

Financial statements

**VinaLand Limited and its Subsidiaries**

Six months ended 31 December 2006

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## Chairman's statement

Dear Valued Shareholders:

We are pleased to present the interim report for VinaLand Limited (“VNL” or the “Company”) for the fiscal half year ended 31 December 2006.

The past half year was a solid one for VNL, aided by Vietnam's positive economic developments, government reforms, and a steady pipeline of investments.

Vietnam's GDP growth continued its upward trajectory, achieving the highest growth rate in five years of 8.17 percent. Foreign investors have been keen to notice the investment opportunities afforded by such growth, as foreign direct investment (FDI) surged to approximately US\$10bn over the full year.

Since VNL's admission to trading on AIM in March 2006, its investment manager, VinaCapital Investment Management Limited (“VinaCapital”) has created a substantial pipeline of potential projects covering a wide geographical area including Hanoi, Ho Chi Minh City, Da Nang and Nha Trang which focus on the residential, retail, commercial office, and leisure property markets. The fundamental economic and demographic circumstances in Vietnam, coupled with its young and dynamic population as well as the development of real estate laws protecting local and foreign occupiers of landed property, are creating substantial demand throughout the real estate sector.

VNL's net asset value per share was US\$0.98 as of 31 December 2006 and the portfolio now includes 14 projects, covering a wide array of projects from hotels to mixed-use developments. Some projects are very large in scale, encompassing several types of developments in one site.

Given Vietnam's strong economic performance, the government's increasing commitment to reforms, and global interest in the Vietnamese real estate markets, we believe VNL will continue to perform well as the country moves forward

Thank you for your continued interest and support.

**Horst Geicke**  
Chairman  
VinaLand Limited  
15 February 2007

## Directors' report

### Directors

#### Horst Geicke

#### Chairman and Non-Executive Director

Mr. Geicke is the Co-Founder and Chairman of VinaCapital Group Ltd., an investment banking and investment management company with over US\$800 million in assets under management and owner of VinaCapital Investment Management Ltd., the Company's Investment Manager. He has over 25 years of investing and operating experience in China and South East Asia with considerable experience in Vietnam prior to VinaCapital having established a manufacturing plant and completed seven direct private equity investments in the country. Mr. Geicke also serves as Director for the Ho Chi Minh International School, the Sofitel Metropole Hotel Hanoi, Thang Loi Textiles, and a number of other listed and private companies in Asia and the United States.

Mr. Geicke was the President of the German Chamber of Commerce in Hong Kong for four years, and in 2005 he was President of the European Chamber of Commerce in Hong Kong. Mr. Geicke is a founding and active Director of the Hong Kong – Thailand Business Council, and he has been a member of the Trade and Industry Advisory Panel of the Government of the Hong Kong Special Administrative Region since 2004.

Mr. Geicke co-founder Pacific Alliance Investment Management Limited, an investment management business with over US\$550 million in assets under management. Mr. Geicke is a director and member of the investment committee for Vietnam Opportunity Fund Limited, Pacific Alliance Asia Opportunity Fund Limited and ARC Capital Holdings Limited, all of which are listed on AIM.

#### Don Lam

#### Non-Executive Director

Mr. Lam is Co-Founder and Managing Partner of the VinaCapital Group. He has overseen the company's growth from manager of a single, \$10 million fund in 2003, into a full-featured investment house managing three funds worth \$800 million and offering a complete range of corporate finance and real estate advisory services. In the last year, Mr. Lam has brought two new funds to the market: the \$205 million VinaLand Limited, which invests in Vietnamese real estate assets; and the DFJ VinaCapital Fund, a venture capital technology fund managed in cooperation with Draper Fisher Jurvetson. Mr. Lam recently concluded a sixth round of fundraising for VinaCapital's first fund, the Vietnam Opportunity Fund, attracting over \$300 million in subscriptions.

Before founding VinaCapital, Mr. Lam was Partner at PricewaterhouseCoopers ("PwC") Vietnam, where he led the Corporate Finance and Management Consulting practices throughout the Indochina region (Vietnam, Laos, and Cambodia). Among the transactions he directed while at PwC were equitizations by numerous state-owned enterprises, market entrance acquisitions by foreign companies, and the initiation of debt and equity placements for Vietnamese companies. Mr. Lam has also held management positions at Deutsche Bank and Coopers & Lybrand in Vietnam and Canada.

With over 12 years of experience in Vietnam, Mr. Lam is an authority on investments, mergers & acquisitions, corporate restructuring, and privatizations. He is a frequent speaker at international investment seminars and was featured as “Mr. Wall Street” in Fortune Magazine. Mr. Lam holds a BA in Commerce and Political Science from the University of Toronto, Canada, and is a member of the Institute of Chartered Accountants of Canada.

### Nicholas Brooke

### Non-Executive Director

Nicholas Brooke is a Chartered Surveyor and a Fellow of the Royal Institution of Chartered Surveyors and the Chairman of Professional Property Services Limited which is a specialist real estate consultancy, based in Hong Kong, providing to clients a selected range of advisory services across the Asia Pacific Region. Mr. Brooke is a former President of the Royal Institution of Chartered Surveyors and was the first overseas surveyor to be accorded that honour. Mr. Brooke is a recognised authority on land administration and planning matters and has provided advice in these areas to several Asian governments as well as the US State Department. He is also a Justice of the Peace, and a former Deputy Chairman of the Hong Kong Town Planning Board and a former member of the Hong Kong Housing Authority. He also sits on the Boards of the Hong Kong Science and Technology Parks Corporation, the Hong Kong Cyberport Management Company Limited, is a member of the Hong Kong Harbourfront Enhancement Committee, and is the Chairman of the Hong Kong Coalition of Service Industries, which is the voice of the service sector in Hong Kong. He is also a member of the Election Committee responsible for the selection of the future Chief Executive of the Hong Kong SAR. In 1999, Mr. Brooke was awarded the Bronze Bauhinia Star by the Chief Executive of the Hong Kong SAR for his dedicated public service in Hong Kong, and in particular, his valuable contribution to the work of the Housing Authority. He is a Member of the Board of Review (Inland Revenue Ordinance) and an active member of Vision 2047, a group of long term Hong Kong residents dedicated to supporting and promoting Hong Kong and is the Chairman of Project Chambers, a grouping from the various professions who are involved in many community related initiatives. He is an Honorary Member of the American Institute of Architects and an Honorary Professor of the Universities of Hong Kong and Chongqing in China, an Honorary Fellow of the College of Estate Management, University of Reading and on 6 September 2004 was admitted as a Freeman of the City of London. Mr. Brooke also sits as a Non-executive Director on the Boards of a number of public companies including Shanghai Forte Land Company Limited, one of China’s largest residential developers and MAF Properties, one of Middle East’s leading shopping centre developers. Mr. Brooke has a degree in Estate Management and a Post Graduate Diploma in Business Administration from the University of London.

### Nguyen Khoong Tong

### Non-Executive Director

Mr. Tong is the founder and Group Managing Director of Bukit Kiara Properties, a premier real estate developer of lifestyle homes in Kuala Lumpur, Malaysia. As former Executive Director of Sunrise Berhad, a publicly listed real estate developer in Malaysia, he spearheaded the development of over 2,000 units of high-end residential homes and the master planning of Mont’Kiara, the most sought after expatriate suburb in Kuala Lumpur. He was strategic in creating the exit for his family shareholding at the end of 1996, just prior to the Asian financial crisis in 1997. Mr. Tong is also a founding partner of Acorn Communications Sdn. Bhd., a dynamic mid-size integrated brand communications consultancy, a member of the investment committee and an independent director of both KSC Capital, a dynamic unit trust management company in Malaysia, and Accelera Ventures, a boutique Pacific Rim growth fund in Hong Kong. He also serves as a National Council Member of the Real Estate and Housing Developers’ Association (REHDA), Malaysia and as an Executive Committee Member of the Young Presidents’ Organisation (YPO), Malaysian Chapter. Mr. Tong has a Bachelor of Arts degree in Architecture from the University of Manchester, United Kingdom, and a Masters of Business Administration degree, majoring in Real Estate, from the Wharton School, University of Pennsylvania, USA.

**Bruno Schoepfer****Non-Executive Director**

Mr. Schoepfer joined Mövenpick Holdings in 1997 as Managing Director of its Asia Pacific regional operations and was Chief Executive Officer and Managing Director of the Group from 1998 to 2003. Mr. Schoepfer is currently Chairman of Mövenpick Hotel and Resorts S.A., a Swiss premium hospitality company active in the 5-star hotel and 4-star business and airport hotel markets, a well-known hotel and restaurant brand in Europe. Prior to joining the Mövenpick Group, Mr. Schoepfer already held a distinguished career for over 20 years in luxury hotel management throughout Asia Pacific and Europe. He previously held senior positions in various leading international hotel groups including Mandarin Oriental, Shangri-la, and Radisson-SAS.

## The Advisory Panel

VinaCapital has established an advisory panel which consists of local investment specialists, business leaders and existing and former government officials as it deems appropriate from time to time to supplement the expertise of management team. The current appointees are described below:

### Dr. Jonathan Choi

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

### Markus Winkler

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

### William Vanderfelt

Mr. Vanderfelt is a highly experienced institutional investor with over 30 years of experience as Managing Partner of Petercam, the leading Benelux investment bank, in charge of Institutional Research and Sales. Mr. Vanderfelt is an experienced fund investor and acts as a board director of several listed funds. He is a passionate proponent of good corporate governance and will help the Company ensure that it maintains best practice in its corporate governance. His appointment to the Board will also create an even balance between its independent and non-independent directors. The Company aims to add one further independent director in the near future.

### Dennis Tan

Mr. Tan is the founder and group general manager of Value Hospitality Group, a hotel and golf course management and consultancy company in Malaysia that currently manages eight hotels, including the Everly Hotels in Miri and Bintulu, Sarawak, Beverly Hotel in Kota Kinabalu, Sabah, and the Prescott Hotels and Inns in Kuala Lumpur, Klang and Kajang. He was previously the chief executive officer of Pudu Sinar Sdn. Bhd., the owner of the Park Avenue Hotel (currently known as the Melia Hotel) in Kuala Lumpur and managed various businesses in various sectors, including financial leasing, construction and property development. Mr. Tan has successfully turned around seven hotels and a golf course. Mr. Tan has a Masters of Science and Bachelor of Science in Industrial Engineering from Purdue University in Indiana, USA.

## Administration

VinaLand Limited (“VNL” or the “Company”) is listed on the AIM Market of the London Stock Exchange plc. VNL’s share and price information is available on Reuters and on Bloomberg

### The Company

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

### Custodian, Administrator and Registrar/Receiving Agent

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

### Broker

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

### Legal Advisers

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

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

(Cayman Islands Law)  
Maples & Calder  
Ugland House  
P.O. Box 30967  
South Church Street, George Town  
Grand Cayman  
Cayman Islands

### Investment Manager

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

### Nominated Adviser

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

### Auditors

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

## Consolidated balance sheet

	Notes	31 December 2006 US\$ ( Unaudited )	30 June 2006 US\$
<b>ASSETS</b>			
Cash and cash equivalents	4	91,001,482	174,787,778
Interest receivable		1,162,973	662,068
Financial assets at fair value through profit or loss	5	7,654,941	4,382,670
Prepayments		400,448	4,316,738
Deposit for property project		20,000	-
Short-term loans to property project	6	5,794,832	-
Investment in associate	7	3,836,848	15,997,102
Investments in subsidiaries	8	64,808,108	-
Other investments	9	27,676,116	-
		<b>202,355,748</b>	<b>200,146,356</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
Accounts payable		2,489,035	1,563,235
<b>Shareholders' equity</b>			
Share capital	10	2,048,448	2,048,448
Additional paid in capital		196,414,163	196,414,163
Retained earnings		1,404,102	120,510
		<b>199,866,713</b>	<b>198,583,121</b>
		<b>202,355,748</b>	<b>200,146,356</b>
Number of shares in issue		204,844,779	204,844,779
Net asset value per share	11	0.98	0.97

## Consolidated statement of income

	For the period from 1 July 2006 to 31 December 2006 US\$ ( Unaudited)	For the year ended 30 June 2006 US\$
<b>Revenue</b>		
Interest income	3,744,072	1,872,705
<b>Expenses</b>		
Management fee	(1,994,700)	(1,204,498)
Custodian fee	(149,603)	(293)
Director fee	(49,998)	(29,301)
Professional fee	(72,550)	(469,784)
Other organisational fee	(193,629)	(48,319)
	<b>(2,460,480)</b>	<b>(1,752,195)</b>
<b>Net profit</b>	<b>1,283,592</b>	<b>120,510</b>

## Consolidated statement of changes in equity

	For the period from 1 July 2006 to 31 December 2006 US\$ (Unaudited)	For the year ended 30 June 2006 US\$
<b>Share capital</b>		
Balance as at 1 July 2006	2,048,448	-
Issue of shares	-	2,048,448
31 December 2006	2,048,448	2,048,448
<b>Additional paid in capital</b>		
Balance as at 1 July 2006	196,414,163	-
Issue of shares	-	202,796,331
Transaction costs associated with the share issue	-	(6,382,168)
31 December 2006	196,414,163	196,414,163
<b>Retained earning</b>		
Balance as at 1 July 2006	120,510	-
Profit for the period	1,283,592	120,510
31 December 2006	1,404,102	120,510
<b>Total shareholders' equity</b>	<b>199,866,713</b>	<b>198,583,121</b>

## Consolidated statement of cashflows

	For the period from 1 July 2006 to 31 December 2006 US\$ (Unaudited)	For the year ended 30 June 2006 US\$
<b>Cash flows from operating activities</b>		
Net profit	1,283,592	120,510
<i>Adjustment for:</i>	-	-
Interest income	(500,905)	(662,068)
<b>Net profit/(loss) before changes in working capital</b>	<b>782,687</b>	<b>(541,558)</b>
Increase in accounts receivable	(3,237,259)	(1,210,637)
Increase in other assets	3,916,290	(4,316,738)
Increase in accounts payable	925,800	1,563,235
<b>Net cash used in operating activities</b>	<b>2,387,518</b>	<b>(4,505,698)</b>
<b>Cash flows from investing activities</b>		
Interest received	3,237,259	1,210,637
Investment in associate	12,160,254	(15,997,102)
Investment in subsidiaries	(64,808,108)	-
Other investments	(27,676,116)	-
Investment in financial assets at fair value through profit or loss	(3,272,271)	(4,382,670)
Term-deposit and loans to property projects	(5,814,832)	-
<b>Net cash used in investing activities</b>	<b>(86,173,814)</b>	<b>(19,169,135)</b>
<b>Cash flows from financing activities</b>		
Proceeds from shares issued	-	198,462,611
<b>Net cash from financing activities</b>	<b>-</b>	<b>198,462,611</b>
<b>Net increase in cash and cash equivalents for the period</b>	<b>(83,786,296)</b>	<b>174,787,778</b>
<b>Cash at the beginning of the period</b>	<b>174,787,778</b>	<b>-</b>
<b>Cash and cash equivalents at end of the period</b>	<b>91,001,482</b>	<b>174,787,778</b>

## Notes to financial statements

31 December 2006

### 1. Corporate information

Vinaland Limited (“the Company”) was incorporated in the Cayman Islands as a company with limited liability. The registered office of the Company is PO Box 309GT, Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands. As at 31 December 2006 the Company has the following subsidiaries and associates:

	Proportion of ownership interest held
▪ Onshine Investments Limited	100%
▪ Vietnam Property Holdings Limited	100%
▪ Vietnam Property Limited	100%
▪ VinaCapital LongAn Industry Limited	100%
▪ Proforma Asia Limited	100%
▪ Greenstar Global Limited	100%
▪ Cypress Assets Limited	100%
▪ Bates Assets Limited	100%
▪ TungShing International Investments Limited	100%
▪ VinaCapital Danang Golf Course Limited	100%
▪ Prosper Big Investments Limited	75%
▪ Vina Properties Pte. Ltd	75%
▪ VinaCapital Danang Resorts Limited	75%
▪ VinaCapital Commercial Center Limited	75%
▪ VinaCapital Danang Resort Limited	75%
▪ Maplecity Investments Limited	75%
▪ ThangLong TungShing Company	70%
▪ Henry Enterprise Group Limited	62%
▪ 21st Century International Development Company, Inc.	62%
▪ Société à Responsabilité Limitée Hotelière de l’Opéra	53%
▪ Dong Hai Real Estate & Tourism Joint Stock Company	30%

The principal activity of the Company is to engage in property investment and development in Vietnam and the surrounding Asian countries with the objective of providing shareholders with an attractive level of income, together with the potential for income and capital growth, from investing in a diversified portfolio of mainly Vietnamese property.

## 2. Principal accounting policies

### Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as developed and published by the International Accounting Standards Board (IASB) with an exception on the consolidation method as described in the consolidation note below and in notes 7 and 8 to the consolidated financial statements. The financial statements have been prepared on the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities at fair value through profit or loss.

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

### Consolidation

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

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

As at the date of this financial statement the financial information of subsidiaries as at and for the half year ended 31 December 2006 are not available therefore full consolidation of these subsidiaries were not performed. Investments in these subsidiaries were accounted at costs in the Group's financial statements. This is a non compliance with the IAS 27 – Consolidated and Separate financial statements.

Due to unavailability of financial information of associates as at 31 December 2006, the investments in associates were accounted at costs in the Group's financial statements. This is a non compliance with the IAS 28 – Investment in associates.

**Functional and presentation currency**

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

**Foreign currency translation**

The accounting records of the Company are maintained in United States Dollars. Transactions in currencies other than the United States Dollar are translated at the exchange rates that approximate those prevailing on transaction dates. Monetary assets and liabilities denominated in currencies other than the United States Dollar are translated at the balance sheet date into United States Dollars at exchange rates that approximate those prevailing on that date. All exchange gains and losses are recognized separately in the statement of income.

**Financial assets**

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

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

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

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

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a

debtor with no intention of trading the receivables. Loans and receivables are subsequently measured at amortized cost using the effective interest method, less provision for impairment. Any change in their value is recognized in profit or loss. Trade receivables are provided against when objective evidence is received that the Company will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows.

#### **Other investments**

Other investments comprising legal and administrative expenditures for establishment of legal entity in which is directly invested by the Company.

#### **Cash and cash equivalents**

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

#### **Interest and dividend income**

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

#### **Equity**

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

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

### **3. Risk management objectives and policies**

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

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

#### **Foreign currency risk**

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

#### **Price risk**

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

#### **Credit risk**

The carrying amounts of financial assets shown on the face of the balance sheet best represent the maximum credit risk exposure at the balance sheet date. There were no significant concentrations of credit risk to counter-parties at 31 December 2006.

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

#### Cash flow and fair value interest rate risks

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

#### 4. Cash and cash equivalents

	<b>31 December 2006</b>	30 June 2006
	<b>US\$</b>	US\$
Cash	<b>25,228,383</b>	102,033,955
Time deposit	<b>65,773,099</b>	72,753,823
	<b>91,001,482</b>	174,787,778

#### 5. Financial assets at fair value through profit and loss

	<b>31 December 2006</b>	30 June 2006
	<b>US\$</b>	US\$
Bonds	<b>7,499,294</b>	4,382,670
Unlisted share (200,000 shares of Baria Vung Tau Tourist Co.)	<b>155,647</b>	-
	<b>7,654,941</b>	4,382,670

#### 6. Short-term loans to property projects

	<b>31 December 2006</b>	30 June 2006
	<b>US\$</b>	US\$
Short-term loans to Vina Properties (for Omni Hotel project)	<b>1,040,000</b>	-
Short-term loan to Kinh Do Real Estate (for Dong Hai Hotel)	<b>4,754,832</b>	-
	<b>5,794,832</b>	-

#### 7. Investments in associates

As at 31 December 2006, the Company held 30% equity interest in Dong Hai Real Estate and Tourism Company, a company incorporated in Vietnam. The principal activity of Dong Hai Company is to engage in hospitality.

	<b>Ownership</b>	<b>31 December 2006</b>
	<b>%</b>	<b>US\$</b>
Dong Hai Real Estate & Tourism Joint Stock Company	30	<b>3,836,848</b>
		<b>3,836,848</b>

Due to unavailability of financial information of Dong Hai Real Estate and Tourism Company as at 31 December 2006, the investment in this associates were accounted at costs in the Group's financial statements. This is a non compliance with the IAS 28 – Investment in associates.

#### 8. Investments in subsidiaries

	<b>Ownership</b>	<b>31 December 2006</b>
	<b>%</b>	<b>US\$</b>
Henry Enterprise Group Ltd. - Century 21 project	62	<b>22,510,109</b>
VinaCapital Danang Golf Course Ltd. – Danang Golf	100	<b>1,630,800</b>
VinaCapital Danang Resort Ltd. – Danang Resorts	75	<b>1,630,800</b>

Vina Properties Pte. Ltd. - Hilton Hotel project	53	<b>32,536,404</b>
TungShing International Investments Ltd. - Hanoi Opera	70	<b>6,499,995</b>
		<b>64,808,108</b>

As at the date of this financial statement the financial information of the above subsidiaries as at and for the half year ended 31 December 2006 are not available therefore full consolidation of these subsidiaries were not performed. Investments in these subsidiaries were accounted at costs in the Group's financial statements. This is a non compliance with the IAS 27 – Consolidated and Separate financial statements.

## 9. Other investments

	Ownership	31 December 2006
	%	US\$
Onshine Investments Ltd - An Phu project	70	<b>2,309,952</b>
VinaCapital LongAn Industry Ltd - Long An project	80	<b>985,968</b>
Onshine Investments Ltd - Binh Duong project	70	<b>404,687</b>
Onshine Investments Ltd - Central Garden project	100	<b>3,940,225</b>
Onshine Investments Ltd - Eden Plaza project	70	<b>227,037</b>
VinaCapital Commercial Center Ltd - 9ha Danang site	100	<b>3,100,000</b>
Proforma Asia Ltd - Dien Phuoc Long, District 9 project	84	<b>543,457</b>
Proforma Asia Ltd - Quoc Te project, District 9	84	<b>603,978</b>
Greenstar Global Ltd - Vinh Thai, Nha Trang project	68	<b>15,560,812</b>
		<b>27,676,116</b>

## 10. Paid-in capital

	31 December 2006
	US\$
Authorized: 500,000,000 ordinary shares with par value of US\$0.01; issued and fully paid: 204, 844,779 shares	<b>2,048,448</b>
Additional paid in capital	<b>196,414,163</b>
	<b>198,462,611</b>

## 11. Net asset value per share

The calculation of the net asset value per share is calculated based on the net asset attributable to the shares as at 31 December 2006 of US\$199,866,713 or US\$0.98 per share.

## 12. Taxation

The Company is exempt from income tax pursuant to the Tax Concessions Law (1999 Revision) of the Cayman Islands.

## 13. Fees

### Management fee

VinaCapital is entitled to receive an aggregate annual fee from the Company payable monthly in arrears at the rate of 2.0 percent of the net asset value of the Company.

### Custodian, Administration fee

HSBC is appointed as custodian of the assets of the Company and as administrator of the Company. HSBC is entitled to receive an annual fee from the Company at the rate of 0.15 percent of the net asset value of the Company.

### Directors Fee

The fees payable to the Chairman and the other Directors are subject to the amount of \$10,000 each per annum. These fees may be waived at the discretion of each Director.