in Vietnam's inflation rate in 2018 was accompanied by an increase in interest rates of a comparable magnitude. Specifically, the average lending interest rates offered by local banks increased by about 50 basis points during the year to circa 9.5%, although the deposit interest rates banks offered savers only increased by about 15 basis points because the banking system was flush with liquidity for most of the year, partly because of the developments in the local foreign exchange market that are discussed below.

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED
INVESTMENT MANAGER'S INTERIM REPORT (continued)

Economic Update (continued)

Interest Rates (continued)

**5-year Government Bond Yield
vs. 1-week Interbank Interest Rate (%)**



Source: Bloomberg

The abundant liquidity in the country's banking system was also reflected by the fact that the average level of interbank interest rates in Vietnam during 2018 was unchanged from the level in 2017, as was the yield of 10 year Vietnam Government Bonds at the end of 2017 and at the end of 2018. That said, interbank interest rates in Vietnam soared from 0.9% at the beginning of VOF's financial year in July 2018, to about 5% at the end of December 2018, despite an estimated net injection of over USD5 billion into the banking system by the State Bank of Vietnam (SBV) in the second half of 2018.

The increase in Vietnam's interbank interest rates in the second half of 2018 was driven by the seasonal tendency of interest rates to rise at the end of the calendar year, due to the need for banks to meet liquidity ratios at the end of the year, but it was also attributable to the sale of FX reserves by the SBV that effectively drained VN Dong out of the domestic economy (i.e. the central bank purchases VN Dong from local economic actors, and those purchases are paid for with USD held by the central bank as FX reserves).

The Vietnamese Dong (VND)

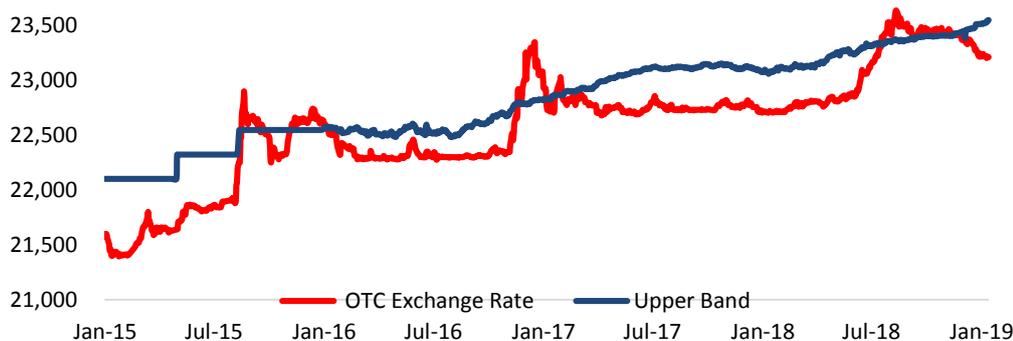
Emerging Market FX rates endured extreme volatility in the spring of 2018, but starting from the beginning of VOF's financial year in July 2018, the VN Dong exchange rate depreciated by less than 1% against the US Dollar until end-December 2018 (the VND depreciated by about 2.1% against the USD in the whole of 2018).

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED
INVESTMENT MANAGER’S INTERIM REPORT (continued)

Economic Update (continued)

The Vietnamese Dong (VND) (continued)

VND Official vs Unofficial Exchange Rate



Sources: State Bank of Vietnam, Bloomberg

Part of the reason for the stability of the VN Dong in the second half of 2018 was that the value of the Dollar stabilized against a wide basket of emerging market currencies, but the stability of Vietnam’s currency was also due to the proactive actions of the SBV, which helped firm up locals’ sentiment towards the VN Dong.

In the early part of calendar year 2018, the SBV net accumulated about USD12 billion of FX reserves, but starting from May 2018, Vietnam’s central bank sold about USD6.5 billion worth of FX reserves, and bought VND, in order to support the value of the countrys’ currency – so the total amount of Vietnam’s FX reserves increased by about USD5.5 billion in 2018 to about USD58 billion, or 2.9 month of imports (the SBV does not regularly publish Vietnam’s exact FX reserves).

VND vs USD, Compared to Asean Currencies vs USD



Source: Bloomberg

As a result, the VN Dong remained more stable against the USD than did the values of Vietnam’s regional peer EM countries.

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED
INVESTMENT MANAGER'S INTERIM REPORT (continued)

Economic Update (continued)

Looking ahead

Vietnam's GDP growth is likely to remain robust in 2019, although growth could moderate slightly from the 7.1% pace the economy enjoyed last year, primarily because household consumption growth is likely to temper from its heady pace in 2018. That said, Vietnam's economy remained extraordinarily stable in the second half of 2018, and we expect that stability to persist throughout 2019, thanks to the country's sound macro-economic fundamentals and to the prudent policies of the State Bank of Vietnam.

Michael Kokalari
Chief Economist
27 March 2019

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED

INTERIM REPORT OF THE BOARD OF DIRECTORS

The Board of Directors (the “Board”) submits its report together with the condensed interim financial statements of VinaCapital Vietnam Opportunity Fund Limited (the “Company”) for the six-month period from 1 July 2018 to 31 December 2018 (the “six-month period”).

The Company is registered in Guernsey as a non-cellular company with limited liability. Up to 31 October 2018 the registered office of the Company was PO Box 255, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3QL. Since 1 November 2018 the registered office of the Company has been PO Box 656, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3PP.

INVESTING POLICY

Investment Objective

The Company’s objective is to achieve medium to long-term returns through investment either in Vietnam or in companies with a majority of their assets, operations, revenues or income in, or derived from, Vietnam.

Investment Policy

All of the Company’s investments will be in Vietnam or in companies with at least 75% of their assets, operations, revenues or income in, or derived from, Vietnam at the time of investment.

No single investment may exceed 20% of the NAV of the Company at the time of investment.

The Company may from time to time invest in other funds focused on Vietnam. This includes investments in other funds managed by VinaCapital Investment Management Limited (the “Investment Manager”). Any investment or divestment of funds managed by the Investment Manager will be subject to prior approval by the Board. No more than 10%, in aggregate, of the value of the Company’s total assets may be invested in other listed closed-ended investment funds. The restriction on investment in other listed closed-ended investment funds does not apply to investments in closed-ended investment funds which themselves have published investment policies to invest no more than 15% of their total assets in other listed closed-ended investment funds.

The Company may from time to time make co-investments alongside other investors in private equity, real estate or similar assets. This includes, but is not restricted to, co-investments alongside other funds managed by the Investment Manager.

The Company may gear its assets through borrowings which may vary substantially over time according to market conditions and any or all of the assets of the Company may be pledged as security for such borrowings. Borrowings are not to exceed 10% of the Company’s total assets at the time that any debt is drawn down.

From time to time the Company may hold cash or low risk instruments such as government bonds or cash funds denominated in either Vietnamese Dong (“VND”) or US Dollars (“USD”), either in Vietnam or outside Vietnam.

Principal Risks

The process which the Company follows in order to identify and mitigate its key risks is set out on pages 63 to 66 of the Annual Report and Financial Statements for the year ended 30 June 2018 (the “Annual Report”), a copy of which is available on the Company’s website www.vof.vinacapital.com. The Directors have reviewed the key risks and have confirmed that the list as set out in the Annual Report, which are summarised below, remains appropriate.

Vietnamese Market Risk

Opportunities for the Company to invest in Vietnam have come about through the liberalisation of the Vietnamese economy. Were the pace or direction of the economy to alter in the future, the interests of the Company could be damaged. The economy could also be affected by any escalation in geopolitical tensions in the region and elsewhere.

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED

INTERIM REPORT OF THE BOARD OF DIRECTORS (continued)

Principal Risks (continued)

Changing Investor Sentiment

As a Company investing mainly in Vietnam, changes in investor sentiment towards Vietnam and/or frontier markets in general may lead to the Company becoming unattractive to investors leading to reduced demand for shares and a widening discount.

Investment Performance

The performance of the Company's investment portfolio could be poor, either absolutely or in relation to the Company's peers.

Fair Valuation

The risks associated with the fair valuation of the portfolio could result in the NAV of the Company being misstated.

Investment Management Agreement

The Investment Management Agreement requires the Investment Manager to provide competent, attentive and efficient services to the Company. If the Investment Manager was not able to do this or if the Investment Management Agreement were terminated, there is no assurance that a suitable replacement could be found in Vietnam and, under those circumstances, the Company could suffer.

Operational

The Company is dependent on third parties for the provision of all systems and services (in particular, those of the Investment Manager) and any control failures and gaps in these systems and services could result in a loss or damage to the Company.

Legal and Regulatory

Failure to comply with relevant regulation and legislation in Vietnam, Guernsey or the UK may have an impact on the Company.

Life of the Company

The Company does not have a fixed life but 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 every fifth year a special resolution will be proposed that the Company ceases to continue. If the resolution is not passed, the Company will continue to operate as currently constituted. 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 last tabled such a resolution at the AGM of the Company in December 2018 and it was not passed, allowing the Company to continue as currently constituted.

Results and Dividend

The results of the Company for the six-month period and the state of its financial affairs as at the reporting date are set out in the Condensed Interim Financial Statements on pages 25 to 55.

The Board intends that the Company will pay a dividend representing approximately 1% of NAV twice each year, normally declared in March and October. A dividend of 5.5 cents per share in respect of the half year ended 31 December 2018 was declared on 27 March 2019. The dividend is payable on or around 26 April 2019 to shareholders on record at 5 April 2019.

Performance

The Chairman's Statement and the Investment Manager's Report provide details of the Company's activities and performance during the six-month period.

The key performance indicators ("KPIs") used to measure the progress of the Company during the six-month period include:

- the movement in the Company's NAV;
- the movement in the Company's share price; and
- discount of the share price in relation to the NAV.

A discussion of progress against the KPIs is included in the Chairman's Statement.

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED

INTERIM REPORT OF THE BOARD OF DIRECTORS (continued)

Related Parties

Details of related party transactions that have taken place during the period and any material changes, if any, are set out in note 19 of the Condensed Interim Financial Statements.

Share repurchase programme

Details of the Company's share repurchase programme are set out in note 11 of the Condensed Interim Financial Statements.

Board of Directors

The members of the Board during the six-month period and up to the date of this report were:

Name	Position	Date of appointment	Date of retirement
Steven Bates	Chairman	1 February 2013	
Martin Adams	Director	5 February 2013	10 December 2018
Thuy Bich Dam	Director	4 March 2014	
Huw Evans	Director	27 May 2016	
Julian Healy	Director	23 July 2018	

Directors' interests in the Company

As at 31 December 2018 and 30 June 2018, the interests of the Directors in shares of the Company were as follows:

	Shares held as at 31 December 2018	Shares held as at 30 June 2018
Steven Bates	25,000	25,000
Martin Adams (retired 10 December 2018)	-	-
Thuy Bich Dam	-	-
Huw Evans	35,000	35,000
Julian Healy (appointed 23 July 2018)	-	-

There have been no changes to any holdings between 31 December 2018 and the date of this report.

Going Concern

Under the UK Corporate Governance Code and applicable regulations, the Directors are required to satisfy themselves that it is reasonable to assume that the Company is a going concern. The Directors have undertaken a rigorous review of the Company's ability to continue as a going concern including reviewing the on-going cash flows and level of cash balances as at the reporting date as well as taking forecasts of future cash flows into consideration. After making enquiries of the Investment Manager and having reassessed the principal risks, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the Interim Report and Condensed Interim Financial Statements.

On behalf of the Board:



Steven Bates

Chairman

VinaCapital Vietnam Opportunity Fund Limited
27 March 2019

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

To the best of their knowledge, the Directors confirm that:

- the Condensed Interim Financial Statements have been prepared in accordance with IAS 34, "Interim Financial Reporting"; and

- the Interim Report, comprising the Chairman's Statement, the Investment Manager's Report and the Interim Report of the Board of Directors, meets the requirements of an interim management report and includes a fair review of information required by DTR 4.2.4 R of the UK Disclosure and Transparency Rules:

(i) DTR 4.2.7R of the UK Disclosure and Transparency Rules, being an indication of important events which have occurred during the first six months and their impact on the Condensed Interim Financial Statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and

(ii) DTR 4.2.8R of the UK Disclosure and Transparency Rules, being related party transactions which have taken place in the first six months and which have materially affected the financial position or performance of the Company during that period, and any material changes in the related party transactions disclosed in the last Annual Report.

Signed on behalf of the board by:



Huw Evans

Director

VinaCapital Vietnam Opportunity Fund Limited

27 March 2019

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED
INDEPENDENT REVIEW REPORT
TO VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED

Our conclusion

We have reviewed the accompanying condensed interim financial information of VinaCapital Vietnam Opportunity Fund Limited (the “Company”) as of 31 December 2018. Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, ‘Interim Financial Reporting’, and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom’s Financial Conduct Authority.

What we have reviewed

The accompanying condensed interim financial information comprise:

- the condensed statement of financial position as of 31 December 2018;
- the condensed statement of comprehensive income for the six-month period then ended;
- the condensed statement of changes in equity for the six-month period then ended;
- the condensed statement of cash flows for the six-month period then ended; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The condensed interim financial information has been prepared in accordance with International Accounting Standard 34, ‘Interim Financial Reporting’ and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom’s Financial Conduct Authority.

Our responsibilities and those of the directors

The Directors are responsible for the preparation and presentation of this condensed interim financial information in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom’s Financial Conduct Authority.

Our responsibility is to express a conclusion on this condensed interim financial information based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom’s Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, ‘Review of interim financial information performed by the independent auditor of the entity’ issued by the International Auditing and Assurance Standards Board. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED
INDEPENDENT REVIEW REPORT (CONTINUED)
TO VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED

We have read the other information contained in the Interim Report and Condensed Interim Financial Statements and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.



PricewaterhouseCoopers CI LLP
Chartered Accountants
Guernsey, Channel Islands
27 March 2019

- (a) The maintenance and integrity of the VinaCapital Vietnam Opportunity Fund Limited website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED
CONDENSED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2018 USD'000 (Unaudited)	30 June 2018 USD'000 (Audited)
TOTAL ASSETS			
Financial assets at fair value through profit or loss	8	968,326	1,067,462
Receivables and prepayments	10	45	-
Cash and cash equivalents	6	4,919	14,867
Total assets		973,290	1,082,329
TOTAL LIABILITIES			
Accrued expenses and other payables	12	16,494	18,089
Deferred incentive fees	15(b)	2,039	20,808
Total liabilities		18,533	38,897
EQUITY			
Share capital	11	392,789	427,351
Retained earnings		561,968	616,081
Total shareholders' equity		954,757	1,043,432
Total liabilities and equity		973,290	1,082,329
Net asset value, USD per share	17	5.13	5.38
Net asset value, GBP per share		4.05	4.07

The Condensed Interim Financial Statements were approved and signed by the Board of Directors on 27 March 2019.



Steven Bates
Chairman



Huw Evans
Director

The accompanying notes are an integral part of these Condensed Interim Financial Statements.

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED
CONDENSED STATEMENT OF CHANGES IN EQUITY

		Share capital	Retained earnings	Total shareholders' equity
		USD'000	USD'000	USD'000
For the six months ended 31 December 2018 (Unaudited)				
Balance at 1 July 2018		427,351	616,081	1,043,432
Loss for the period		-	(43,762)	(43,762)
Total comprehensive deficit		-	(43,762)	(43,762)
Transactions with Shareholders				
Shares repurchased	11	(34,562)	-	(34,562)
Dividends paid	9	-	(10,351)	(10,351)
Balance at 31 December 2018		392,789	561,968	954,757
For the six months ended 31 December 2017 (Unaudited)				
Balance at 1 July 2017		456,419	493,256	949,675
Profit for the period		-	185,070	185,070
Total comprehensive income		-	185,070	185,070
Transactions with Shareholders				
Shares repurchased		(9,534)	-	(9,534)
Dividends paid		-	(19,100)	(19,100)
Balance at 31 December 2017		446,885	659,226	1,106,111

The accompanying notes are an integral part of these Condensed Interim Financial Statements.

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED
CONDENSED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 31 December 2018 (Unaudited)	Six months ended 31 December 2017 (Unaudited)
	Notes	USD'000	USD'000
Dividend income	13	26,643	31,748
Net (losses)/gains on financial assets at fair value through profit or loss	14	(65,530)	189,147
General and administration expenses	15(a)	(8,550)	(8,820)
Finance cost		(2,565)	(1,161)
Incentive income/(fee)	3,15(b)	6,238	(25,846)
Other income		2	2
Operating (loss)/profit		(43,762)	185,070
(Loss)/profit before tax		(43,762)	185,070
Corporate income tax	16	-	-
(Loss)/profit for the period		(43,762)	185,070
Total comprehensive (loss)/income for the period		(43,762)	185,070
Earnings per share			
- basic and diluted (USD per share)	17	(0.23)	0.93
- basic and diluted (GBP per share)		(0.18)	0.71

All items were derived from continuing activities.

The accompanying notes are an integral part of these Condensed Interim Financial Statements.

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED

CONDENSED STATEMENT OF CASH FLOWS

		Six months ended 31 December 2018 (Unaudited)	Six months ended 31 December 2017 (Unaudited)
	Notes	USD'000	USD'000
Operating activities			
(Loss)/profit before tax		(43,762)	185,070
Adjustments for:			
Dividend income		(26,643)	(31,748)
Net losses/(gains) on financial assets at fair value through profit or loss	14	65,530	(189,147)
		(4,875)	(35,825)
Change in receivables and prepayments		(45)	259
Change in accrued expenses and other payables		(19,925)	12,995
Dividend receipts		26,643	31,748
Net cash inflow from operating activities		1,798	9,177
Investing activities			
Purchases of financial assets at fair value through profit or loss	8	(76,498)	(131,657)
Return of capital from financial assets at fair value through profit or loss	8	110,104	204,820
Net cash generated from investing activities		33,606	73,163
Financing activities			
Repurchase of shares into treasury	11	(35,001)	(9,534)
Dividends paid	9	(10,351)	(19,100)
Net cash used in financing activities		(45,352)	(28,634)
Net change in cash and cash equivalents for the period		(9,948)	53,706
Cash and cash equivalents at the beginning of the period	6	14,867	7,512
Cash and cash equivalents at the end of the period	6	4,919	61,218

The accompanying notes are an integral part of these Condensed Interim Financial Statements.

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

VinaCapital Vietnam Opportunity Fund Limited (“the Company”) is a Guernsey domiciled closed-ended investment company. The Company is classified as a registered closed-ended Collective Investment Scheme under the Protection of Investors (Bailiwick of Guernsey) Law 1987 and is subject to the Companies (Guernsey) Law, 2008.

The Company’s objective is to achieve medium to long-term returns through investment either in Vietnam or in companies with a majority of their assets, operations, revenues or income in, or derived from, Vietnam.

The Company has a Premium Listing on the London Stock Exchange’s (“LSE’s”) Main Market, under the ticker symbol VOF.

The Company does not have a fixed life but the Board has determined that it is desirable that shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, the Board intends that every fifth year a special resolution will be proposed that the Company ceases to continue. If the resolution is not passed, the Company will continue to operate as currently constituted. 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 last tabled such a resolution at the AGM of the Company in December 2018 and the resolution was not passed, allowing the Company to continue as currently constituted.

The Condensed Interim Financial Statements for the six-month period ended 31 December 2018 were approved for issue by the Board on 27 March 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The Company has prepared these Condensed Interim Financial Statements on a going concern basis in accordance with the Disclosure and Transparency Rules of the United Kingdom Financial Conduct Authority and IAS 34 “Interim Financial Reporting”. These Condensed Interim Financial Statements do not comprise statutory Financial Statements within the meaning of the Companies (Guernsey) Law, 2008, and should be read in conjunction with the Financial Statements of the Company as at and for the year ended 30 June 2018, which were prepared in accordance with International Financial Reporting Standards. The statutory Financial Statements for the year ended 30 June 2018 were approved by the Board of Directors on 23 October 2018. The opinion of the auditors on those Financial Statements was not qualified and did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report. The accounting policies adopted in these Condensed Interim Financial Statements are consistent with those of the previous financial year and the corresponding interim reporting period, except for the adoption of new and amended standards as set out below. These Condensed Interim Financial Statements for the period ended 31 December 2018 have been reviewed by the Company’s Auditors, PricewaterhouseCoopers CI LLP, but not audited and their report appears earlier in this document. The financial information for the year ended 30 June 2018 has been derived from the audited financial statements of the Company for that year, which have been reported on by PricewaterhouseCoopers CI LLP.

2.2 Going concern

The Directors believe that, having considered the Company’s investment objective, financial risk management and associated risks (see note 20) and in view of the liquidity of investments, the income deriving from those investments and its holding in cash and cash equivalents, the Company has adequate financial resources and suitable management arrangements in place to continue in operational existence for a period of at least 12 months from the date of approval of these Condensed Interim Financial Statements. They therefore continue to adopt the going concern basis in preparing the Condensed Interim Financial Statements.

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policy and disclosures

New and amended standards adopted at 1 July 2018

The Company has applied the following new accounting pronouncements which have become effective for the current period.

- IFRS 9 Financial Instruments (Effective 1 January 2018)
- IFRS 15 Revenue from Contracts with Customers (Effective 1 January 2018)

IFRS 9 'Financial Instruments' addresses the classification, measurement and derecognition of financial assets and liabilities. It replaces the multiple classification and measurement models in IAS 39 and is effective for reporting periods beginning on or after 1 January 2018.

Classification and measurement of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest ("SPPI"). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income.

IFRS 9 has been applied retrospectively by the Company and did not result in a change to the classification or measurement of financial instruments. The Company's investment portfolio continues to be classified as at fair value through profit or loss. Other financial assets which are held for collection continue to be measured at amortised cost with no material impact expected from application of the new impairment model. As a result, the adoption of IFRS 9 did not have a material impact on the Company's financial statements.

Financial assets previously measured at amortised cost are: cash and cash equivalents, management fee rebates receivable and other receivables. These instruments are solely payments of principal and interest and will continue to be held at amortised cost under IFRS 9.

Financial liabilities previously valued at amortised cost are accrued expenses and other payables and continue to be measured at amortised cost.

The standard also replaces the incurred loss model in IAS 39 with an expected credit loss impairment model.

Based on the Company's initial assessment, changes to the impairment model did not have a material impact on, or result in any restatement of, the Company's financial statements as the financial assets are measured at fair value through profit or loss and the impairment requirements do not apply to such instruments and the effect on financial assets held at amortised cost is immaterial.

IFRS 15 'Revenue from Contracts with Customers' was published in May 2016 and specifies how and when to recognise revenue as well as requiring entities to provide users of financial statements with more informative and relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 has been adopted by the Company with effect from 1 July 2018. Material revenue streams have been reviewed and it was determined that there was no material impact on the timing of, recognition or gross up for principal/agent considerations and, consequently, there have been no material impacts or restatements on the Company's financial statements.

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policy and disclosures (continued)

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting period and have not been early adopted by the Company. There is no expected material impact on, or any restatement of, the Company's financial statements as a result of new accounting standards and interpretations published but not yet adopted.

2.4 Subsidiaries and associates

The Company meets the definition of an investment entity within IFRS 10 and therefore does not consolidate its subsidiaries but measures them instead at fair value through profit or loss.

Any gain or loss arising from a change in the fair value of investments in subsidiaries and associates is recognised in the Condensed Statement of Comprehensive Income.

Refer to note 3 for further disclosure on accounting for subsidiaries and associates.

2.5 Segment reporting

In identifying its operating segments, management follows the subsidiaries' sectors of investment which are based on internal management reporting information. The operating segments by investment portfolio include: capital markets, real estate projects and operating assets, private equity and other net assets (including cash and cash equivalents, bonds, and short-term deposits).

Each of the operating segments is 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 underlying investment assets of the subsidiaries. Expenses and liabilities which are common to all segments are allocated based on each segment's share of total assets.

2.6 Accounting policies

(a) Recognition and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument. Purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all of the risks and rewards of ownership. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

(b) Classification of financial assets

The Company classifies its financial assets based on the Company's business model for managing those financial assets and the contractual cashflow characteristics of the financial assets.

The Company has classified all investments in equity securities as financial assets at fair value through profit or loss ("FVPL") as they are managed and performance is evaluated on a fair value basis. The Company is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Company has not taken the option to designate irrevocably any investment in equity as fair value through other comprehensive income.

The Company's receivables and cash and cash equivalents are classified as subsequently measured at amortised cost as these are held to collect contractual cash flows which represent solely payments of principal and interest.

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Accounting policies (continued)

(c) Initial and subsequent measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, financial assets are initially measured at fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets at FVPL are expensed in profit or loss.

Subsequent to initial recognition, investments at FVPL are measured at fair value with gains and losses arising from changes in the fair value recognised in profit or loss.

All other financial assets are subsequently measured at amortised cost using the effective interest rate method, less any impairment.

(d) Impairment of financial assets

At each reporting date, the Company measures the loss allowance on debt assets carried at amortised cost at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition.

If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Company measures the loss allowance at an amount equal to 12-month expected credit losses. The expected credit losses are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

(e) Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Company's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

Financial liabilities are initially measured at fair value plus transaction costs that are directly attributable to their acquisition or issue, other than those classified as at fair value through profit or loss in which case transaction costs are recognised directly in profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for financial liabilities designated at fair value through profit or loss and held for trading, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

The Company's financial liabilities only include trade and other payables which are measured at amortised cost using the effective interest method.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

3.1 Critical accounting estimates and assumptions

When preparing the Condensed Interim Financial Statements, the Company relies on a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. Actual results may differ from the judgements, estimates and assumptions.

Information about significant judgements, estimates and assumptions which have the greatest effect on the recognition and measurement of assets, liabilities, income and expenses were the same as those that applied to the Annual Report and Financial Statements for the year ended 30 June 2018.

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.1 Critical accounting estimates and assumptions (continued)

(a) Fair value of subsidiaries and associates and their underlying investments

The Company holds its investments through a number of subsidiaries and associates which were established for this purpose. At the end of each half of the financial year, the fair values of investments in subsidiaries and associates are reviewed and the fair values of all material investments held by these subsidiaries and associates are assessed. As at 31 December 2018, 100% (30 June 2018: 100%) of the financial assets at fair value through profit and loss relate to the Company's investments in subsidiaries and associates that have been fair valued in accordance with the policies set out below.

The underlying investments include listed and unlisted securities, private equity and real estate assets. Where an active market exists (for example, for listed securities), the fair value of the subsidiary or associate reflects the valuation of the underlying holdings. Where no active market exists, valuation techniques are used.

As at 30 June 2018, the fair values of the subsidiaries and associates holding the Company's principal real estate and private equity investments were estimated by a qualified independent professional services firm (the "independent valuer"). The valuations by the independent valuer were prepared using a number of approaches such as adjusted net asset valuations, discounted cash flows and price-to-book ratio.

The estimated fair values provided by the independent valuer were used by the audit committee as the primary basis for estimating the fair value of real estate and private equity investments as at 30 June 2018 for recommendation to the Board.

As at 31 December 2018, the Investment Manager reviewed the valuations carried out by the independent valuer as at 30 June 2018 and considered whether there were any changes to performance or the circumstances of the underlying investments which would affect the fair values. The Investment Manager then made recommendations to the audit committee of the fair values as at 31 December 2018 and the audit committee, having considered these, then made recommendations for approval by the Board.

Information about the significant judgements, estimates and assumptions which are used in the valuation of the investments is discussed below.

The shares of the subsidiaries and associates are not publicly traded; return of capital to the Company can only be made by divesting the underlying investments of the subsidiaries and associates. As a result, the carrying value of the subsidiaries and associates may not be indicative of the value ultimately realised on divestment.

As at 31 December 2018 and 30 June 2018, the Company classified its investments in subsidiaries and associates as level 3 within the fair value hierarchy, because they are not publicly traded, even when the underlying assets may be readily realisable.

(a.1) Valuation of assets that are traded in an active market

The fair values of listed securities and government bonds are based on quoted market prices at the close of trading on the reporting date. The fair values of unlisted securities which are traded on UPCoM are based on published prices at the close of business on the reporting date. For other unlisted securities which are traded in an active market, fair value is the average quoted price at the close of trading obtained from a minimum sample of three reputable securities companies at the reporting date. Other relevant measurement bases are used if broker quotes are not available or if better and more reliable information is available.

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.1 Critical accounting estimates and assumptions (continued)

(a) Fair value of subsidiaries and associates and their underlying investments (continued)

(a.2) Valuation of investments in private equities

The Company's underlying investments in private equities are fair valued using discounted cash flow and market comparison methods. The projected future cash flows are driven by management's business strategies and goals and its assumptions of growth in gross domestic product ("GDP"), market demand, inflation, etc. At year end, the independent valuer selects appropriate discount rates that reflect the uncertainty of the quantum and timing of the cash flows. At the half-year, the valuations are presented by the Investment Manager and reviewed and recommended to the Board by the Audit Committee.

(a.3) Valuation of real estate and operating assets

At each year end the fair values of underlying real estate and operating assets are based on valuations by specialised appraisers. These valuations are based on certain assumptions which are subject to uncertainty and might result in valuations which differ materially from the actual results of a sale. The estimated fair values provided by the specialist appraisers are used by the independent valuer as the primary basis for estimating fair value of the Company's subsidiaries and associates that hold these properties in accordance with accounting policies set out in note 2.6. At the half-year, the valuations are presented by the Investment Manager and reviewed and recommended to the Board by the Audit Committee.

In conjunction with making its judgement of the fair value of the Company's underlying real estate and operating assets, the specialised appraiser at the year end and the Investment Manager at the half year also consider information from a variety of other sources including:

- a. current prices in an active market for properties of similar nature, condition or location;
- b. current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- c. recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices;
- d. recent developments and changes in laws and regulations that might affect zoning and/or the Company's ability to exercise its rights in respect to properties and therefore fully realise the estimated values of such properties;
- e. discounted cash flow projections based on estimates of future cash flows, derived from the terms of external evidence such as current market rents, occupancy and room rates, and sales prices for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows; and
- f. recent compensation prices made public by the local authority in the province where the property is located.

(b) Incentive Fee

Following the simplification of the fees effective from 30 June 2018, the incentive fee is now calculated as follows:

- The assets previously allocated to the Direct Real Estate Pool have been merged with the previous Capital Markets Pool with effect from 1 July 2018, so that all incentive fee calculations starting with the current accounting year will be based on the overall NAV of the Company.
- To the extent that the NAV as at any year end commencing 30 June 2019 is above the higher of an 8% compound annual return and the high water mark, having accounted for any share buy backs, issues and/or dividends, the incentive fee payable on any increase in the NAV with effect from 30 June 2019 above the higher of the high water mark and the 8% annual return target will be calculated at a rate of 12.5%.

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.1 Critical accounting estimates and assumptions (continued)

(b) Incentive Fee (continued)

- The closing accrued unpaid incentive fees which were accrued as at 30 June 2018 will be clawed back at the rate of 15% of any decrease in the NAV after 30 June 2018 up to a maximum amount of USD23.7 million, being the gross amount of unpaid accrued incentive fees at 30 June 2018 before discounting. The high water mark will be adjusted accordingly.
- The maximum amount of incentive fees that can be paid in any one year is capped at 1.5% of the weighted average month-end NAV during that year.
- Any incentive fees earned in excess of this 1.5% cap will be accrued if they are expected to be paid out in subsequent years.

As a result of the decline in the NAV since 30 June 2018 there has been a reduction in the accrued incentive fees during the period.

Any incentive fees payable within 12 months are classified under current liabilities. The fair values of any additional incentive fees payable in subsequent years are classified as deferred incentive fees under non-current liabilities.

For further details of the incentive fees earned and accrued at the period end please refer to note 15(b).

3.2 Critical judgements in applying the Company's accounting policies

(a) Eligibility to qualify as an investment entity

The Company has determined that it is an investment entity under the definition of IFRS 10 as it meets the following criteria:

- a) The Company has obtained funds from investors for the purpose of providing those investors with investment management services;
- b) The Company's business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- c) The performance of investments made by the Company is substantially measured and evaluated on a fair value basis.

The Company has the typical characteristics of an investment entity:

- it holds more than one investment;
- it has more than one investor;
- it has investors that are not its related parties; and
- it has ownership interests in the form of equity or similar interests.

As a consequence, the Company does not consolidate its subsidiaries and accounts for them at fair value through profit or loss.

(b) Judgements about active and inactive markets

The Board considers that the Ho Chi Minh Stock Exchange, the Hanoi Stock Exchange and UpCOM are active markets for the purposes of IFRS 13. Consequently, the prices quoted by those markets for individual shares as at the balance sheet date can be used to estimate the fair value of the Company's underlying investments.

Notwithstanding the fact that these stock exchanges can be regarded as active markets, the size of the Company's holdings in particular stocks in relation to daily market turnover in those stocks would make it difficult to conduct an orderly transaction in a large number of shares on a single day.

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.2 Critical judgements in applying the Company's accounting policies (continued)

(b) Judgements about active and inactive markets (continued)

However, the Board considers that, if the Company were to offer a block of shares for sale, the price which could be achieved in an orderly transaction is as likely to be at a premium to the quoted market price as at a discount.

Consequently, when taken across the whole portfolio of the Company's underlying quoted investments, the Board considers that using the quoted prices of the shares on the various active markets is a reasonable determination of the fair value of the securities.

4. SEGMENT ANALYSIS

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:

Condensed Statement of Comprehensive Income

	Capital Markets* USD'000	Real Estate and Operating Assets USD'000	Private Equity USD'000	Total USD'000
Six months ended 31 December 2018 (Unaudited)				
Dividend income	23,716	2,927	-	26,643
Net (losses)/gains on financial assets at fair value through profit or loss	(68,843)	(1,266)	4,579	(65,530)
General and administration expenses (note 15(a))	(7,350)	(108)	(1,092)	(8,550)
Finance income	(2,205)	(32)	(328)	(2,565)
Incentive fee	6,238	-	-	6,238
Other income	2	-	-	2
Loss before tax	(48,442)	1,521	3,159	(43,762)
Six months ended 31 December 2017 (Unaudited)				
Dividend income	24,678	7,070	-	31,748
Net gains on financial assets at fair value through profit or loss	184,574	1,548	3,025	189,147
General and administration expenses (note 15(a))	(7,786)	(344)	(690)	(8,820)
Finance cost	(1,073)	-	(88)	(1,161)
Incentive fee	(25,846)	-	-	(25,846)
Other income	2	-	-	2
Profit before tax	174,549	8,274	2,247	185,070

* Capital markets include listed securities and bonds, as well as unlisted securities that are valued at their prices on UPCoM or using quotations from brokers and call and put options valued using the Black-Scholes model.

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

4. SEGMENT ANALYSIS (continued)

Statement of Financial Position

Unaudited	Capital Markets* USD'000	Real Estate and Operating Assets USD'000	Private Equity USD'000	Other Net Assets** USD'000	Total USD'000
As at 31 December 2018					
Financial assets at fair value through profit or loss	821,518	12,029	122,197	12,582	968,326
Receivables	-	-	-	45	45
Cash and cash equivalents	-	-	-	4,919	4,919
Total assets	821,518	12,029	122,197	17,546	973,290
Total liabilities					
Accrued expenses and other payables	-	-	-	3,437	3,437
Deferred incentive fees	-	-	-	15,096	15,096
Total liabilities	-	-	-	18,533	18,533
Net assets value	821,518	12,029	122,197	(987)	954,757

Audited	Capital Markets*/*** USD'000	Real Estate and Operating Assets USD'000	Private Equity USD'000	Other Net Assets** USD'000	Total USD'000
As at 30 June 2018					
Financial assets at fair value through profit or loss ***	899,956	33,442	112,189	21,875	1,067,462
Cash and cash equivalents	-	-	-	14,867	14,867
Total assets	899,956	33,442	112,189	36,742	1,082,329
Total liabilities					
Accrued expenses and other payables	-	-	-	18,089	18,089
Deferred incentive fees	-	-	-	20,808	20,808
Total liabilities	-	-	-	38,897	38,897
Net assets value	899,956	33,442	112,189	(2,155)	1,043,432

* Capital markets include listed securities and bonds, as well as unlisted securities that are valued at their prices on UPCoM or using quotations from brokers and call and put options valued using the Black-Scholes model.

** Other net assets of USD12.6 million (30 June 2018: USD21.9 million) include cash and cash equivalents and other net assets of the subsidiaries and associates at fair value.

*** USD7.3 million has been reclassified from other assets to capital markets in relation to the call and put options.

5. INTERESTS IN SUBSIDIARIES AND ASSOCIATES

There is no legal restriction to the transfer of funds from the BVI or Singapore subsidiaries to the Company. Cash held in directly-owned as well as indirectly-owned Vietnamese subsidiaries and associates is subject to restrictions imposed by co-investors and the Vietnamese government and therefore it cannot be transferred out of Vietnam unless such restrictions are satisfied. As at 31 December 2018, there was no restricted cash held in these Vietnamese subsidiaries and associates (30 June 2018: USD0.8 million).

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

5. INTERESTS IN SUBSIDIARIES AND ASSOCIATES (continued)

5.1 Directly-owned subsidiaries

The Company had the following directly-owned subsidiaries as at 31 December 2018 and 30 June 2018:

Subsidiary	Country of incorporation	31 December 2018	30 June 2018	Nature of the business
		% of Company interest	% of Company interest	
Vietnam Investment Property Holdings Limited	British Virgin Islands ("BVI")	100.00	100.00	Holding company for listed and unlisted securities
Vietnam Investment Property Limited	BVI	100.00	100.00	Holding company for listed and unlisted securities
Vietnam Ventures Limited	BVI	100.00	100.00	Holding company for listed securities and unlisted securities
Vietnam Investment Limited	BVI	100.00	100.00	Holding company for listed securities and unlisted securities
Asia Value Investment Limited	BVI	100.00	100.00	Holding company for listed and unlisted securities
Vietnam Master Holding 2 Limited	BVI	100.00	100.00	Holding company for listed securities
VOF Investment Limited	BVI	100.00	100.00	Holding company for listed securities, unlisted securities, private equity and operating assets
VOF PE Holding 5 Limited	BVI	100.00	100.00	Holding company for listed securities
Portal Global Limited	BVI	100.00	100.00	Holding company for unlisted securities
Windstar Resources Limited	BIV	100.00	100.00	Holding company for listed securities
Allright Assets Limited	BVI	100.00	100.00	Holding company for investments
Vietnam Enterprise Limited	BVI	100.00	100.00	Holding company for listed and unlisted securities
Sharda Holdings Limited	BVI	100.00	100.00	Holding company for listed securities
Hospira Holdings Limited	BVI	100.00	100.00	Holding company for private equity
Navia Holdings Limited	BVI	100.00	100.00	Holding company for private equity
Foremost Worldwide Limited	BVI	100.00	100.00	Holding company for unlisted securities
Rewas Holdings Limited	BVI	100.00	100.00	Holding company for investments
Allwealth Worldwide Limited	BVI	100.00	100.00	Holding company for private equity
Longwoods Worldwide Limited	BVI	100.00	100.00	Holding company for investments
VinaSugar Holdings Limited	BVI	100.00	100.00	Holding company for investments
Belfort Worldwide Limited	BVI	100.00	100.00	Holding company for listed securities and private equity
Preston Pacific Limited	BVI	100.00	100.00	Holding company for listed securities
Vietnam Master Holding 1 Limited	BVI	100.00	100.00	Holding company for investments
Victory Holding Investment Limited	BVI	100.00	100.00	Holding company for listed securities
Fraser Investment Holdings Pte Limited	Singapore	100.00	100.00	Holding company for listed securities

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

5. INTERESTS IN SUBSIDIARIES AND ASSOCIATES (continued)

5.1 Directly-owned subsidiaries (continued)

Subsidiary	Country of incorporation	31 December 2018	30 June 2018	Nature of the business
		% of Company interest	% of Company interest	
SE Asia Master Holding 7 Pte Limited	Singapore	100.00	100.00	Holding company for investments
Turnbull Holding Pte. Ltd	Singapore	100.00	100.00	Holding company for investments
Vietnam Opportunity Fund II Pte. Ltd *	Singapore	-	100.00	Holding company for investments
VTC Espero Limited	Singapore	100.00	100.00	Holding company for investments

* Vietnam Opportunity Fund II Pte. Ltd became a subsidiary of Belfort Worldwide Limited during the period ended 31 December 2018.

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

5. INTERESTS IN SUBSIDIARIES AND ASSOCIATES (continued)

5.2 Indirect interests in subsidiaries

The Company had the following indirect interests in subsidiaries at 31 December 2018 and 30 June 2018:

Indirect subsidiary	Country of incorporation	Nature of the business	Immediate Parent	31 December 2018	As at 30 June 2018
				% of Company's indirect interest	% of Company's indirect interest
PA Investment Opportunity II Limited	BVI	Holding company for investments	Vietnam Enterprise Limited	100.00	100.00
Liva Holdings Ltd	BVI	Holding company for investments	Belfort Worldwide Limited	100.00	100.00
Abbott Holding Pte. Limited	Singapore	Holding company for private equity	Hospira Holdings Limited	100.00	100.00
Hawke Investments Pte. Limited	Singapore	Holding company for investments	Belfort Worldwide Limited	100.00	100.00
Indochina Ceramic Singapore Pte. Ltd	Singapore	Holding company for private equity	Belfort Worldwide Limited	100.00	100.00
Menzies Holding Pte. Ltd	Singapore	Holding company for investments	Belfort Worldwide Limited	100.00	100.00
Thai Hoa International Hospital JSC	Vietnam	Medical and healthcare services	Abbott Holding Pte. Limited	81.07	81.07
Howard Holdings Pte. Limited	Singapore	Holding company for private equity	Allwealth Worldwide Limited	80.56	80.56
International Dairy Products JSC	Vietnam	Milk, yoghurt and dairy products	Howard Holdings Pte. Limited	55.97	55.97
Whitlam Holding Pte. Limited	Singapore	Holding company for private equity	Navia Holdings Limited	61.26	61.26
American Home Vietnam Co. Ltd *	Vietnam	Construction materials	Indochina Ceramic Singapore Pte. Ltd	-	100.00
BIVI Investments Corporation *	Vietnam	Holding company for investments	VOF Investment Limited	-	100.00
Vietnam Opportunity Fund II Pte. Ltd **	Singapore	Holding company for investments	Belfort Worldwide Limited	68.00	-

* American Home Vietnam Co. Ltd and BIVI Investments Corporation were sold during the period ended 31 December 2018.

** Vietnam Opportunity Fund II Pte. Ltd became a subsidiary of Belfort Worldwide Limited during the period ended 31 December 2018.

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

5. INTERESTS IN SUBSIDIARIES AND ASSOCIATES (continued)

5.3 Direct interests in associates

The Company had the following directly-owned associates as at 31 December 2018 and 30 June 2018:

Associate	Country of incorporation	As at		Nature of the business
		31 December 2018 % of Company interest	30 June 2018 % of Company interest	
Allwealth Asia Ltd	BVI	35.00	35.00	Holding company for investments
Sunbird Group Ltd *	BVI	-	25.00	Holding company for real estate
Vietnam Property Holdings Limited *	BVI	-	25.00	Holding company for real estate
Avante Global Limited *	BVI	-	25.00	Holding company for real estate
Pacific Alliance Land Limited *	BVI	-	25.00	Holding company for real estate
VinaCapital Commercial Center Private Limited	Singapore	12.75	12.75	Holding company for investments
Mega Assets Pte. Limited	Singapore	25.00	25.00	Holding company for investments
SIH Real Estate Pte. Limited *	Singapore	-	25.00	Holding company for real estate
VinaLand Eastern Limited *	Singapore	-	25.00	Holding company for real estate

* Sunbird Group Ltd, Avante Global Limited, SIH Real Estate Pte. Limited, VinaLand Eastern Limited, Vietnam Property Holdings Limited and Pacific Alliance Land Limited were liquidated during the period to 31 December 2018.

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

5. INTERESTS IN SUBSIDIARIES AND ASSOCIATES (continued)

5.4 Indirect interests in associates

The Company had the following indirect interests in associates at 31 December 2018 and 30 June 2018:

Indirect associate	Country of incorporation	Nature of the business	Company's subsidiary or associate Holding direct interest in the associate	As at	
				31 December 2018 % of Company's indirect interest	30 June 2018 % of Company's indirect interest
VinaCapital Commercial Center Private Limited *	BVI	Real estate investment	VinaCapital Commercial Center Limited	-	12.75
Ba Huan Joint Stock Company *	Vietnam	Private equity investment	Hawke Investments Pte Limited	-	33.77
Housing And Urban Development Corporation *	Vietnam	Real estate investment	VOF Investment Limited	-	25.75
Hung Vuong Corporation	Vietnam	Operating assets investment	VOF Investment Limited	31.04	33.24
Thang Loi Textile Garment Joint Stock Company *	Vietnam	Real estate investment	Vietnam Enterprise Limited, VOF Investment Limited	-	34.17

* VinaCapital Commercial Center Private Limited, Ba Huan Joint Stock Company, Housing and Urban Development Corporation and Thang Loi Textile Garment Joint Stock Company were sold during the period to 31 December 2018.

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

5. INTERESTS IN SUBSIDIARIES AND ASSOCIATES (continued)

5.5 Financial risks

At 31 December 2018, the Company owns a number of subsidiaries and associates for the purpose of holding investments in listed and unlisted securities, debt instruments, private equity and operating assets. The Company, via these underlying investments, is subject to financial risks which are further disclosed in note 20. The Investment Manager makes investment decisions after performing extensive due diligence on the underlying investments, their strategies, financial structure and the overall quality of management.

6. CASH AND CASH EQUIVALENTS

	31 December 2018 USD'000 (Unaudited)	30 June 2018 USD'000 (Audited)
Cash at banks	4,919	14,867

As at the Statement of Financial Position date, the cash and cash equivalents were denominated in USD and GBP.

The Company's overall cash position including cash held in directly held subsidiaries as at 31 December 2018 was USD16.1 million (30 June 2018: USD34.2 million). Please refer to note 8 for details of the cash held by the Company's subsidiaries and associates.

7. FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets at amortised cost USD'000	Financial assets at fair value through profit or loss USD'000	Total USD'000
As at 31 December 2018 (Unaudited)			
Financial assets at fair value through profit or loss	-	968,326	968,326
Cash and cash equivalents	4,919	-	4,919
Total	4,919	968,326	973,245
Financial assets denominated in:			
- USD	4,919	968,326	973,245

As at 30 June 2018 (Audited)			
Financial assets at fair value through profit or loss	-	1,067,462	1,067,462
Cash and cash equivalents	14,867	-	14,867
Total	14,867	1,067,462	1,082,329
Financial assets denominated in:			
- USD	14,867	1,067,462	1,082,329

As at 31 December 2018 and 30 June 2018, the carrying amounts of all financial liabilities approximate their fair values.

All financial liabilities are short term in nature and their carrying values approximate their fair values, with the exception of the deferred incentive fees. There are no financial liabilities that must be accounted for at fair value through profit or loss (30 June 2018: nil).

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit and loss comprise the Company's investments in subsidiaries and associates. The underlying assets and liabilities of the direct subsidiaries and associates at fair value are included with those of the Company in the following table.

	31 December 2018	30 June 2018
	USD'000	USD'000
	(Unaudited)	(Audited)
Cash and cash equivalents	11,191	19,317
Ordinary shares – listed	628,490	690,659
Ordinary shares – unlisted *	181,393	201,997
Private equity	122,197	112,188
Real estate projects and operating assets	12,029	33,442
Other assets, net of liabilities	13,026	9,859
	968,326	1,067,462

* Unlisted Securities include OTC (over-the-counter) traded securities, and unlisted securities publicly traded on UPCoM (Unlisted Public Companies Market) of the Hanoi Stock Exchange.

The major underlying investments held by the direct subsidiaries and associates of the Company were in the following industry sectors.

	31 December 2018	30 June 2018
	USD'000	USD'000
	(Unaudited)	(Audited)
Real estate and operating assets	196,025	172,674
Consumer goods	208,057	257,924
Construction	155,315	200,428
Financial services	109,043	117,244
Infrastructure	87,602	96,472
Industrials	58,441	61,756
Pharmaceuticals and healthcare	41,131	20,902
Energy, minerals and petroleum	65,515	73,371
Agriculture	22,980	19,841
Retailers	-	17,674

As at 31 December 2018, an underlying holding, Hoa Phat Group, within financial assets at fair value through profit or loss amounted to 11.8% of the NAV of the Company. As at 30 June 2018, the same underlying holding, Hoa Phat Group, amounted to 14.6% of the NAV of the Company.

During the period, capital has been returned to the Company as underlying investments in the subsidiaries/associates have been realised.

When determining the fair values of financial assets at fair value through profit or loss the Company takes into account the potential for warranty or other claims arising on the sale of any investments based on the likelihood of an event arising and the amount that may become payable.

There have been no changes in the classification of financial assets at fair value through profit or loss shown as level 3 during the period ended 31 December 2018.

Changes in level 3 financial assets at fair value through profit or loss

The fair value of the Company's investments in subsidiaries and associates are estimated using approaches as described in note 3.2. As observable prices are not available for these investments, the Company classifies them as level 3 fair values.

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

	For the six months ended	
	31 December 2018	31 December 2017
	(Unaudited)	(Unaudited)
Opening balance	1,067,462	974,581
Purchases	76,498	131,657
Return of capital	(110,104)	(204,820)
Net (losses)/gains for the period	(65,530)	189,147
	968,326	1,090,565

9. DIVIDEND POLICY

The dividends paid in the reporting period were as follows;

	Dividend rate per share (cents)	Net dividend payable (USD'000)	Record date	Ex-dividend date	Pay date
First interim dividend	5.5	10,351	2 November 2018	1 November 2018	30 November 2018
		10,351			

Under the Companies (Guernsey) Law, 2008, the Company can distribute dividends from capital and revenue reserves, subject to the net asset and solvency test. The net asset and solvency test considers whether a company is able to pay its debts when they fall due, and whether the value of a company's assets is greater than its liabilities. The Board confirms that the Company passed the net asset and solvency test for each dividend paid.

10. RECEIVABLES AND PREPAYMENTS

	31 December 2018	30 June 2018
	USD'000	USD'000
	(Unaudited)	(Audited)
Prepayments	45	-

The Company exited Indochina Food Industries Pte. Ltd ("ICF") through the sale of 100% of VinaSugar Holdings Limited in 2012 at USD28.45 million. As at 31 December 2018 and 30 June 2018, the buyer has paid USD19.75 million with USD8.7 million remaining outstanding. In June 2014, the Company approved a loan of USD2.9 million to ICF to provide immediate relief for the business. Together with the existing receivable of USD8.7 million, the total USD11.6 million was classified as receivable and has been fully impaired.

11. SHARE CAPITAL

The Company may issue an unlimited number of shares, including shares of no par value or shares with a par value. Shares may be issued as (a) shares in such currencies as the Directors may determine; and/or (b) such other classes of shares in such currencies as the Directors may determine in accordance with the Articles and the Companies Law and the price per share at which shares of each class shall first be offered to subscribers shall be fixed by the Board. The minimum price which may be paid for a share is USD0.01. The Directors will act in the best interest of the Company and the Shareholders when authorising the issue of any shares.

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

11. SHARE CAPITAL (continued)

Issued capital

	31 December 2018		30 June 2018	
	Number of shares	USD'000	Number of shares	USD'000
Issued and fully paid at 1 July	211,346,258	491,301	211,346,258	491,301
Shares cancelled during the period/year	(9,200,000)	-	-	-
Issued and fully paid at period/year end	202,146,258	491,301	211,346,258	491,301
Shares held in treasury	(16,182,716)	(98,512)	(17,288,000)	(63,950)
Outstanding shares at period/year end	185,963,542	392,789	194,058,258	427,351

Treasury shares

	31 December 2018		30 June 2018	
	Number of shares	USD'000	Number of shares	USD'000
Opening balance at 1 July	17,288,000	63,950	10,725,000	34,882
Shares repurchased during the period/year	8,094,716	34,562	6,563,000	29,068
Shares cancelled during the period/year	(9,200,000)	-	-	-
Closing balance at period/year end	16,182,716	98,512	17,288,000	63,950

In October 2011, the Board first sought and obtained shareholder approval to implement a share buyback programme. The share buyback programme was approved again at subsequent general meetings of the Company.

During the period ended 31 December 2018, 8.1 million shares were repurchased at a cost of USD34.6 million of which USD0.4 million was payable at the period end (see note 12) and 9.2 million shares were cancelled.

12. ACCRUED EXPENSES AND OTHER PAYABLES

	31 December 2018	30 June 2018
	USD'000	USD'000
	(Unaudited)	(Audited)
Management fees payable to the Investment Manager (note 19)	452	1,321
Incentive fees payable to the Investment Manager (note 19)	15,096	15,086
Directors' fees payable (note 19)	102	-
Shares repurchased payable (note 11)	420	858
Other payables	424	824
	16,494	18,089

All accrued expenses and other payables are short-term in nature. Therefore, their carrying values are considered a reasonable approximation of their fair values. Further details on the payables to other related parties are disclosed in note 19.

13. DIVIDEND INCOME

	Six months ended	
	31 December 2018	31 December 2017
	USD'000	USD'000
	(Unaudited)	(Unaudited)
Dividend income	26,643	31,748

The above table sets out dividends received by the Company from its subsidiaries. These represent distributions of income received as well as the proceeds of disposals of assets by subsidiaries, and do not reflect the dividends earned by the underlying investee companies. During the period, the subsidiaries received a total amount of USD13.0 million in dividends from their investee companies (30 June 2018: USD18.2million).

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

14. NET (LOSSES)/GAINS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Six months ended	
	31 December 2018	31 December 2017
	USD'000	USD'000
	(Unaudited)	(Unaudited)
Financial assets at fair value through profit or loss:		
- Unrealised (losses)/gains, net	(65,530)	189,147
Total	(65,530)	189,147

15(a). GENERAL AND ADMINISTRATION EXPENSES

	Six months ended	
	31 December 2018	31 December 2017
	USD'000	USD'000
	(Unaudited)	(Unaudited)
Management fees (note 19(a))	7,029	7,560
Directors' fees, including expenses (note 19(d))	221	173
Custodian, secretarial and other professional fees	769	649
Others	531	438
	8,550	8,820

15(b). ACCRUED INCENTIVE FEE

For the year ended 30 June 2018, an incentive fee of USD25.3 million was earned by the Investment Manager on the performance of the Capital Markets Pool. The deferred liability carried forward from 30 June 2017 was USD13.4 million resulting in a total incentive fee accrued of USD38.7 million as at 30 June 2018. The amount which was paid out immediately on publication of the Annual Report for the year ended 30 June 2018 was limited to USD15.0 million by the operation of the 1.5% cap as at 30 June 2018 and USD23.7 million was carried forward.

On the assumption that the NAV as at 31 December 2018 remains unchanged at 30 June 2019, the Audit Committee has concluded that it is probable that, of the remaining balance carried forward, some USD17.5 million will be paid out in 2019 and subsequent accounting years, while some USD6.2 million will be clawed back. Payment of the first part of this balance will not be before 31 October 2019. In determining the fair value of the deferred incentive fee element the Board has discounted USD2.4 million to USD2.0 million to reflect the time value of money and the probability of payment, while USD15.1 million is carried as a current liability.

If the NAV as at 30 June 2019 has increased above the level as at 31 December 2018, then the incentive fee accrual will increase proportionally, up to a maximum of the USD23.7 million described above.

Further explanation is included in note 3.1.

16. CORPORATE INCOME TAX

The Company has been granted Guernsey tax exempt status in accordance with the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 (as amended).

The majority of the subsidiaries are domiciled in the BVI and so have a tax exempt status whilst the remaining subsidiaries are established in Vietnam and Singapore and are subject to corporate income tax in those countries. The income tax payable by these subsidiaries is taken into account in determining their fair values in the Statement of Financial Position.

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

17. EARNINGS PER SHARE AND NET ASSET VALUE PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit from operations of the Company by the weighted average number of ordinary shares in issue during the period excluding ordinary shares purchased by the Company and held as treasury shares (note 11).

	Six months ended	
	31 December 2018	31 December 2017
	USD'000	USD'000
	(Unaudited)	(Unaudited)
(Loss)/profit for the year (USD'000)	(43,762)	185,070
Weighted average number of ordinary shares in issue	189,669,272	198,997,747
Basic (loss)/earnings per share (USD per share)	(0.23)	0.93

(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 Company has no category of potentially dilutive ordinary shares. Therefore, diluted earnings per share is equal to basic earnings per share.

(c) NAV per share

NAV per share is calculated by dividing the NAV 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 11). NAV is determined as total assets less total liabilities.

	31 December 2018	30 June 2018
	USD'000	USD'000
	(Unaudited)	(Audited)
Net assets value (USD'000)	954,757	1,043,432
Number of outstanding ordinary shares in issue	185,963,542	194,058,258
Net assets value per share (USD per share)	5.13	5.38

18. SEASONALITY

The Board believes that the impact of seasonality on the Condensed Interim Financial Statements is not material.

19. RELATED PARTIES

(a) Management fees

The Investment Manager receives a fee at an annual rate at the rates set out below, payable monthly in arrear.

- 1.50% of net assets, levied on the first USD500 million of net assets;
- 1.25% of net assets, levied on net assets between USD500 million and USD1,000 million;
- 1.00% of net assets, levied on net assets between USD1,000 million and USD1,500 million;
- 0.75% of net assets, levied on net assets between USD1,500 million and USD2,000 million; and
- 0.50% of net assets, levied on net assets above USD2,000 million.

For periods up to 30 June 2018, the Investment Manager received a fee at an annual rate of 1.5% of NAV.

Total management fees for the period amounted to USD7.0 million (31 December 2017: USD7.6 million), with USD0.5 million (30 June 2018: USD1.3 million) in outstanding accrued fees due to the Investment Manager at the reporting date.

(b) Incentive fees

No incentive fee was earned by the Investment Manager on the performance of the Company over the reporting period. However, as described in note 15(b) incentive fees totalling USD17.5 million have been carried forward for potential payment in 2019 and in future years.

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

19. RELATED PARTIES (continued)

(c) Modifications to the fee structure

The Company and Investment Manager agreed changes to the management fees which were effective from 1 July 2018. For further details, refer to note 3.

(d) Directors' Remuneration

The Directors who served during the period received the following emoluments in the form of fees:

	Annual fee	Six months ended	
		31 December 2018	31 December 2017
		Unaudited	Audited
	USD	USD	USD
Steven Bates	95,000	47,500	47,500
Martin Adams (resigned 10 December 2018)	80,000	35,562	40,000
Thuy Bich Dam	80,000	40,000	40,000
Huw Evans	90,000	45,000	45,000
Julian Healy (appointed 23 July 2018)	80,000	35,342	-
		203,404	172,500

Directors' fees totalling USD101,812 were outstanding at the period end (30 June 2018: Nil). During the period, directors expenses totalling USD17,333 were paid.

(e) Shares held by related parties

	Shares held as at 31 December 2018	Shares held as at 30 June 2018
Steven Bates	25,000	25,000
Martin Adams (resigned 10 December 2018)	-	-
Thuy Bich Dam	-	-
Huw Evans	35,000	35,000
Julian Healy (appointed 23 July 2018)	-	-

As at 31 December 2018, Stephen Westwood, a retained Consultant of the Company and the Investment Manager owned 6,000 shares (30 June 2018: 6,000) in the Company.

As at 31 December 2018, the Investment Manager owned 1,370,075 shares (30 June 2018: 235,342 shares) in the Company, which includes shares repurchased from the market.

(f) Other balances with related parties

	31 December 2018	30 June 2018
	USD'000	USD'000
Payables to the Investment Manager on expenses paid on behalf of the Company*	197	414

* Expenses reimbursed to the Investment Manager relating to marketing expenses, logistic and travelling expenses for Board meetings.

(g) Controlling party

In the opinion of the Directors on the basis of shareholdings advised to them, the Company has no immediate nor ultimate controlling party.

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

20. FINANCIAL RISK MANAGEMENT

(a) *Financial risk factors*

The Company'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 Company's Audited Financial Statements as at 30 June 2018.

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

(b) *Capital Management*

The Company's capital management objectives are:

- To ensure the Company's ability to continue as a going concern;
- To provide investors with an attractive level of investment income; and
- To provide investors with an attractive level of capital growth.

The Company is not subject to any externally imposed capital requirements. The Company has engaged the Investment Manager to allocate the net assets in such a way so as to generate a reasonable investment return for its Shareholders and to ensure that there is sufficient funding available for the Company to continue as a going concern.

Capital as at the period end is summarised as follows:

	31 December 2018	30 June 2018
	USD'000	USD'000
	(Unaudited)	(Audited)
Net assets attributable to equity shareholders	954,757	1,043,432

(c) *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 Company which were carried at fair value through profit or loss as at 31 December 2018 and 30 June 2018.

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

Financial assets measured at fair value in the Statement of Financial Position are grouped into the following fair value hierarchy:

	Level 3	Total
	USD'000	USD'000
As at 31 December 2018		
Financial assets at fair value through profit or loss	968,326	968,326
As at 30 June 2018		
Financial assets at fair value through profit or loss	1,067,462	1,067,462

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

20. FINANCIAL RISK MANAGEMENT (continued)

(c) Fair value estimation (continued)

The Company classifies its investments in subsidiaries and associates as level 3 because they are not publicly traded, even when the underlying assets may be readily realisable. During the period, USD10.9 million of unlisted security was transferred from level 2 to level 1 as it was listed on HSX in the period. There were no other transfers between the levels during the period/year ended 31 December 2018 and 30 June 2018.

If these investments were held at the Company level, they would be presented as follows:

	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
As at 31 December 2018 (Unaudited)				
Cash and cash equivalents	11,191	-	-	11,191
Ordinary shares – listed	628,490	-	-	628,490
– unlisted*	151,053	30,340	-	181,393
Private equity	-	-	122,197	122,197
Real estate projects and operating assets	-	-	12,029	12,029
Other assets, net of liabilities	-	-	13,026	13,026
	790,734	30,340	147,252	968,326

	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
As at 30 June 2018 (Audited)				
Cash and cash equivalents	19,317	-	-	19,317
Ordinary shares – listed	690,659	-	-	690,659
– unlisted*	153,110	48,887	-	201,997
Private equity	-	-	112,188	112,188
Real estate projects and operating assets	-	-	33,442	33,442
Other assets, net of liabilities	-	-	9,859	9,859
	863,086	48,887	155,489	1,067,462

* Unlisted securities are valued at their prices on UPCoM or using quotations from brokers.

Investments whose values are based on quoted market prices in active markets, and are therefore classified within level 1, include actively traded equities on the Ho Chi Minh City Stock Exchange, the Hanoi Stock Exchange or UPCoM at the Statement of Financial Position date. The Company does not adjust the quoted price for these instruments.

Bonds are valued based on the price and yield of the latest transaction of that bond found on a recognised formal stock exchange, Bloomberg or Reuters. If the price of a VND denominated bond found on a recognised formal stock exchange, Bloomberg or Reuters is greater than +/-1% of the previous day's closing price, the valuation is based on the average price and average yield obtained from three reputable bond brokerage companies. The reason for this is that the recorded transaction may be a bond repo transaction, which may not reflect the fair market value of such bonds.

Financial instruments which 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 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. There were no movements into or out of the level 3 category during the period.

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

20. FINANCIAL RISK MANAGEMENT (continued)

(c) Fair value estimation (continued)

Private equities, real estate and operating assets, and other assets that do not have an active market are classified within level 3. The Company uses valuation techniques to estimate the fair value of these assets based on significant unobservable inputs as described in note 3.2.

Set out below is the sensitivity analysis on the significant unobservable inputs used in the valuation of level 3 investments as at 31 December as 2018.

Segment	Valuation technique	Level 3 – Range of unobservable inputs (probability-weighted average)					Sensitivities in selling price per unit (USD'000)	Sensitivities in discount rates and cap rates/terminal growth rate (USD'000)			
		Valuation (USD'000)	Discount rate	Cap rate	Terminal growth rate	Selling price per unit (USD)					
Operating real estate projects	Discounted cash flows	12,029	15%	14.50%	N/A	N/A	N/A	Change in discount rate			
									-1%	0%	1%
								Change in	12,665	12,165	11,703
								cap rate	0%	12,516	12,029
	1%	12,381	11,905	11,465							
Private equity	Discounted Cash flows & Others	71,871 *	15%-16%	N/A	3%-5%	N/A	N/A	Change in discount rate			
									-1%	0%	1%
								Change in	73,342	68,911	64,086
								terminal	0%	76,914	71,871
growth rate	1%	86,424	77,530	67,371							

* The difference between the balance of USD122.2 million reflected as level 3 on page 51 to the above balance of private equity of USD71.9 million is due to the fact that different valuation methodologies are used in the level 3 valuations which reflect observable inputs such as SPA or desktop valuations.

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

20. FINANCIAL RISK MANAGEMENT (continued)

(c) Fair value estimation (continued)

Set out below is the sensitivity analysis on the significant unobservable inputs used in the valuation of level 3 investments as at 30 June 2018 (audited).

Segment	Valuation technique	Level 3 – Range of unobservable inputs (probability-weighted average)					Sensitivities in selling price per unit (USD'000)	Sensitivities in discount rates and cap rates/terminal growth rate (USD'000)				
		Valuation (USD'000)	Discount rate	Cap rate	Terminal growth rate	Selling price per unit (USD)						
Operating real estate projects	Discounted cash flows	13,328 *	15%	14.50%	N/A	N/A	N/A	Change in discount rate				
								-1% 0% 1%				
								Change in cap rate	-1%	14,014	13,477	12,982
									0%	13,851	13,328	12,845
1%	13,703	13,192	12,720									
Private equity	Discounted Cash flows	68,290 *	15%-16%	N/A	3%-5%	N/A	N/A	Change in discount rate				
								-1% 0% 1%				
								Change in terminal growth rate	-1%	70,786	65,444	60,898
									0%	74,332	68,290	63,214
1%	84,527	73,484	64,342									

* The difference between the balance of USD33.4 million reflected as level 3 real estate projects and operating assets on page 51 to the above balance of USD13.3 million, and the difference between the balance of USD112.2 million reflected as level 3 private equity on page 51 to the above balance of private equity of USD68.3 million, is due to the fact that different valuation methodologies are used in the level 3 valuations which reflect observable inputs such as an SPA or desktop valuation.

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

20. FINANCIAL RISK MANAGEMENT (continued)

(c) Fair value estimation (continued)

Specific valuation techniques used to value the Company's underlying investments include:

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

21. SUBSEQUENT EVENTS

This Interim Report and Condensed Interim Financial Statements were approved for issuance by the Board on 27 March 2019.

A dividend of 5.5 cents per share in respect of the half year ending 31 December 2018 was declared on 27 March 2019. The dividend is payable on or around 26 April 2019 to shareholders on record at 5 April 2019.

VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED

MANAGEMENT AND ADMINISTRATION

Directors

Steven Bates
Martin Adams (retired 10 December 2018)
Thuy Bich Dam
Huw Evans
Julian Healy (appointed 23 July 2018)

Registered Office

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Investment Manager

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Cayman Islands

Administrator and Corporate Secretary

Aztec Financial Services (Guernsey) Limited (from 1 November 2018)
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Guernsey GY1 3PP
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Northern Trust (Guernsey) Limited (to 31 October 2018)

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Registrar

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Independent Auditors

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Investment Advisor

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UK Marketing and Distribution Partner

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VINACAPITAL VIETNAM OPPORTUNITY FUND LIMITED

MANAGEMENT AND ADMINISTRATION (continued)

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